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ASSESSING SMALL BUSINESSES TAX CONTRIBUTION TO REGIONAL DEVELOPMENT

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Abstract

Small businesses are a strategic resource for the development of territories. To prepare a budget forecast it is important to be aware of objective information about the value of a certain segment's contribution to the economy of territories. It is urgent to form a theoretical, methodological, accounting information data base for the analysis and assessment of tax revenues from small business subjects (SBS) activities. To determine the value of SBS tax contribution it is necessary to consider actual tax revenues from taxpayers applying special taxation scheme. SBS tax contribution under the standard taxation scheme remains unaccounted. Thus, we propose to differentiate between special and total SBS tax contribution. To develop the theoretical basis of SBS tax contribution, it is essential to explain not only the concept of "SBS tax contribution", but also the concept of "SBS tax contribution monitoring". To assess tax contribution and effectiveness of SBS is impossible without monitoring tax contribution to socio-economic development of the Russian Federation. It is necessary to develop a conceptual base and effective methodologies for monitoring, taking into account the factors of internal and external environment impact enabling implementation not only of the analysis of tax revenues, but forecasting of tax contribution from SBS. The monitoring system of SBS tax contribution is appropriate to consider as an instrument of strategic control of territories and as one of the elements of tax administration system. Accounting SBS tax contribution involves extensive and intensive directions of development of SBS tax potential in the region.

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1. Introduction

SBS contribute significantly to the improvement of the country's innovative potential, as well as an increase in the economic growth, reduce unemployment and social tension, determine the level of well-being of the population. In developed countries, the share of SBS in GDP is about 50-60 %, in Russia - 22% (Troyanskaya, 2017). Table 1 presents comparative characteristics of small, medium and large enterprises in Russia (Makarova, Zubko, Bestuzheva, Chusov, & Surkova, 2016).

Table 01. Comparative characteristics of small, medium and large enterprises in Russia

Parameters	Small businesses	Medium businesses	Large businesses
Target orientation	Survival, employment (for more mature subjects - growth)	Survival, growth, development	Profit maximization, sustainable development, growth, capital accumulation
Degree of flexibility	High	Average	Low
Labour relations	Vulnerability of labor. Focus on family production units.	Protection of workplaces by the system of labor relations, agreements, trade unions	
Attraction and use of resources	Mostly, family and locals	Active use of external resources	
Attitude to external environment, official institutions	Avoiding open clashes with the state	Active use of official instruments, protection of own interests	
Planning activities	No marketing research, short-term planning	Irregular planning, non-systematic marketing research	Long-term planning

A comprehensive and stable state support is the key to success in the development of small business; it stimulates the desired economic behavior and mitigates negative manifestations in the activities of these entities (table 2) (Zemlyanskaya, Gorelova, Chub, & Surkova, 2018).

Table 02. Advantages and disadvantages of small business sector in Russia

Advantages	Disadvantages
Low expenses, high turnover of funds, small start-up capital	Lack of their own working capital, difficulties in raising funds and obtaining loans
Quick adaptation to external conditions, high adaptability to market changes	Unstable situation on the market, a high level of risk
Great opportunity to realize their own ideas and abilities (creative self-realization), independence	Incompetence of managers, lack of planning and marketing research
High efficiency	Poor returns, limited prospects for growth

The state supports SBS activities through the following tools: providing tax benefits and preferences, preferential bank lending, creation of information and advisory as well as scientific and technical centers, developing the insurance system. Small business development in context of strategic management of territories involves assessing contribution of this sector to the economy, which needs to determine indicators of such impact and their justification (Kleiner, 2015; Musaeva, Suleimanov, Isaeva, & Pinskaya, 2015). Indicators of business development used in modern practice include the number of SBS, turnover of

enterprises, average number of employees, investments in fixed capital, but they cannot fully contribute to forecasting the development of this economic sector. The situation with the professional sphere of SBS activity is unclear, according to statistics of self-employed citizens. The Russian economy is among the largest in the world, but a significant structural imbalance towards the energy sector as well as territorial one towards certain regions (Moscow, St. Petersburg, regions of oil production and processing), combined with a significant economic stratification of the population are reflected in the structure of small and medium-sized businesses by type of activity (Molodykh & Rubezhnoy, 2017; Pechenskaya, 2018).

The urgent need for today is to specify indicators of SBS activities, enabling not only assessment of the scale of these economic entities' activities, but also their contribution to the development of territories where such activities are conducted. One of the indicators developed in modern theory and practice is **SBS tax contribution**. To determine tax contribution of these entities is important for planning regional budgets, assessment and forecasting of their economic development, working-out directions for state and regional economic policy. Currently, the theory of SBS tax contribution is not sufficiently elaborated, which necessitates identifying the essence of SBS tax contribution, definition of its boundaries and sources of formation. The latter requirement determines systematic monitoring of SBS activities, enabling informed decisions on their functioning (Kireenko, Nevzorova, Kireyeva, Filippovich, & Khoroshavina, 2018).

2. Problem Statement

The complexity of assessment of SBS tax contribution is due to the lack of relevant conceptual framework and theoretical basis of the study. The term "tax contribution" in the economic literature is often replaced by concepts of "tax revenues", "tax revenues", "tax potential". However, these concepts have different meanings. Existing in the modern economic literature explanations of the definition are presented in table 3 (Evstigneev & Viktorova, 2017; Sharov, Pinskaya, & Bogachev, 2018; Pinskaya, 2015).

Table 03. Interpretation of the concept "tax contribution"

Authors	Definition
Plakhov A.V.	Actual level of the enterprise (industry) impact on the economy through fiscal mechanisms in terms of ensuring the specific socio-significant effect
Maloletko D.N.	Share of tax revenues in the consolidated budget
Shestakova Yu.N.	Indicator characterized by the ratio of tax revenues amount to the total amount of budget revenues, which allows assessing the degree of industry influence on the budget revenues
Surkova V.V.	Share of taxes and fees in the structure of total tax revenues in the budgets of the territories

SBS contribute to the formation of revenue part of the state budget in the form of tax revenues. It is obvious that the ratio of tax revenues of the segment being studied of economic entities to the total amount of tax revenues of the consolidated budget of the state can be interpreted as SBS tax contribution. Let us note there are two circumstances leveling the possibility to use this approach to determine the desired value. First, the procedure for assessing tax contribution of SBS involves reliable data, which is currently impossible, since tax revenues from SBS applying special taxation scheme are sent to local budgets. All

SBS payments under the standard taxation scheme, bypassing the local budget, enter higher budgets, which leads to the problem of determining the total tax contribution of these entities, since the tax contribution of such entities remains unaccounted. Secondly, special attention should be paid to the tax on personal income paid by tax agents, when it comes to labor relations, regardless of tax regime. This tax is budget-forming for local budgets, but is not taken into account when assessing SBS tax contribution. Although the role of SBS in providing jobs to the economy is considered important. This circumstance makes it necessary to reform the tax and budget legislation in terms of redistribution of powers between the authorities, as well as granting the right to local governments to set tax rates in relation to SBS. SBS tax contribution should become one of the attributes of financial transparency of their actual contribution to the formation of budgets from the standpoint of fiscal, tax and socio-economic effect of the activities of these entities (Steshenko & Tikhonova, 2018).

3. Research Questions

SBS tax contribution under the standard taxation scheme remains unaccounted. For this reason, tax contribution of these entities should be differentiated between special and total one. For the purposes of this study, the tax contribution will be understood as the share of taxes and fees in the structure of total tax revenues in the budgets of the territories. Accordingly, special tax contribution should be understood as the share of tax revenues from the subjects of the studied sector, applying special taxation scheme in total tax revenues of the local budget. Total tax contribution represents the share of all possible tax revenues from these entities in tax revenues of the consolidated budget (Pinskaya, 2010; Pinskaya & Kolesnik, 2016)

To obtain reasonable conclusions, it is necessary to form a conceptual and methodological basis for monitoring SBS tax contribution. Tax monitoring is proposed as a primary research method of studying SBS tax contributions. As a form of tax control, tax monitoring has a completely different meaning than tax contribution monitoring. The system of monitoring SBS tax contribution should be considered as one of the elements of strategic tax management system. To develop theoretical background of monitoring SBS tax contribution, it is necessary to define the scientifically grounded concept of "monitoring SBS tax contribution". Under monitoring SBS tax contribution, the authors understand the organized process of tracking tax revenues from SBS, their dynamics with the final purpose of identifying the patterns of the status and development of SBS based on study subjects' observation, analysis of this status, control and forecasting. The process should involve several stages: observation, analysis, control, forecasting and planning. The stage of observation includes gathering the necessary information, primarily contained in data reporting from SBS. This information is provided to the tax authorities by the entities under study at the end of the tax period. Statistical bodies also collect data on the activities of SBS. Analysis of SBS tax contributions using economic and statistical methods will reveal characteristic features of tax payments, trends and patterns of changes, as well as relationship of economic processes with the formation of tax contributions. This process will make it possible to monitor SBS tax contribution, form adequate and reliable forecasts of tax revenues and determine line of development for the subjects of the sector under consideration.

4. Purpose of the Study

The purpose of the study is to substantiate the need to form a conceptual and methodological basis to determine SBS tax contribution to the budget system of territories to be accounted in the system of strategic planning of territory development.

5. Research Methods

The study is based on general scientific methodology, which involves dialectical method of knowledge, fundamental principles of scientific works by leading domestic and foreign economists, devoted to conceptual issues of the regional economy and taxation. Proposals developed in the study are based on the method of interregional theoretical generalizations of Russian and foreign experience of regional development, generalizations on the problems of financial relations and tax revenues. The research used modeling, forecasting, comparative analysis, economic and mathematical, statistical and other methods of studying, processing and generalization of information.

6. Findings

To conduct an effective analysis of tax contributions of the studied subjects, it is necessary to form and use reliable and objective information. The information formed by the Federal Tax Service and the Federal State Statistics Service of the Russian Federation is used as such data base. Analysis of SBS tax contribution is a set of techniques, procedures, methods of economic, mathematical and statistical analysis of tax and other financial indicators of SBS in order to determine the structure and dynamics of tax contribution, as well as the formation of forecasts. Analysis of SBS tax contributions using economic and statistical methods will reveal characteristic features of tax payments, trends and patterns of changes, as well as the relationship of economic processes with the formation of tax contributions. In order to implement the concept of tax contribution monitoring, the notion of "tax forecasting" should be considered as a systematic activity of the competent authorities aimed at determining the potential size of tax contribution to the budget for a certain period of time, taking into account factors that affect the amount of tax revenues. This process will make it possible to monitor the tax contribution of small business subjects, form adequate and reliable forecasts of tax revenues and determine line of development for the subjects of the sector under consideration. The results of tax forecasting will enable us to formulate extensive and intensive directions of development of tax potential of SBS in the region; to specify a complex of actions to implement development of tax potential of SBS in the region. Extensive directions of development of SBS tax potential are associated with a quantitative increase in tax revenues to the regional budget. These include reducing arrears and the level of debt on taxes paid by SBS in the region; increasing tax revenues through increasing tax rates, reducing benefits; minimizing the scale of tax evasion; improving inter-budgetary relations, and others. Formation of the structure of tax potential of small businesses in the region can be attributed to the intensive areas of development of tax potential of SBS. These directions imply not only quantitative, but also qualitative transformation, which is possible with development of the small business sector in the region, increasing socio-economic indicators (RosStat, 2017).

7. Conclusion

The complexity of assessment of SBS tax contribution comes from the lack of relevant conceptual framework and theoretical basis of the study. The term "tax contribution" in the economic literature is often replaced by the concepts of "tax revenues", "tax revenues", "tax potential". However, these concepts have different meanings. In this study, the authors propose to understand tax contribution as the share of taxes and fees in the structure of total tax revenues in the budgets of the territories. Tax revenues from SBS, under special taxation scheme, are directed to local budgets. All SBS payments under standard taxation scheme, avoiding the local budget, are paid to higher budgets, which leads to the problem of determining the total tax contribution of small businesses, since the tax contribution of small businesses under the standard taxation scheme remains unaccounted.

The accounting of tax on personal income is still a separate problem of identification of SBS tax contribution. This tax is paid by tax agents for employees. The Russian tax system does not keep records of the share of personal income tax received from SBS, despite the fact that the contribution of these entities to the development of labor relations quality is obvious. This tax is budget-forming for local budgets but is not taken into account when assessing SBS tax contribution. It is necessary to consider SBS tax contribution to budgets of territories as special and total. A special tax contribution refers to the share of tax revenues from the subjects of the studied sector, applying special taxation scheme in the total tax revenues of the local budget. The total tax contribution represents the share of all possible tax revenues from the studied subjects in the tax revenues of the consolidated budget.

At the level of the subject, it is very important to assess the ratio of tax potential and actual tax contribution of SBS. Under the monitoring of SBS tax contribution, the authors understand the organized process of tracking tax revenues from SBS, their dynamics with the final purpose of identifying the patterns of the status and development of SBS on the basis of subjects' observation, analysis of this status, control and forecasting. Tax forecasting as an objectively necessary stage of monitoring SBS tax contribution is an assessment of tax potential of SBS and takes into account indicators of the regional forecast of socio-economic development.

The authors identified main directions of developing SBS tax potential in the region: extensive and intense. Extensive directions of development suggest only a quantitative increase in tax revenues from SBS by reducing the level of debt and arrears, as well as minimizing the scale of evasion of tax payment. Intensive directions involve qualitative change of SBS tax potential structure and development of the small business sector. Intensive directions include the expansion of information base of tax contribution and the structure of SBS tax potential in the region, the regulation of the system of inter-budgetary relations, etc.

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