

*Short Reports***LOCAL TAXES AND FEES: STRUCTURE,
GENERAL CHARACTERISTICS
AND NEEDS**

Gladysreva N.A., Barvenko O.G.

*South-Russia State University of Economics and Service,
Shakhty, Rostov region, e-mail: gladysreva.n@gmail.com*

The article deals with the role and nature of local taxation, as well as the prospects for increasing the share of local taxes in the formation of the budget revenues of municipalities.

The Russian tax system includes federal, regional and local taxes. While federal taxes are payable in all Russian regions, regional and local taxes are applicable to companies registered or doing business in the relevant regions and municipalities.

The Russian tax system has undergone significant revision since 1999 when the Tax Code Part I was enacted. This law combines provisions relating to general tax principles, rights and obligations of taxpayers and tax authorities, and tax administration. Later, in 2001, the regulations on all taxes were revised and incorporated in the Tax Code Part II.

Because of this reform the tax administration became more transparent and predictable, and the number of taxes and the overall tax burden were reduced greatly. The current income tax rates are particularly low, even in the international context, being 20 percent for companies and 13 percent for Russian tax resident individuals.

Still, many aspects of the Russian tax system are the subject to significant uncertainty. Further, the substantive provisions of Russian tax law and the interpretation and application of those provisions by the Russian tax authorities may be the subject to more rapid and unpredictable change (possibly with retroactive effect) and inconsistency than in jurisdictions with more developed tax systems. In particular, the interpretation and application of such provisions will in practice rest substantially with local tax inspectorates.

Interpretation by different tax inspectorates may be inconsistent or contradictory and may result in the imposition of conditions, requirements or restrictions not stated in the law.

Similarly, court rulings on tax or related matters by different courts relating to the same or similar circumstances may be inconsistent or contradictory.

The key principles of the Russian tax system, including types of taxes, the rights and obligations of the tax authorities and taxpayers and procedural aspects of tax administration, are set out in Part I of the Tax Code of the Russian Federation. Some of the most significant provisions of Part I include the following [1]:

– All contradictions, ambiguities and questionable issues in the tax legislation which cannot be resolved should be interpreted in favor of a taxpayer;

– Tax legislation which increases tax rates or introduces new taxes or sanctions cannot be applied retroactively;

– There is a presumption of innocence on the part of a taxpayer, placing the burden of proof on the tax authorities;

– The tax authorities are required to maintain the confidentiality of information regarding taxpayers;

– Tax legislation which mitigates a tax liability and (or) reduces a tax burden may come into legal effect through a simplified tax regime (where such a regime is specifically provided by law).

The stabilization of the economic development of municipalities depends on the efficacy of the fiscal policy in terms of ensuring their financial resources. An important role in this process is given to the current system of local taxation, the basis of formation of the revenue of the municipal budgets. Local taxes are established by representative bodies of local self-government within their jurisdiction. This kind of tax is fully credited to the budgets of municipalities and are designed to address the issues of life and financial security of the territorial communities and municipalities.

All regional and local taxes in Russia are asset-related: property tax, vehicle tax, land tax and tax on gambling businesses. Exact rates are set by regional (property, vehicles, gambling) or municipal (land) legislators within the Code's framework. Corporate property tax, or tax on fixed assets, is assessed on year-averaged book value of fixed assets excluding land (which is subject to land tax. The maximum rate is 2,2 percent; regional authorities can vary rates depending on types of taxpayers and assets. This provides a method to establish disguised individual preferences, which are outlawed by the Code. Vehicle tax is levied annually on owners of motor vehicles and trailers, ships, and aircraft. Tax on gambling businesses is paid by registered gambling outlets at a flat rate per each table, slot machine or bookmaker's cash desk. The Code provides both minimum and maximum rate limits (1:5 ratio), thus prohibits establishment of tax-free gambling [2].

Land tax is the only local tax in Russia: its rates are set by municipal authorities (excluding the federal cities of Moscow and Saint Petersburg, where the rates are set by city legislators). The maximum rate is 0.3 percent on lands zoned for agriculture, housing and summer cottages, and 1.5 percent on other lands. Land values are periodically assessed by land registrars and kept substantially below mar-

ket prices. Unlike corporate property tax, land tax is paid by individual taxpayers.

Land tax is applied to legal entities and individuals who own land or have a permanent right to its use. Legal entities and individuals who apply special tax regimes, use land free of charge, or under lease agreements, are not subject to land tax.

The tax base is the cadastral value of the land determined on 1 January of the year reported. The cadastral value for a specific plot is determined in accordance with the Russian Land Code. In the case of joint ownership, the tax base is determined for each taxpayer's share of the land. The tax base of land formed during a tax period is the cadastral value on the date of its cadastral registration.[3]

As to the increase of incomes of local budgets the program-target method should be used. Thus, in Shakhty, Rostov region, the municipal long-term targeted program «Improving the effectiveness of the mobilization of tax and other obligatory payments and reduce tax arrears to the budget of Shakhty for 2011-2014» has been developed and operated. It sets out the main directions of improving the tax collection system in the local budget, such as:

- Carrying out analytical work to identify the causes of the decrease of the number of tax payers of single tax on imputed income for individual activities compared with the previous period of time;
- The further constant work on the identification of land and timely transmission of information

in inter-district tax inspectorate with the requirements of the Federal Law «On Personal Data»;

– Continuation of work on the surveying of land for multifamily housing, and timely transmission of information to the Regional tax inspectorate for inclusion in the tax base;

– Monthly analyzes of tax arrears that are pumped into the local budget, in the context of the taxpayers [4].

This program increases the degree of analytical and information support of local governments influencing the growth of profitable part of their budgets. But despite all the efforts to replenish the local budget, the own revenue sources account approximately one third, two thirds of income being the subsidies for regional and federal budgets. The same situation is noted in Shakhty.

Thus, the possibility of solving the problem of providing municipal budgets with the sufficient funding at the expense of the tax sources is available. In our opinion, their rational development and utilization taking into account the economic interests of taxpayers and recipients of tax will create necessary conditions for the formation and development of local self-government.

References

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