

ARTICLE

ALCOHOL EXCISE TAXES: CURRENT RUSSIAN LAW AND RETROSPECTIVE ANALYSES

Khafizova A.R. *, Salmina S.V., Nasyrova V.I., Bolonina E.V.

Institute of Management, Economics and Finance, Kazan Federal University, Butlerova street, 4, Kazan, RUSSIA

ABSTRACT

Excise taxes on alcoholic beverages are the oldest form of indirect taxation that is currently used in the tax systems of almost all market economies. Alcoholic beverages as a commodity have a dual character. On the one hand, it is a source of budget revenue, and on the other - it is a product that leads to such a problem as alcoholization of the nation, which is a serious threat. The excessive direct policy of the state in the direction of reducing the production and consumption of alcohol can lead to ambiguous consequences (the development of self-brewing and, as a consequence, a decrease in the standard of living of the population). Therefore, excise taxation as an indirect method of influence on the production of alcoholic beverages is considered to be the only effective method of reducing its production. However, it should be borne in mind that unreasonably high rates of excise duties on alcohol products can lead to the same results. In this regard, it is important that the current system of excise taxation of alcoholic beverages meets the following principles: with other sources of budget revenues, it provides them with the optimal amount of financial resources necessary for the state to perform its functions; regulates the production and consumption of alcoholic beverages in order to have a positive impact on the social and economic aspects of life of the population. In Russia, during its existence and development of excise duties on alcoholic beverages have undergone many changes. But this excise has always been a convenient tool for replenishing the Treasury of the state. The article deals with the current Russian legislation in the field of excise taxation of alcoholic beverages. The stages of development of excise duties on alcoholic beverages in Russia are also highlighted. Here the analysis of the current practice of excise taxation of alcoholic beverages in the Russian Federation is discussed. The ways of development of excise taxation of alcoholic beverages in the Russian Federation are presented.

INTRODUCTION

Excise tax on alcoholic beverages, being one of the oldest taxes in the history of mankind, acts as an important source of tax revenues to the budget system of the Russian Federation. Now in Russia excise taxes on alcoholic products are established by Chapter 22 "Excises" of the Tax code of the Russian Federation and are obligatory for payment in all territory of the Russian Federation.

To date, the study of this issue is relevant. The relevance is due to the state and the need for development and changes in the field of excise taxation of alcoholic beverages in connection with the development and change in the economy of the Russian Federation. Also, this topic is relevant, as the excise tax on alcoholic beverages, being one of the oldest taxes in the history of mankind, acts as an important source of tax revenues to the budgets of the Russian Federation, namely the Federal budget of the Russian Federation and the budgets of the subjects of the Russian Federation. It is a convenient fiscal tool. Its collection is quite high and at the same time relatively easy, and the cost of tax administration is low, partly due to the clear definition of the tax base. And so it is very important to choose the right policy in the field of excise tax system for alcoholic beverages.

Rational regulation in the field of excise taxation on alcohol products, carrying out complex measures aimed at improving the excise policy on alcohol products in the Russian Federation are of paramount importance today. Excise tax on alcoholic beverages, being one of the oldest taxes in the history of mankind, acts as an important source of tax revenues to the budget system of the Russian Federation. Now in Russia excise taxes on alcoholic products are established by Chapter 22 "Excises" of the Tax code of the Russian Federation and are obligatory for payment in all territory of the Russian Federation.

MATERIALS AND METHODS

The process of taxation of alcoholic beverages is incomparably dependent on the regulation of alcohol production. Currently, in Russia there are tools of state administrative regulation of production and turnover of alcoholic beverages: licensing, labeling, regulation of prices for alcoholic beverages, a single state automated information system of accounting for the production of alcoholic beverages. Many scientists are engaged in the issues of state regulation, including tax regulation; in particular, the works of the authors [1-6].

Analyzing the methods, we came to the conclusion that only administrative methods of regulating the production of alcoholic beverages cannot lead to an effective achievement of a significant increase in excise revenue in the revenue part of the state budget system. In this regard, in order to achieve the improvement of this situation, it is necessary to move from mainly administrative measures to economic methods of regulating the production of alcoholic beverages. First of all, it would be necessary to focus on the excise policy in the country, as it directly affects the regulation of alcohol production. A well-considered excise policy can significantly reduce tax losses and increase the level of legal alcohol production. An important role in the regulation of alcohol production is tax administration of excise duties. It should be

KEY WORDS
alcohol production,
alcohol production,
taxation, excise policy,
budget revenues,
regulation

Received: 14 Oct 2019
Accepted: 28 Nov 2019
Published: 15 Jan 2020

*Corresponding Author
Email: hafiwka@mail.ru
Tel.: +79272452616

noted that the issues of tax administration were touched upon in the scientific works of such authors [7-9]. In the works of these authors it is concluded that the improvement of tax administration is one of the most important areas of tax policy of the Russian Federation.

Production, circulation, storage and supply of produced alcoholic and alcohol-containing food products are activities subject to licensing. Licenses for the production and circulation of alcoholic beverages are issued only to applicants who have equipment that meets the following requirements: the main technological equipment for the production of alcoholic beverages should be equipped with automatic means of measuring and accounting for the concentration and volume of anhydrous alcohol in the finished product, the volume of finished products. The number of organizations that have received a license for the production, storage and supply of alcoholic beverages produced in the territory of the Russian Federation by districts is presented in [Table 1]. The situation in the Russian Federation in some Federal districts for 2014-2016 is characterized by a decrease in the number of organizations that have received licenses for the production, storage and supply of alcoholic beverages. For example, such a decrease was in the Central Federal district and the Crimean Federal district. In 2016, the largest number of licenses was obtained in the North Caucasus Federal district – 134 licenses, in the southern Federal district – 125 licenses. The lowest number of licenses was obtained in the far Eastern Federal district – only 3 licenses.

Table 1: The number of organizations that have received licenses for the production, storage and supply of alcoholic beverages produced in the territory of the Russian Federation in the districts for 2014-2016 [10]

Federal region	2014 year		2015 year		2016 year	
	Number of licenses	Number of organization	Number of licenses	Number of organization	Number of licenses	Number of organization
Russian Federation	675	285	667	287	536	267
Central federal region	99	55	100	54	83	50
North-Western Federal region	59	29	58	30	50	27
Southern federal region	179	59	183	62	125	54
Crimean Federal region	78	39	62	33	72	34
North Caucasus Federal region	162	59	171	66	134	62
Volga federal region	67	27	65	27	55	28
Urals federal region	20	6	20	6	10	3
Siberian federal region	22	17	22	17	20	15
Eastern federal region	4	4	4	4	3	3

Let us consider in more detail the volume of production by types of alcoholic beverages in the Russian Federation for 2014-2016 on [Table 2]. For some types of alcoholic beverages the volume of production of alcoholic beverages tends to decrease. However, for wine production there is an annual increase in this indicator.

The first place in the production of excisable alcoholic beverages is beer, followed by vodka, wine products. The smallest share in production falls on alcoholic beverages, as well as on cognacs. It should be noted that the number of sold excisable alcoholic beverages exceeds the number produced. Despite the increase in the rate, the collection of excise duty in absolute figures is insignificant. According to Rosalkogolregulirovaniya, the share of illegal strong alcohol in Russia is 22.5%. However, it can be noted that the violations are not related to violations of tax legislation, but are associated, for example, with violations of the conditions provided for by the license.

Table 2: Production volumes of alcoholic beverages in the whole of the Russian Federation for 2014-2016 [10]

Types of alcoholic products	2014 year		2015 year		2016 year	
	The volume, in liters	The volume, in liters	in % to 2014	The volume, in liters	in % to 2015	
Vodka	67656,8	68607,4	101	74158,3	108	
Alcoholic beverages with ethyl alcohol content up to 25% inclusive	2948,7	2814,8	95,5	2710,6	96,3	
Alcoholic beverages containing more than 25% ethyl alcohol%	3939,1	3903,2	99,1	4983,6	128	
Cognac and cognac drinks	7473,9	7659,5	102	8193,3	107	
Low-alcohol products	17314,0	9014,1	52,1	5606,0	62,2	
Wine production	72975,9	86775,8	119	89215,3	103	
Beer	754777,7	716860,7	95	715743,4	99,8	

Excise tax on alcoholic beverages is a regulatory revenue source of budgets of different levels. Revenues from excise duties on alcoholic beverages are used to regulate revenues to lower budgets in the form of interest payments from taxes at rates (standards) approved in the prescribed manner for the next financial

year. Basically, excise taxes on alcoholic beverages come to the budgets of the subjects of the Russian Federation. In the Federal budget, the share of excise taxes on alcoholic beverages is not high, but there is an unstable dynamics of revenues, which is clearly seen in [Fig. 1].

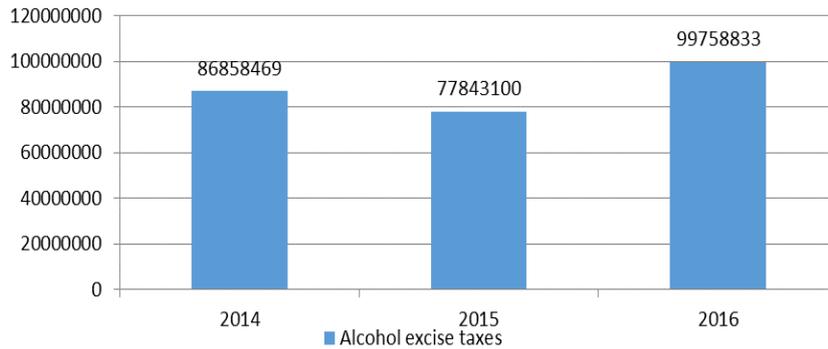


Fig. 1: Dynamics of receipt of excise taxes on alcoholic beverages in the Federal budget for 2014-2016, in thousand rubles.

Among the excise duties on alcoholic beverages in the Federal budget revenues, the largest share is occupied by excise duties on alcoholic beverages produced in the territory of the Russian Federation [Fig. 2].

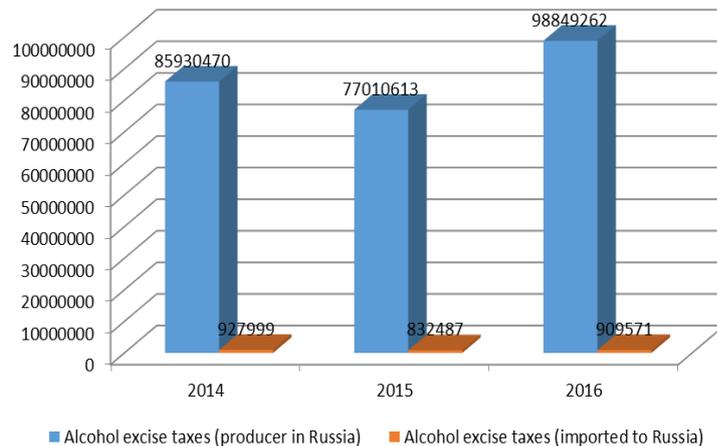


Fig. 2: The ratio of excise duties on alcoholic beverages produced in Russia and imported into Russia, in thousand rubles.

In the analysis of excise tax revenues for alcoholic beverages in the Federal districts, we found that the largest revenues to the budgets of the subjects of the Russian Federation fall on the Volga Federal district, the Central Federal district and the Siberian Federal district [Table 3].

Table 3: Receipt of excise duties on alcoholic beverages in budgets of subjects of the Russian Federation on Federal regions for 2014-2016 [11]

Federal regions	2014 year (in billion rubles)	2015 year (in billion rubles)	Growth rate, %	2016 year (in billion rubles)	Growth rate, %
Russian Federation	207	192	92,75	227,73	118,61
Central federal region	61	48	78,68	57,44	119,7
North-Western Federal region	18	19	105,6	21,42	112,74
North Caucasus Federal region	6	7	116,7	10,02	143,14
Southern federal region	12	13	108,3	19,24	148
Volga federal region	59	54	91,52	71,23	131,91
Urals federal region	10	6	60	6,95	115,8
Siberian federal region	32	30	93,75	33,79	112,6
Eastern federal region	7	6	85,71	7,64	127,3
Crimean Federal region	-	2	-	-	-

Despite the highest revenues in the Volga Federal district, the Central Federal district and the Siberian Federal district, however, it is worth noting that in these districts there is an unstable dynamics of excise taxes on alcoholic beverages. It is also worth noting that the smallest revenues fall on such districts as the Ural Federal district and the far Eastern Federal district.

RESULTS

Currently, the tax legislation in respect of excise duties on alcoholic beverages remained unresolved problems that need to be transformed, in particular with regard to excise rates. In the Russian Federation, excise rates on alcoholic beverages are much lower than in Europe, but higher than in the member States of the Eurasian economic Union. To date, it is impossible to equate the rates of excise duties on alcoholic beverages of the Russian Federation to European sizes, as the increase in rates will lead to an even greater difference with the member States of the Eurasian economic Union. This, in turn, can lead to a decrease in the competitiveness of domestic producers in comparison with illegal and producers of the member States of the Eurasian economic Union.

The influence of certain measures on mortality from alcoholism in Russia is studied in the works of several authors [12-15] were considered, where the influence of alcohol consumption on health is studied.

In modern market conditions, it seems that the methods of economic regulation of the alcohol market are impossible without elements of the state monopoly, the only formation capable of forming the price of alcoholic beverages in the interests of solving the social problem – dealcoholization of the nation and economic - replenishment of income in the budget system of the country. A state monopoly may be complete, covering both production and sale, or partial, involving only production or only sale.

In the Russian Federation, the legislation on state regulation of alcohol production and turnover has been amended important for winemakers, primarily Crimean. Soon the Crimean wines will receive the status – "wine with a protected geographical indication" and "wine with a protected designation of origin" as wines of Italy, France, Spain. Status – "wine with a protected geographical indication" means that the wine is made from grapes grown in a certain region – Crimea. Status – "wine with a protected name of origin", indicates a specific place (Koktebel) or even a specific vineyard, such as the slopes of mount Al-Danil.

Adopted in the EU laws protect the status of wine and increase competitiveness and recognition. The same protection statuses should have and Crimean wines.

SUMMARY

Thus, in the course of the study, we have identified the following problems: differences in excise rates for alcohol products in the countries of the Eurasian economic Union, leading to non-competitiveness of domestic products; shortfall in excise taxes on alcohol products in the budget system of the Russian Federation due to illegal and falsified production of alcoholic beverages; lag in the development of the wine industry in the Russian Federation compared with European countries.

The following activities are required to address the issues under consideration.

- It is necessary to harmonize the rates of excise duties on alcoholic beverages in the countries of the Eurasian economic Union in order to create a single market for alcoholic beverages, to increase the competitiveness of domestic producers of alcoholic beverages. All types of alcohol products at the level of the Eurasian economic Union should be subject to harmonization of excise rates for alcohol products.
- Based on the experience of foreign countries to introduce a state monopoly on the production of ethyl alcohol in order to minimize the illegal and counterfeit production of alcoholic beverages, which ultimately can lead to an increase in excise taxes on alcoholic beverages in the budget system of the Russian Federation.
- It is advisable not to index excise rates on grape and fruit wines for 3-5 years in order to develop the wine industry in Russia, which produce wine from their own products.

CONCLUSION

From the above, we have identified areas for the development of excise taxation of alcoholic beverages in the context of strengthening its social orientation and the implementation of measures to create conditions for domestic producers, as well as the harmonization of tax legislation of the EAEU member States, which will contribute to the development of the interstate economic Association, strengthening cooperation in the field of taxation.

CONFLICT OF INTEREST

There is no conflict of interest.

ACKNOWLEDGEMENTS

The work is performed according to the Russian Government Program of Competitive Growth of Kazan Federal University.

FINANCIAL DISCLOSURE

None.

REFERENCES

- [1] Prescott T. [2015] Alcohol excise taxes: Overview and economic analysis Book, 1-91.
- [2] Lowry S. [2015] Alcohol excise taxes: Current law and economic analysis Book, 1-37.
- [3] Sabitova NM, Shagjahmetov MR, Ivanova NG. [2016] Economic Inequality of the Regions and Imbalances of the Russian Budget System International Journal of Economics and Financial, 6(8).
- [4] Angus C. [2017] Which costs of alcohol do policymakers care about? *Addiction*, 112(4):566-568.
- [5] Bhattacharya A. [2017] The political salience of the cost of alcohol should make it a research priority *Addiction*, 112(4):571.
- [6] Moravec L, Kukulova G, Regnerova O, Ptacek M. [2016] Tax yields of excise duties applied to tobacco products and alcoholic beverages Scientific papers of the University of Pardubice, Series D: Faculty of Economics and Administration, 23(38):107-116.
- [7] Tufetulov AM, Nugaev FS, Zayats AS. [2015] Transaction tax control algorithm between related persons International Business Management, 9(7):1785-1791.
- [8] Sabitova NM, Khafizova AR. [2015] Information technologies as a factor of evolution of tax administration Mediterranean Journal of Social Sciences, 6(1):169-173.
- [9] Salmina SV, Khafizova AR., Salmin IV. [2015] Arrangement and performance of on-site tax auditing in the Russian Federation // Mediterranean Journal of Social Sciences, 6(3):732-736.
- [10] Official website of Federal Service for Alcohol Market Regulation. - Available at: <<http://fsrar.ru/>>
- [11] Official website of Federal Tax Service of the Russian Federation. - Available at: <<http://nalog.ru>>
- [12] Khalitourina D, Korotayeva A. [2015] Effect of specific alcohol control policy measures on alcohol-related mortality in Russia from 1998 to 2013 *Alcohol and Alcoholism*, 50(5):588-601.
- [13] Bodak M, Mckee M, Rose R, Marmot M. [1999] Alcohol consumption in a national sample of the Russian population *Addiction*, 94(6):857-866.
- [14] Ajilore O, Amialchuk A, Egan K. [2016] Alcohol consumption by youth: Peers, parents, or prices? *Economics and Human Biology*, 23(1):76-83.
- [15] Petticrew M, Shemilt I, Lorenc T, et al. [2017] Alcohol advertising and public health: Systems perspectives versus narrow perspectives *Journal of Epidemiology and Community Health*, 71(3):308-312.