



## **Features of tax system for industrial park residents in Russia** **Tomsk Polytechnic University**

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### **Abstract**

Industrial parks are seen as an element of economic policy, targeted at enhanced economic development of regions and municipalities. Nowadays the number of industrial parks significantly grows. The paper reveals the requirements for being an industrial park resident in Russia. In this paper the examples of tax preferences and privileges in different regions as well as legal terms for getting a tax privilege are described. A tax benefits comparative study is conducted as part of this work. Moreover, the article includes the development of the conception of tax system reforming. Also the expected ecological, investment, economic, budget (financial) and social effects, which are caused by the tax system reforming, are emphasized in the conclusion of the work.

**Keywords:** industrial parks, special economic zones, preferences, subjects of the Russian Federation, taxes, taxation, taxpayers, regions, budget

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### **1. Introduction**

At this time regions need investments in production development. Activation of territorial investment operations requires the setting up of nonfinancial institutions, whose goal is to create entrepreneurial business infrastructure. Among these are industrial parks, special economic zones (SEZ), technology transfer centers. The growth of the number of these institutes indicates their efficiency. In 1976 there were only 80 special economic zones and industrial parks in the world. In 2014 its number amounted to almost 4300 [5]. Industrial parks organization and functioning are oriented on stimulation of progressive promotion of country's economy, specifically every precise region.

### **2. Industrial parks in Russia and its tax system features**

According to Order of the Government the Russian Federation No 1605 of December 30, 2014 an industrial park is defined as a set of facilities of industrial infrastructure aimed at creating or upgrading industrial production and managed by the management company-commercial or non-profit organization, established in accordance with Russian law [4].

Industrial parks are considered as subsidies to the budgets of subjects of the Russian Federation. The following features can be related to industrial parks:

- Producing zone
- Legal terms implementation
- Availability of management company
- Engineering infrastructure
- Specialized capital construction projects

If the industrial parks are considered in terms of privilege, it is necessary to take into account that they only have the right to decrease regional part of profit tax from 18% to 13,5%, to diminish corporate property tax from 2,2% to 0% and not to pay land tax. Therefore, there is little chance that these preferences will lead to an industrial park growth in the regions, because it is necessary to go through a complicated process of obtaining subsidies [2].

Let us consider the example of preferences and privileges in some regions, which are among the five leading regions by the number of operating industrial parks.

In compliance with the Tax Code of the Russian Federation and Moscow Law No 22 of June 6, 2012 “On science technology and innovation in Moscow” Moscow authorities can grant privileges to innovative companies and infrastructure organizations on the following taxes:

- Corporate property tax (0% for the term of 10 years)
- Land tax (20%)
- Corporate income tax as a part of taxes payable to Moscow budget (13,5% for the term of 10 years)

There are the following requirements that the entity needs to meet to become an industrial park resident:

1. Registration as the taxpayer within the territory of Moscow.
2. Running of business according to the business profile of technopolis, technological park and industrial park residents:

- Production and development of energy technologies, products and technologies in sphere of energy preservation and energy efficiency
- Production and development of nautical systems, telecommunication equipment, telecommunication and space-based technologies
- Production and development of pharmaceutical products, medical products, medical technologies
- Production and development of computer technologies and software
- Production and development of products and technologies in microelectronics and optoelectronics
- Production and development of products and technologies in instrumentation and engineering

3. Availability of a business plan for carrying out the activities at the technopolis property complex, technological park and industrial park location for a term of at least 5 years with calculation of business plan core indicators for the term of 10 years [1].

It is worth noting that in the Kaluga Region the administrative barrier is absent. The Kaluga Region is one of the few regions, where “the one window principle” truly works. Taxation rates are diminished from 20% to 15,5% and set for a term of at least 49 years. Regional budget is used to build all the necessary infrastructure of industrial zone: macadam and railway approach roads and utilities. The important value is that private industrial parks get tax benefits and

network connections upon condition of collaboration with an investor through the corporation that is situated in the Kaluga Region. Inputs did not take long to come. A plenty of residents were attracted, including foreigners. The cumulative effect has also worked – large residents have brought the smaller ones.

In that context every investor has the opportunity to clearly plan his/her investments and project execution timeframes, which is impossible in the Moscow Region. But what is really important is that the transparency of all the instruments of investment process is provided. That fact for investor is much more significant than tax benefits.

Tax benefits are granted for a term of 4 years and moreover, and organization can choose 4-year period of getting privileges within 6 years from the time of getting the status of an industrial park [6].

### 3. Tax benefits comparative study

In compliance with Federal Law No 116–FZ of July 22, 2005 “On special economic zones in Russian Federation” a special economic zone is a section of the territory of the Russian Federation determined by the Government of the Russian Federation where a special procedure for exercising business activities is applied. [3]. That is why it is necessary to distinguish between special economic zones and industrial parks. SEZs are meant for medium and large-sized enterprises while industrial parks are for small and medium-sized enterprises, regional projects (Table 1).

Table 1. Tax benefits comparative study

	Industrial park	SEZ
Corporate income tax	From 13% to 15% depending on subject of the Russian Federation	0%
Corporate property tax	0% for 10 years	Residents are property tax exempt for a term of 5-10 years depending on time of putting assets on company's book
Transport tax	0% (the Tomsk Region)	Transport tax preferences are set by territorial entities of the RF, on which territories the special zones are created. Transport tax privilege is provided to investors from the time of vehicle registration.
Land tax	From 0 % depending on subject of the Russian Federation	Investors are land tax exempt for a term of 5-10 years depending on time of property rights appearing

### 4. Conception of tax system reforming

SEZ obviously has more preferences than an industrial park in such conditions. That is why it is necessary to build up a concept of tax system reforming for industrial parks residents (Fig.1).

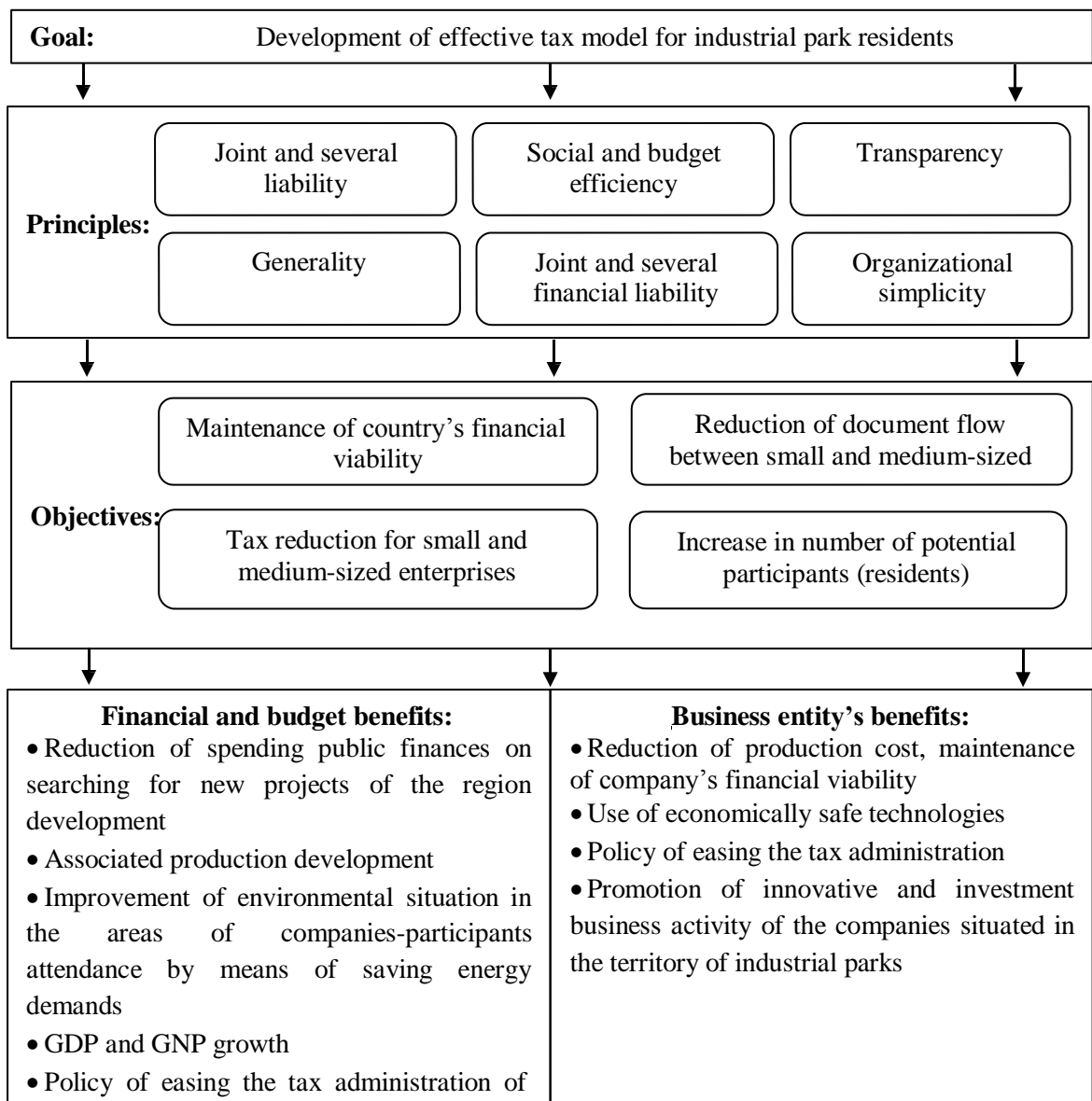


Fig. 1. Conception of tax system reforming

## 5. Conclusion

With reforming of taxation system, the following effects are expected:

- Investment: Processing and extractive industries and companies development. Company's business activation
- Ecological: Use of environmentally-friendly technologies, improvement of ecology in the industrial parks location areas

- Economic: GDP and GNP increase. Maintenance of company's financial viability. Production cost reduction
- Budget (financial): Increase in income of budget system. Financial flows optimization. Regional inequality reduction
- Social: Raising of living standards in the country in general and welfare of every citizen in particular

It is worth noting that aforementioned effects, which can be reached as the result of tax system building, will healthily affect not only region, but the whole country's economy.

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