FETDE 2020

International Conference on Finance, Entrepreneurship and Technologies in Digital Economy

EFFECTIVE TAX MANAGEMENT OF THE ORGANIZATION

Marianna Sergeevna Santalova (a)*, Irina Vladimirovna Soklakova (b),
Anna Alexandrovna Ievleva (c), Tat'yana Anatol'evna Elovatskaya (d)
*Corresponding author

(a) Academy of management and production, Moscow, Russia, santalova-m@mailo.ru
(b) Academy of management and production, Moscow, Russia, irinasok2011@yandex.ru
(c) Voronezh branch of Plekhanov Russian Economic University, Voronezh, Russia, anna.a.ievleva@mail.ru
(d) Voronezh branch of Plekhanov Russian Economic University, Voronezh, Russia, elovatan@mail.ru

Abstract

The article analyzes the fiscal burden of the organization, which allows to identify the need to optimize the current taxation of the company. Tax planning and its tools are the most important elements of the financial management system of an economic entity, which allows planning positive and negative tax flows in the organization's activities, planning the tax budget for the short and long term. The need to use tax tools in tax planning is dictated by two factors: the variability of regulatory legislation and the serious tax burden of the organization. The purpose of the research is to find the current content of tax relations, identify the main limitations of the practice of using fiscal instruments. The object of the research is the process of financial management of organizations in the current tax system. The subject of the research is the scientific and practical tools of the tax planning system at the micro level as a way to ensure the development and stimulation of financial and economic activities of organizations. The paper examines and applies various methods for calculating the tax burden of an organization (method of the Ministry of Finance of the Russian Federation, method of Kreinina M. N., method of Kirova V. A.) ; it concludes that it is necessary to manage properly fiscal instruments to improve the effectiveness of financial management. The authors ' achievements were accepted for execution in the organization under study.

Keywords: Tax analysis, tax burden, methods for calculating the tax burden, tax expenditures, tax liabilities, situational tax planning

1. Introduction

In the conditions of overcoming the consequences of the financial and economic crisis in the Russian Federation it is necessary to take all measures to ensure that the tax system has supported structural adjustment, sustainable economic development, provided the motivation for entrepreneurial activity in a given tax jurisdiction. This is largely facilitated by stability in the legislative, legal and tax spheres, which ensures a stable and predictable financial condition of organizations and targeted financial and tax management of its functioning (Santalova et al., 2013).

Tax planning and its tools are the most important elements of the financial management system of an economic entity, which allows planning positive and negative tax flows in the organization's activities, planning the tax budget for the short and long term.

The need to use tax tools in tax planning is dictated by two factors: the variability of regulatory legislation and the serious tax burden of the organization (Pavlova et al., 2018).

Insufficient theoretical elaboration of methodological approaches to applying tax tools in tax planning in practice indicates the need to apply incentives for effective tax management in order to maximize the financial and economic indicators of economic entities (Pinskaya et al., 2018). Therefore, in a market economy, a comprehensive study and modernization of theoretical and methodological aspects of tax planning in organizations is relevant, which allows you to model a financial management system that will allow you to quickly respond to changing business conditions with the help of legally permitted tax tools, stimulate and develop business. In the end, this will help to improve the efficiency of the country's tax system as a whole.

2. Problem statement

The purpose of the research is to find the current content of tax relations, identify the main limitations of the practice of using fiscal instruments. The object of the research is the process of financial management of organizations in the current tax system. The subject of the research is the scientific and practical tools of the tax planning system at the micro level as a way to ensure the development and stimulation of financial and economic activities of organizations.

3. Research methods

The methodological foundations of taxation are laid in the works of classics of economic theory (J. Galbraith, J. A. Hobson, F. Quesnay, A. Laffer, J. S. Mill, W. Petty, D. Ricardo, A. Smith, J. Stiglitz) and continued by a number of modern Russian researchers of tax problems (A.V. Bryzgalin, L. I. Goncharenko, G. M. Huseynova, A. L. Kolomiyts, A. D. Melnik, N. I. Malis, L. p. Pavlova, V. G. Panskov, S. G. Pepelyaev, M. R. Pinskaya, V. M. Pushkareva, N. V. Sukhorukova, D. G. Chernik, Etc.). M. A. Bogatyrev, O. V. Vrublevskaya, P. A. Kadochnikov, N. V. Milyakov, A. B. Paskachev, A. P. Pochinok, M. V. Romanovsky, F. F. Khanafeev and others made a significant contribution to the development of theoretical and practical bases for studying tax planning.

In some works of modern authors, there is an analysis of the prospects for using tax planning in enterprises or justification of the concept of tax potential of economic entities that are the largest taxpayers, from the perspective of tax administration goals. This study uses methods of systematic and comparative analysis, methods of calculating the tax burden as fiscal instruments for reducing the organization's costs for the purpose of effective management.

4. Results and discussion

The methodology for assessing the tax potential of an economic entity should take into account the specifics of embedding the tax component of the organization's commodity and monetary turnover in the structure of its economic activity, which is reflected in the taxpayer's financial statements accordingly (Bochkareva, 2018).

On the one hand, the accrual of tax liabilities by an economic entity is reflected in the financial results of its activities, while, on the other hand, their repayment (i.e., payment of tax payments) affects the taxpayer's cash flows. Therefore, there is a need to distinguish the impact of taxation not only on the results of economic activity, but also on the cash flow of an economic entity (Goncharenko & Arkhiptseva, 2017).

Today, in a dynamically developing market environment and its unpredictability, the most urgent issue is to reduce the tax costs of organizations, as part of their rational tax optimization, which helps to create the necessary stability for them (Gasieva, 2018; Goncharenko & Arkhiptseva, 2017). This, as a rule, allows you to prevent loss and improve the efficiency of economic activities. There is a fairly extensive list of tax planning methods, but the most widely used method is situational tax planning, since it is the simplest and most accessible for any organization. This method allows you to implement the planning process at the lowest cost. The method is based on the development of various situations, taking into account tax, contractual and other developments, covering all aspects of the economic life of the organization in several variants. Using the analysis options to select the best, on the basis of which formed the magazine of economic operations and assesses our financial results and tax payments. In conclusion, the analysis of profitability, solvency of the organization, as well as an assessment of possible tax risks is carried out. Tax analysis of an economic entity is performed to assess the tax burden of the organization, as well as to identify areas for optimizing the aggregate of taxable bases of the enterprise (Huseynova, 2019). These calculations are based on the example of a conditional organization that collects waste. The basis for the analysis is the accounting registers (analysis, working balance sheet) for accounts 68 "Calculations of taxes and fees and 69 "Calculations of social insurance and security". The amounts of accrued taxes (after calculating the corresponding deductions) and insurance premiums are shown in table 1.

Table 1. Dynamics of tax payments of the conventional organization for 2016-2018 years

Type of taxes	2016	2017	2018	Growth rate, %		
				2017 to 2016	2018 to 2017	2018 to 2016
Profit tax	6593.8	7012.1	7308.1	106.3	104.2	110.8
Value added tax	15198.1	16135.3	16986.0	106.2	105.3	111.8
Transport tax	105.3	177.9	204.1	168.9	114.7	193.8
Tax on property of organizations	1841.9	2164.2	2598.0	117.5	120.0	141.0
Land tax	3004.1	3659.0	3885.0	121.8	106.2	129.3
Insurance premium	9875.1	10250.4	11906.5	103.8	116.2	120.6
Total	36618.3	39398.9	42887.7	107.6	108.9	117.1

Note: In thousands of rubles.

Analysis of the table data shows that for the period from 2016 to 2018 the total amount of tax payments of the company increased by almost 17.1%. Moreover, there is an increase in the growth rate. So, in 2017 compared to 2016, there was an increase of 7.6%, and in 2018 in comparison with 2017 – by 8.9 %. The highest growth rates are observed for the transport tax (an increase of 93.8%) due to the acquisition and placing on the balance of new vehicles for the purpose of waste removal. Next in terms of growth is the corporate property tax (by 41 %), which was influenced by the fact that until 2019, vehicles were also included in the tax base for this tax. Land tax increased by 29.3%. There is an increase in insurance premiums to state social extra-budgetary funds by 20.6%. Since the rates of contributions has not changed, due to the fact that in the conditions of inflation the company has partly to increase wages to workers to compensate for rising prices. Value added tax increased by 11.8%, and corporate income tax-by 10.8%.

Let's analyze the structure of tax accruals presented in table 2.

Table 2. Structure of tax payments for 2016-2018 years

Type of taxes	2016	2017	2018	Deviation, +,-	
				2017 to 2016	2018 to 2017
Profit tax	18.01	17.80	17.04	-0.21	-0.76
Value added tax (VAT)	41.50	40.95	39.61	-0.55	-1.34
Transport tax	0.29	0.45	0.47	0.16	0.02
Tax on property of organizations	5.03	5.49	6.06	0.46	0.57
Land tax	8.20	9.29	9.06	1.09	-0.23
Insurance premium	26.97	26.02	27.76	-0.95	1.74
Total	100.00	100.00	100.00	0	0

Note: In percentage.

Based on the data in table 2, the largest share in tax accruals is taken by VAT, but at the same time there is a tendency to reduce its share from 41.50% in 2016 to 39.61% in 2018. This pattern may change starting in 2019 due to an increase in the basic VAT rate from 18% to 20%. The share of insurance premiums increased from 26.97% to 27.76% or by 0.79% due to the increase in wages due to inflation. The third place in tax revenues is occupied by income tax, but there is a tendency to reduce its share from 18.01% in 2016 to 17.04% in 2018, i.e. by 0.97%. There is an increase in the share of corporate property tax and the share of transport tax, but since the amount of these taxes is not significant, the change in their share will not have a significant impact on the tax burden. Next, we will analyze the dynamics of contributions to state social extra-budgetary funds (table 3).

Table 3. Dynamics of state social contributions to extra-budgetary funds

Type of insurance premium	2016	2017	2018	2018 to 2016
Insurance premiums total, of which:	9875.1	10250.4	11906.5	120.6
1. Social insurance fund	588.5	611.4	698.1	118.6
2. Pension Fund of the Russian Federation	7563.0	7826.9	8360.7	110.5
3. Federal medical insurance Fund	1723.6	1812.1	2847.4	165.2

Note: In thousands of rubles.

The dynamics of insurance premiums paid by the organization indicates an increased load on these payments by 20.6% over the study period, which is associated with an increase in the company's payroll. The goal of economic activity of almost any company is to maximize profits in order to stabilize its financial position (Zenkova & Mayburov, 2018). Therefore, organizations in their business activities often seek to reduce their tax burden (Ilyin, 2018). However, under certain circumstances, tax minimization becomes illegal (tax evasion, the use of special schemes), as a result, the taxpayer may face serious fines, penalties, and even criminal liability for economic crimes. As a result of this fact, financial management also assesses the risks associated with reducing and managing the tax burden. Federal law N 39 "About investment activity in the Russian Federation implemented in the form of capital investments" provides the following definition of tax burden: the estimated total amount of cash payable in the form of federal taxes (excluding excise taxes, value added tax on goods produced on the territory of the Russian Federation) and contributions to state non-budget funds (excluding contributions to the Pension Fund of the Russian Federation) (Pozdnyakova & Khmelevskaya, 2017).

Determining the rational use of financial resources of an organization, one of the most important indicators of its assessment is the amount of tax costs, and then the ways to reduce them legally are outlined (Imanshapieva, 2020). This will allow to manage overall costs efficiently. Effective management of the tax burden involves passing the preparation stage - information collection and analysis. When evaluating existing methods for determining the amount of tax payments, it is necessary to use an indicator that would allow comparing the level of taxation of enterprises operating in different areas of the economy. It is also necessary to indicate the situation in which there is a relationship between the total number of taxes, their rates and tax benefits and the possible results of economic activity of enterprises. Only then do tax expenditures give a real picture. To date, there is no single method for determining the tax burden. Methods for calculating the organization's tax burden are shown in table 4.

It is fair to note that personal income tax should not be included in the calculation of the organization's tax burden, since the company here acts as a tax agent, not a taxpayer. The same can be said about VAT and excise taxes: as indirect taxes, they are included in the price of goods, works and services provided and are actually subject to payment by the consumer of these goods. However, many authors emphasize the importance of taking indirect taxes into account when calculating the tax burden (Makarova, 2017).

Table 4. Methods for calculating the tax burden

Title	Procedure of settlements	Comments
1. Method of the Ministry of Finance of the Russian Federation	$TB = \dfrac{AT}{SP + NI}$	TB - tax burden; AT - amount of taxes paid for the analyzed period; SP - sales proceeds; NI - non-operating income.
2. Method Of Kreinina M. N.	$TB = \dfrac{S-C-P}{S-C}$	TB - tax burden; C - cost of production excluding taxes; P - profit without taxes paid from it. S - sales proceeds
3. Method Kirova V. A.	$TB = \dfrac{AT}{CL+P+AT}$	TB - tax burden; CL –the cost of labor ; P – profit of enterprises;. AT - amount of taxes paid for the analyzed period

Calculating the tax burden allows you to identify the need to optimize the current taxation of the company (Malis, 2019). If a positive decision was made to optimize taxation, then a subsequent analysis of factors that affected the current state of the tax burden is carried out: the dynamics of the tax base for each type of tax paid, the calculation of the share and dynamics of each tax in order to determine the most significant. This analysis will help to assess in detail the effectiveness of the applied tax regime, identify possible "tax reserves": excessively accrued and transferred tax amounts, the payment of which can be avoided by applying legal methods of tax optimization (Pinskaya et al., 2018). We have analyzed several methods for calculating the amount of tax expenses of an enterprise using data from a specific enterprise.

We will calculate the tax burden using the methodology of the Ministry of Finance of the Russian Federation in table 5.

Table 5. Calculation of the organization's tax burden using the methodology of the Ministry of Finance of the Russian Federation

Indicator	2016	2017	2018	Change, +,-	
				2017 to 2016	2018 to 2017
Sales proceeds (S)	187818	243300	296800	129.5	122.0
Non-operating income. (NI)	6374	7568	8395	118.7	110.9
Amount of taxes paid for the analyzed period (AT)	36618.3	39398.9	42887.7	107.6	108.9
Tax burden , %	18.86	15.70	14.05	-3.16	-1.65

Note: In thousands of rubles.

Preliminary calculations of the tax burden according to the method of the RF Ministry of Finance indicate a fairly loyal tax burden of an economic entity.

In the following methodological approach, authored by M. N. Kreinina, to determine the tax burden of an enterprise, it is necessary to show the source of compensation in each tax paid. Tax amounts that an enterprise pays to the state should be grouped, depending on the specific source of its compensation. Also, for each tax, a specific criterion is used to assess the specific weight of the tax burden in its overall structure.

This method explains the author's own position, which goes against the generally accepted opinion that taxes included in the cost of production are beneficial to the organization, since they reduce the profit and, accordingly, the amount of income tax. At the same time, the author proves that the decrease in profit affects the enterprise negatively, because it receives less release of necessary funds. This also affects the state budget, which does not receive the corresponding revenues (Pozdnyakova & Khmelevskaya, 2017). As a result, the company's profit becomes a common denominator, to which, according to this approach, the sum of all taxes can be reduced. It is usually suggested to proceed from a situation when the company does not pay taxes at all, and compare this situation with the real one. This determines the severity of the tax burden (Pavlova et al., 2018).

Let's highlight the main components of this methodological approach:

1. Indirect taxes (VAT and excise taxes) will not affect the determination of an enterprise's income, so they are not taken into account. When calculating taxes, it is necessary to compare them with the size of the company's debt obligations to creditors and with the balance sheet currency (Sukhorukova, 2019). The total value of tax payments must be correlated with the income from which they will be paid.

2. In this method, the author considers it important to show the impact of direct taxes on the economic performance of an enterprise, although the influence of indirect taxes is not taken into account here. While these taxes directly affect the company's profit indicator. In fact, it is very difficult for businesses today to determine whether a direct tax can be imposed, although it is possible to determine demand schedules for certain products.

The evaluation usually involves data that will mostly affect the size of demand (Chipurenko, 2018). The larger the number used in the calculation, the more accurate the curve will be for researchers. These calculations will be most accurate if they are applied to a specific enterprise (table 6). The calculations made in table 6 show how direct taxes are reflected in the results of economic activity of the enterprise, while the impact of indirect taxes on these results is not estimated.

Table 6. Calculation of the organization's tax burden by method of M. N. Kreinina

Indicator	2016	2017	2018	Change, +,- (2017/2016)	
				2017 to 2016	2018 to 2017
Sales proceeds (S)	187818	243300	296800	129.5	122.0
Production costs (C_p)	167758	175076	220408	104.4	125.9
Net profit (P)	7917	36963	33938	466.9	91.8
Tax burden, %	60.53	45.82	26.84	-14.71	-18.98

Note: In thousands of rubles.

Calculations using this method show a higher tax burden of an economic entity, but in this case, the dynamics clearly shows a tendency to reduce it.

A completely different picture is formed in another method of E. A. Kirova (table 7), in which, when assessing the tax costs of an enterprise, it is necessary to take data on revenue from sales of products as a basis for calculating the tax burden on the enterprise is not quite correct, since it is also necessary to distinguish the tax burden in absolute and relative values.

The organization's tax payments in these calculations were related to value added, and when tax expenses were calculated, depreciation charges were not taken into account.

The advantages of this methodological approach are the following: first, tax payments are related to the newly created value, and, most importantly, the tax burden is estimated relative to the source of tax payment. Second, when the value added index was determined, the taxes paid were not included.

Table 7. Calculation of the organization's tax burden using the method of E. A. Kirova

Indicator	2016	2017	2018	Change (2017/2016)	
				2017 to 2016	2018 to 2017
Tax payments, total (AT)	36618.3	39398.9	42887.7	107.6	108.9
The cost of labor (CL)	32917	34168	39688	103.8	116.2
The net profit (P)	7917	36963	33938	466.9	91.8
Tax burden, %	47.27	35.65	36.81	-11.62	1.16

Note: In thousands of rubles.

Let's sum up some results based on the results of calculating the tax burden of the organization, proposed by three methods. Let's make a summary table 8, based on the results of the analysis.

Table 8. Summary table of methods for determining the tax burden

Title	2016	2017	2018
Method of the Ministry of Finance of the Russian Federation	18.86	15.70	14.05
Method of Kreinina M. N.	60.53	45.82	26.84
Method of Kirova V. A.	47.27	35.65	36.81

Thus, comparing the results of calculating the tax burden, proposed by various methods, we get different indicators. These discrepancies are explained by various components of the formulas.

The methodology of the Ministry of Finance of the Russian Federation gives clearly understated results of the tax burden. More acceptable and economically justified is the method of E. A. Kirova, which includes social deductions, since they also affect the organization's activities to a certain extent through its personnel. The method of M. N. Kreinina is economically unsuitable, due to the fact that it underestimates the impact of VAT and this method is only an effective means of analyzing the impact of direct taxes on the financial condition of the organization. The huge impact of VAT on the amount of profit of the organization is also proved by the analysis of the structure of tax payments of the enterprise based on the actual accounting and tax accounting of the organization. According to the method of M. N. Kreinina, the degree of its influence is not reflected at all.

Each of the above methodological approaches to assessing the tax burden of business entities is applicable in its own way, but before you start selecting the methodology, you need really imagine what kind of indicator is required for a full analysis, which would link the amount of the tax burden of organizations with the possibilities of its optimization (Santalova et al., 2013).

Acknowledgement

References

Bochkareva, E. A. (2018). Tax potential as an element of the financial and legal mechanism for ensuring the balance of the budget system of the Russian Federation. *Thematic issue: Insurance premiums and personal income tax: complex issues from the practice of tax consulting, Yekaterinburg, 9*.

Chipurenko, E. V. (2018). *Tax burden of the enterprise: analysis, calculation, management*. Tax Bulletin.

Gasieva, Z. P. (2018). Problems and prospects of development of the tax system of the Russian Federation at the present stage. *Vestnik mgei, 2*, 17-23.

Goncharenko, L. I., & Arkhiptseva, L. M. (2017). Tax potential: factors of formation and development. *National interests: priorities and security, 6*, 21-28.

Huseynova, G. M. (2019). Tax expenditures "Make work pay": solving the problem of regressive nature of tax benefits. *Taxes and Finance, 3,* 38-42.

Ilyin, A. Yu. (2018). Tax benefit: concept, criteria for evaluating the basis and justification. *Taxes (newspaper), 1*.

Imanshapieva, M. M. (2020). Tax planning and forecasting at the macro level for the main Federal taxes (on the example of the Republic of Dagestan). *Taxes and taxation, 1*, 29-45.

Makarova, N. N. (2017). Evaluation indicators of the developed accounting policy of an economic entity for tax optimization. *Audit and financial analysis, 4*, 12-19.

Malis, N. I. (2019). Approach to the application of tax benefits should be weighted. *Taxes and Finance, 2,* 37-42.

Pavlova, N. S., Burilova, Y. B., & Nikolaeva, B. S. (2018). The impact of taxation on financial and economic activity of the enterprise and its evaluation. *Economics and entrepreneurship, 3*, 717-719.

Pinskaya, M. R., Bauer, V. P., & Sorozhikhin, V. V. (2018). *International taxation: monograph*. Tsifra-M.

Pozdnyakova, T. A., & Khmelevskaya, V. V. (2017). Essence, content and form of materialization of the tax potential of the territory. *Management of economic systems, 8*, 42-54.

Santalova, M. S., Rodionov, E. V., Sibiryatkina, I. V., & Popov, E. V. (2013). Conditions of formation of new quality of growth of economic systems. *World Applied Sciences Journal, 27*(6), 785-789.

Sukhorukova, N. V. (2019). Optimization of the tax planning system of economic entities. *Taxes and Finance, 2*, 7-15.

Zenkova, E. V., & Mayburov, I. A. (2018). The need for tax equalization of business conditions. *Taxes and financial law, 5*, 38-45.