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Taxation issues facing small business in the Russian Federation

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Abstract

The paper outlines the issues related to the taxing facing small businesses in the Russian Federation. The foreign experience concerning the effectiveness of small business taxation was also studied. The relevance relates to the study of the issues of small business development in Russia and the economy as a whole. The purpose of the work is to analyze foreign experience in the sphere of small business management and to solve some problems of its development in Russia. Research methods are descriptive, analytical, and structural method that allowed analyzing the existing foreign practices in the sphere of supporting and functioning of small business abroad as well as problems preventing the development of small business in Russia. The paper examines some problems of taxation facing small enterprises. The foreign experience of tax system functioning of small enterprises is analyzed. Comparing the basic principles of the functioning of tax systems in Russia and abroad, the main tasks of reforming modern taxation in Russia are identified.

Key words: Small business, tax benefits, economic growth, effective taxation system.

1. Introduction

Small business is an integral part of large-scale production. It allows more efficient use of local resources and waste from large enterprises creates new additional jobs, redistributes production costs in a significantly short investment cycle. It has become a reliable source of cash income to state off-budget funds and budgets of all levels. It contributes to the formation of the middle class, which is a guarantor of political stability in modern society [1].

The taxation study of small forms of entrepreneurship has been devoted to a huge number of scientific papers dealing with various aspects of this subject, however, studies devoted to specific areas of modernization of small business taxation in Russia based on the experience of foreign countries are small.

2. Discussion

For the moment, small business is an important element of the growth not only of the national economy of any state, but of the entire world economy as a whole. Taxation is the main financial instrument regulating the relations of large, medium and small businesses with the state. In the current market, the main task of taxation is to supply the state with the financial resources necessary

to solve social and economic problems. At the same time, taxation should not prevent the increase in the production of goods and services, the growth of employment of the population.

As the world practice shows, small and medium business play one of the main roles in ensuring economic growth and employment of the population.

However, the role of small business in the Russian economy remains very small. The share of small enterprises in Russia's GDP, on equal terms, as well as the employment of the population at such enterprises are extremely small compared with those of economically developed countries. If we talk about priority sectors of the economy, such as the development and implementation of innovative technologies, industrial production and applied science, it should be emphasized that in Russia the share of small enterprises operating in these industries remains insignificant. The Russian small business is concentrated, mainly, in the sphere of services and trade. Thus, small business today does not play a significant role in the economic development of our country. The contribution of small business to the financial resources of the state is also insignificant. In 2016, tax revenues from two special tax regimes designed for small businesses (a simplified taxation system and a single tax on imputed income for certain activities) amounted to about 900 billion rubles, or 1.8% of all revenues to the budget system of Russia .

In the West, the situation is quite different: small business is the direct source of growth in the country's economy. In economically developed countries there is a real cult of small business. That is why a significant part of American and European business is classified as "small" and "medium". According to the authors, one of the main reasons for the successful development of small business in the West is the effectiveness of the taxation system, holistic tax legislation and tax benefits from the state. Such a practice cannot but arouse a great interest in the foreign experience of building a system of taxation in the sphere of small business.

In most developed countries, small business is legislatively defined as a special subject of state regulation. The specifics of small business, namely its social and economic significance, determined the peculiarities of its taxation, which is oriented toward long-term goals of economic development and is tied to the actually existing economic proportions within this sector. The policy of economically developed countries is aimed at creating a favorable macro- and microeconomic environment equally for enterprises of any size. However, in fact in the field of taxation of these countries, small and medium-sized enterprises are identified as a separate category.

Considering the category of "small enterprise", in our opinion, it is necessary to rely primarily on quantitative indicators, such as the maximum number of employed people in the enterprise and the amount of revenue

In a number of countries, in addition to quantitative criteria for classifying enterprises as small businesses, there are also special qualitative criteria that translate a small enterprise into a preferential category, such as the United States and Great Britain. In the United States, the criteria for classifying small businesses very often vary depending on the industry. So, for each state, sphere of activity, form of ownership and financial indicators, there are methods of optimizing the tax regime. As for the problem related to the criteria for determining small enterprises in our country, I would like to note that the Russian tax system has a significant drawback - it does not take into account the ties between interdependent enterprises. To date, the situation is fairly common where a business belonging to one group of persons and actually functioning as a single enterprise does not in general satisfy the criteria for the number or turnover that allows applying the taxation regime for small businesses, is legally divided into a group of small ones to which a special regime is quite applicable [5]. There is an artificial fragmentation of the company, while companies cross-share in the creation of each other. Of course, the Tax Code of the Russian Federation takes into account the case of participation in

an enterprise applying for a simplified regime of other enterprises in a share exceeding 25% [4], but this, according to the authors, is insufficient measure. On the one hand, this leads to an increase in entry barriers to the market, on the other hand, to a legal concealment of taxes. In addition, inefficient use of resources is provoked due to the growth of transaction costs of crushing enterprises that do not reach the maximum effective scale of production. It should be noted that in the current international practice of taxation of small and medium-sized enterprises, there are two main approaches:

1) introduction against the background of a general national taxation system for tax breaks for small businesses for certain types of taxes (this usually refers to the corporate profit tax or value-added tax);

2) introduction of special taxation regimes for small businesses.

The Western system of taxation is holistic and does not lose this integrity when granting tax benefits, that is, the tax base for all enterprises is determined identically. Exceptions are only payments for the tax on imputed income, but, for example, in Europe, the circle of persons to whom such a privilege is available is very limited. In our country, everything is different. The existing special taxation regimes provided for in Ch. 26.2 and 26.3 of the Tax Code of the Russian Federation, and exemption from payment of value added tax on the basis of Art. 145 of the Tax Code of the Russian Federation actually make the domestic tax system unbundled. In practice, these benefits actually facilitate the situation of entrepreneurs engaged in retail trade and the provision of services to the public. Benefits that reduce the tax burden of those small businesses that are engaged, for example, in research and development and engineering, make it extremely unprofitable for other firms to have business partnerships with them [2]. Thus, an economic gap is created artificially between small and large enterprises.

Of course, one of the most significant direct benefits for small businesses is the reduction in the corporate income tax rate. The specificity of this benefit is that cases where the rate reduction is directly declared a tax benefit are quite rare. Usually lower rates of profit tax are introduced as an independent direction of the tax policy of certain countries, and are beyond the scope of establishing tax incentives [3].

3. Conclusion

In accordance with the above analysis, it can be concluded that the most acceptable and rational way out of this situation is the selection of an optimal system of taxation for small businesses.

It is necessary to form a consolidated position of the authorities and business on the regulation of fiscal policy. The activation of the business segment is correlated with the burden of the tax burden, and this dependence is direct. Accordingly, GDP growth at the level of 4-6% requires from the authorities relevant and most importantly transparent measures to reform tax legislation. Thus, the main task of reforming modern taxation in Russia is to create an integral tax system that would not prevent the formation of economic agents' connections at different levels and at different scales of production. To do this, it is reasonable to adopt the experience of Western European tax legislation, in which tax incentives for small businesses are not provided in a separate taxation regime, but as a separate element of the tax policy.

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