



Available online at <http://jess.esrae.ru/>

“Journal of Economics and Social Sciences”



Consolidation group taxation in Russia: special aspects and development path

Tomsk Polytechnic University

Natalia Kuzmina ^a, Irina Dolgih ^b, Magipervas Abushaeva^c

^aInstitute of Humanities, Social Sciences and Technologies, Tomsk Polytechnic University

^bInstitute of Humanities, Social Sciences and Technologies, Tomsk Polytechnic University

^cInstitute of Humanities, Social Sciences and Technologies, Tomsk Polytechnic University

Abstract

This article investigates taxation of consolidation groups in Russia. Production infrastructures, initial level of development of the regions, system of taxation affect the socio-economic development of the regions and our country. The system of taxation of consolidated groups is borrowed from foreign tax systems. This new tax tool has a lot of restricts, for example value of assets, revenues, VAT amount, excise duty. Also, the formula for profit share calculation is not effective. That's why; taxation system of consolidated groups should be improved. The article explains what special aspects and development path of consolidation groups system can be changed. Changes can positively influence on socio-economic development of the regions and our country.

Keywords: Consolidated group of taxpayers, taxation, organizations, profit.

1. Introduction

A lot of foreign and Russian scientists pay great attention to social and economic development of every region. All investigations come to one conclusion – production infrastructure, market price of natural minerals, business climate, investment attractiveness, ability to create and implement innovations, taxation system of economic entities influence social and economic development of every region and country.

Federal Law № 321-FZ of the Russian Federation of 16 November 2011 concerning the Introduction of Amendments to Parts One and Two of the Tax Code of the Russian Federation in Connection With the Creation of a Consolidated Group of Taxpayers add concept of consolidated taxpayers group [1].

2. Author Artwork

The special order of taxation of consolidated groups is borrowed from the tax systems of the developed foreign countries. Increase in region's revenue, increase in competitive capacity of enterprises on Russian and world market, social and economic development – are the main objectives of these changes [3].

Consolidated taxpayers group (CTG) – it is voluntary union of tax payers aiming to compute and pay profit tax based on the aggregated financial result.

Russian system of consolidated group taxation has a lot of special aspects:

- Companies can consolidate only in relation to corporate profit tax.
- There are a lot of restrictions to create single taxpayers because of very little experience in the use of this kind of tool.

This tax tool is very attractive because:

- There appears possibility of reallocation of resources among consolidated taxpayers group;
- Tax burden decreases at the cost of profits and losses corporate members;
- Creation of the consolidated group of taxpayers is one of the most preferable options of protection of the largest companies from new rules of control of transfer pricing [2];
- Consolidated taxpayers group operate more effectively using synergetic effect.

There are special requirements for potential consolidated group:

- The total amount of value added tax, excise duties, tax on profit of organizations and tax on the extraction of commercial minerals paid during the calendar year, preceding the year in which documents are submitted to the tax authority for the creation of the consolidated group of taxpayers, not including amounts of taxes paid for bringing the goods across the customs border of the Customs Union, should be not less than 10 billion roubles.

- The total amount of profit from the sale of goods and products, the performance of work services, and from miscellaneous income shown in accounting (financial) papers for the calendar year preceding the year in which documents are submitted to the tax authority for the registration of the consolidated group of taxpayers, is not less than 100 billion roubles.

- The total amount of assets shown in accounting (financial) papers at 31 December of the calendar year preceding the year in which documents are submitted to the tax authority for the purpose of the registration of the consolidated group of taxpayers is not less than 300 billion roubles.

- A consolidated group of taxpayers may be created on condition that one organization has a direct and (or) indirect participation in the charter (pooled) capital of the other organizations and the size of such participation is not less than 90 per cent. This condition must be fulfilled during the entire term of the creation of the consolidated group of taxpayers.

- A consolidated group of taxpayers shall be created for not less than two tax periods.

There are restricts for the establishment of a potential consolidated group. The following organizations may not be the members of a consolidated group of taxpayers:

- 1) Organizations which are residents of special economic zones;
- 2) Organizations which apply special tax regimes;
- 3) Banks, except cases when all the other organizations in the group are banks.
- 4) Insurance organizations, except when all the other organizations in the group are insurance organizations.
- 5) Non-State pension funds, except when all other organizations in the group are non-State pension funds.
- 6) Professional participants in the security market which are not banks, except when all the other organizations in the group are professional participants in the security market which are not banks.
- 7) Organizations which are members of another consolidated group of taxpayers.
- 8) Organizations which are not taxpayers of tax on profit of organizations.
- 9) Organizations which carry out educational and (or) medical activities and use a 0 per cent tax rate for tax on profit of organizations.

10) Organizations which are taxpayers of the gaming tax.

11) Clearing organizations.

There are some special aspects in relation to income tax base formation:

1. Income tax is defined as consolidated profit decreased by losses of corporate members;

2. Doubtful debt reserves exclude debts between corporate members;

3. Losses of corporate members prior to consolidation are ignored;

4. Reserves of guarantee overhaul and service operation exclude realization between corporate members.

Profit share of every CTG member depends of average number of employees (or salary budget) and the value of every CTG member.

At the moment, tax revenues are redistributed between regions, where basic infrastructure and management companies are focused [4]. More than, tax revenue decreases in regions where parent companies are focused, those are Moscow and Saint- Petersburg.

As a result, tax revenue increased to 53 billion roubles in 65 regions, but 18 regions of Russia lost tax revenue up to 61 billion rubles. Consolidated tax revenue lost 8 billion rubles. As result of this losses and economic depression the system of CTG stopped functioning.

Subsequently, taxation system of CTG should be improved. Development path of this tool can go in a certain way:

1 Added value should be included in the profit share calculation formula of every corporate member. It is necessary for effective solutions of company members. This will increase the profit of any company.

2 Losses of included corporate members should be taken in the amount of 50%.

3 Profit tax of CTG should be divided in two parts: transfer of minimal constant profit tax to the budget of region and transfer of balance profit tax to the budget of region, where basic infrastructure and employees are focused.

4 Stiff requirements for consolidated assets value, revenues, VAT amount, and excise duty should be decreased.

3. Conclusion

The introduction of the consolidated taxpayer institution has revealed a number of problems. The main problem is redistribution of tax revenues between the budgets of the constituent entities of the Russian Federation, which created difficulties with the implementation of expenditure commitments in many regions. Improvement of tax legislation stems from the need to analyze the introduced mechanism and identify its impact on taxpayers, and the revenues of federal and regional budgets.

Finally, consolidated taxpayers group`s creation and functioning shall be cross-use for taxpayers and government. A change in tool of formation and distribution of profit leads to the improvement of competitiveness, increase of tax revenue and business facilitation in regions of Russian Federation. That`s why social and economic development of regions and our country can increase.

References

1. Tax Code of the Russian Federation, part one, part two. // Information and legal services Consultant Plus. http://www.consultant.ru/document/cons_doc_LAW_170634/?frame=4#p742. [accessed 25/02/2015].

2. Nepesov K. A. (2007). Tax aspects of the transfer pricing. Comparative analysis of the experience of Russia and other countries. Moscow: Wolters Cluver. P. 304.
3. Stepanova, N.A., Demidova, O.M. (2013). Unwritten rules of HR - management in Russia. *Journal of Economics and Social Sciences*, Vol. 2 No. 2, p. 54-56. [available at: <http://jess.esrae.ru/4-22>] [viewed on 19/03/2015]
4. Kosachev U. V. (2004). The economic and mathematical models of the efficiency of the financial and industrial structures. Moscow: Logos. P. 248.