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THE MECHANISM OF CALCULATION OF A VALUE ADDED TAX IN RUSSIA

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ABSTRACT

Currently, value added tax in Russia is one of the main taxes in the consolidated budget of the Russian Federation. The introduction of VAT in Russia in 1991 was one of the conditions of integration into the world political and economic community, a quick solution to the problem of filling the budget with revenues and the construction of a new tax system that would meet the new conditions of management and change of formation. The new tax system in Russia was built in the image and likeness of the European. In them, one of the main taxes was and is the value added tax. It is quite natural that VAT was one of the key taxes that proved its fiscal solvency. At the first stage of the introduction of value added tax in the practice of our country, the implementation of the fiscal function of taxation came to the fore. The choice of the invoice subtraction method, which was the basis of the mechanism of value added taxation, seemed quite natural and logical. In this article problems of calculation of the value added tax were revealed. To date, the mechanism of value added taxation has been transformed to such an extent that the practice of its tax administration exists separately from the mechanisms laid down in Chapter 21 of the Tax code of the Russian Federation. The identification of actual problems deforming the reproductive processes and not stimulating the production of goods, works, services with a high content of value added, will justify the need to further improve the mechanisms of calculation and payment of value added tax in Russia.

INTRODUCTION

KEY WORDS
value added tax, the mechanism of calculation of value added tax, tax deductions, risk management system, control of value added tax

The introduction of VAT in the 60s of the XX century in the territory of European States was not only fiscal in nature, but also was intended to stimulate the depth of processing and export of goods with high added value [10]. The unification of States into the European Union in the 90s of the XX century and further integration of economies revealed some methodological problems of VAT calculation related to the heterogeneity of approaches to value added taxation (for example, the choice of rate or list of benefits). This led to an increase in fraudulent schemes with VAT refunds and to budget losses, not only of one country, but of several [2].

As for the Russian Federation, the fiscal value added tax has always been a priority over its regulatory capacity. Already in the initial concept of its introduction, the fiscal function was put at the forefront, and in the future there was not even an attempt to use its regulatory function. Value added tax is usually considered only as a source of Federal budget revenues. This leads to the fact that factors that stimulate the growth of the share of value added in output are not taken into account. In the mechanism of calculating VAT, they are oppressed and are not taken into account.

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MATERIALS AND METHODS

In Russia, the role of VAT in replenishing the revenue side of the state budget is great. Consider the role of VAT in Federal budget revenues [fig. 1].

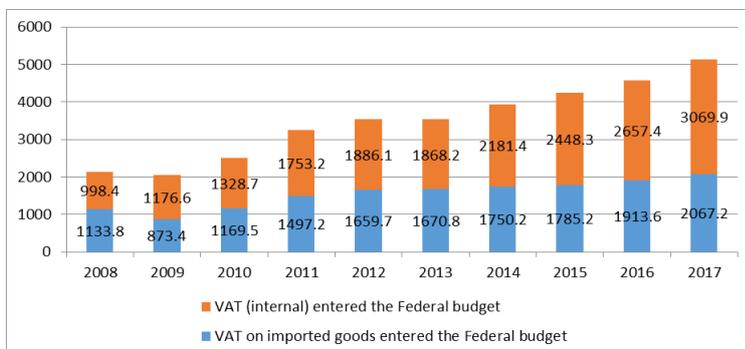


Fig. 1: VAT receipt in the Federal budget in Russia, in billion rubles

According to [Fig. 1], there is a positive trend in VAT revenues, with the exception of the crisis year 2013. The structure of VAT receipts administered by the Federal tax service and the Federal customs service is stable. Changes in the structure of VAT by reducing import VAT are associated with a reduction in imports. In General, you can do the main conclusion: the VAT revenues are growing at a rate higher than the growth rate of gross domestic product, which, of course, cannot but rejoice from the point of view of fulfilment of the fiscal function.

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If we consider the dynamics of the share of VAT received in the Federal budget revenues, gross domestic product and final consumption expenditure [Fig. 2], we can see a number of interesting contradictions.

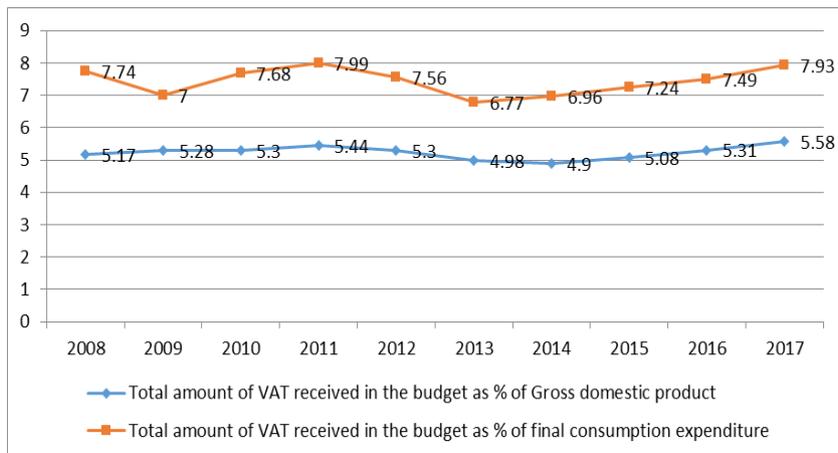


Fig. 2: Dynamics of the share of VAT received by the Federal budget in gross domestic product and final consumption expenditures for 2008-2017.

[Fig. 2] shows that, in General, the trends in the share of VAT in GDP and in final consumption expenditure are similar. However, fluctuations in the share of VAT in final consumption expenditure cannot but be alarming. This indicates that the tax burden on consumers in terms of VAT is growing. Attention is drawn to the fact that since 2014 the share of VAT in final consumption expenditure has been growing steadily, in 2016 there was a sharp increase, which is explained by the introduction of the risk management system of the automated VAT control system into commercial operation of the Federal tax service.

RESULTS

Traditionally, VAT is attributed to indirect taxes, which are included in the price of goods. It is commonly said that the taxpayer and the VAT bearer are not the same person. That is, the burden of taxation is borne by the consumer of goods, work, services, while the obligation to pay it to the budget lies with the seller of the goods [11]. Accordingly, the seller should bear some inconvenience to yourself for the calculation and payment of this tax, including, it is assumed that the seller is no diversion of working capital for payments to the budget [4].

If we turn to Chapter 21 of the tax code, the moment of determining the tax base and calculating the tax is the time of implementation, that is, the transfer of ownership of the goods. As a rule, the time of payment and the time of shipment may vary in time, and then there is a situation in which VAT is paid at the expense of the seller, without payment received from the buyer. For the realization of the fiscal function to VAT it is certainly justified [8].

The introduction of the ASK-VAT system (ASK-VAT-2), which basically compares information on issued and received invoices, allowed, despite the economic downturn, to significantly increase the collection rate (by almost 0.5 percentage points of GDP): VAT revenues increased from 5.4% of final domestic demand (the tax base of VAT on the economy as a whole) in 2014 to 5.9% in 2016 [6].

Labeling of certain types of goods also has a positive fiscal effect associated with a significant reduction in the share of the shadow market for fur products (according to some estimates, the legal turnover of fur products increased 6 times) [9]. Further implementation of measures to mark groups of goods will allow to build a unified information system in the hands of budget revenue administrators, the main role of which is played by the Federal tax service. The implementation of this area of work of the Federal tax service leads to additional costs for taxpayers. More recently, entrepreneurs were outraged by the obligation to install online cash registers. Is this not a proof of a visible fact: the introduction of new mechanisms for the convenience of tax administration.

In addition, it is planned to further strengthen the integration processes in the field of information systems of various departments – administrators of budget revenues. Work is underway to monitor the movement of goods from the stage of customs clearance to sale to the end user. The Federal tax service is improving tax administration to support the growth of tax revenues. However, the stimulation of taxpayers to economic growth is completely overlooked [12]. The VAT payment mechanism in Russia does not favour taxpayers with a high share of value added in output. The VAT makes this factor even more powerful [5].

If we turn to the goals and objectives declared by the Federal tax service, they show the focus of all the work of the tax authorities on the growth of tax revenues at any cost, it does not take into account the conditions of the economy and the state of taxpayers of certain industries and activities. The increase in

the share of VAT in final consumption expenditure indirectly indicates a decrease in tax deductions in the total amount of VAT calculated. That is, the work on improving the tax administration of VAT is reduced to the refusal to refund VAT. However, this is contrary to the nature of VAT, it is impossible to reduce tax deductions to zero. If we look at the practice of the accounting departments of business entities, in addition to the calculation of VAT is not less attention, time and effort is spent on documenting and monitoring of tax deductions, the work of accounting for VAT was increased in 2 times, and all the new requirements of the FTS of the Russian Federation to tax accounting and electronic document management reduce the load [9].

The analysis of arbitration practice of disputes of tax authorities with taxpayers for the last time shows that their main share falls on additional VAT charges in connection with the illegal application of tax deductions on transactions with counterparties that are defective in the tax sphere and do not declare the relevant operations, or in the performance of this obligation to declare reduce the amount of tax calculated on them for tax deductions, the right to use of which is absent, reducing the amount of tax payable to zero [1].

The main argument of the tax authorities in challenging the rights of taxpayers to tax deductions in connection with the "failure of counterparties in the tax sphere" is the proof of the taxpayer's failure to exercise due diligence and reasonable care when choosing counterparties before concluding transactions. At the same time, there is simply no list of requirements, the fulfillment of which by the taxpayer ensures and guarantees protection against claims of tax authorities in failure to exercise due diligence. Requirements of article 54.1 of the Tax code of the Russian Federation not only do not simplify this situation, but also complicate [2]. This leads to another conclusion - the state wants to shift the work of the tax authorities to assess the degree of tax risks of economic entities to taxpayers and create a system of total control over each. However, if we assume that in all respects a good taxpayer will set out to exercise due diligence and reasonable precaution (the criteria of which the legislation does not clearly prescribe, and judicial practice shows great diversity), then it is impossible to collect information, analyze it and draw appropriate conclusions based on different approaches (expert assessment, risk-oriented approach, analysis of financial condition, etc.) without the use of confidential information about the parties to transactions [3]. At the same time, the range of potential objects of control is expanding significantly, as the risk management system "Automated VAT control system", which is conducted by the Federal tax service, monitors breaks in the chain up to 8 (according to some sources up to 22) knee [7]. This implies that the taxpayer should know not only the counterparties of the counterparty, but also their counterparties up to 8 knee minimum. Here I would like to emphasize that the tax authorities allowed the idea of both the availability of different data sets, and the use of different methods of analysis of the tax failure of contractors. The Supreme courts in their decisions did not allow this idea, and even Vice versa, the Supreme Arbitration Court of the Russian Federation proceeded from the fact that tax administration is solely the duty of the state, and the burden of fulfilling this duty cannot be transferred to taxpayers.

SUMMARY

Despite the undeniable advantages of information technology in the tax administration of VAT, it remains important to maintain a balance between the interests of taxpayers and the state represented by the Federal tax service. In this regard, it should be noted the problems faced by both conscientious and not so taxpayers. The main offenses that can identify the ACK-VAT - is the illegal use of tax deductions in connection with the "tax failure of contractors."

In the future, if the terms of economic contracts are integrated into the ASC-VAT, the gaps in the chain can be revealed much more and this can become the basis for new claims against taxpayers by the Federal tax service. In addition, the automated system will be able to generate reports on the estimated amounts of hidden taxes, which will form the basis of materials on the initiation of criminal cases of tax evasion. We can only hope for the reasonableness of the approaches laid down in the program, since the tax risks and the degree of burden on the accounting service of taxpayers on the submission of explanations may increase significantly. In addition, the marking of separate types of goods and their traceability, in terms of tax administration, information unity of the tax administration, the overall digitalization and integration of information flows and the contraction of this node in the hands of the Russian Federal tax service, no chance of leaving taxpayers on an adequate response to the claim of the tax authorities to verify tax health of the counterparties.

The question arises about the creation of a new mandatory element of taxation in addition to the elements listed in article 17 of the tax code, namely the audit of the tax serviceability of the counterparty in terms of VAT. This leads to the conclusion about a significant deformation of the mechanism of calculation and payment of VAT towards the implementation of the fiscal start of this tax. This trend is increasing from year to year. The state's desire to bring the economy out of the shadows and reduce the number of tax deductions abuses is understandable, but further pressure on taxpayers is fraught with negative consequences. Instead of reducing the shadow economy, the opposite effect can be achieved.

Here I would like to turn to the experience of calculating and paying VAT in China. There are 3 mechanisms for calculating VAT: a mechanism with deductions (at which they are not accepted in full, but for some items with restrictions); a mechanism for calculating VAT on the sale value of goods, works, services (similar to sales tax, but for certain groups of taxpayers) and a mechanism for calculating VAT on

imports. Taxpayers themselves have the right to choose whether to use the right to VAT refund or completely refuse deductions.

CONCLUSION

Summing up the above, I would like to draw attention to the following main points:

- The analysis of statistical data allows us to draw conclusions about the emerging trend of reducing tax deductions and increasing VAT revenues at a rate faster than the economy can afford. It is necessary to speak about deformation of the mechanism of the value added taxation and strengthening of its fiscal beginning to the detriment of the regulating.
- Further use of only the fiscal start of the value added tax and an increase in the base rate to 20% could lead to a significant reduction in the growth rate of the economy, especially in industries with a high share of value added in output, as the burden of increasing the VAT rate will be distributed unevenly and high-tech industries will suffer more from this.
- The increase in the VAT rate should be accompanied by a reduction in insurance premiums and income tax rates. Global trends indicate a reduction in the tax burden in developed countries. However, in our country it is not decreasing, contributing to the slowdown of investment and economic growth.
- In the long term, it is necessary to abandon the application of tax deductions (at least partially) and in China's experience to move to a direct VAT account for certain categories of taxpayers. This will significantly reduce the burden on the accounting services of taxpayers and significantly simplify the tax administration of VAT.

Thus, the analysis of the problems of value added taxation in Russia requires further research and should be aimed at the implementation of the VAT regulatory function, which would not interfere with the economic growth of taxpayers.

CONFLICT OF INTEREST

There is no conflict of interest.

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