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### RESEARCH ARTICLE

#### MODERN PROBLEMS OF TAXATION OF LEGAL ENTITIES AND FUTURE OPPORTUNITIES OF TAX REGULATION

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#### Abstract

This study analyzes the current taxation system in Russia, reveals the main sources of tax revenue to the country's budget, lists successful projects of the Federal Tax Service of Russia, implemented recently and bringing additional profit to the consolidated budget. At the same time, the author also identifies the basic shortcomings and shortcomings in the modern taxation system in Russia, separately noting the fact that in Russia accruals differ significantly from revenues, and therefore there is an increase in economic crimes in the country. In addition, this work notes the need to develop measures aimed at minimizing taxes for small and medium-sized businesses or switching to a single tax with exemption from it for newly created organizations for the first three years. In the article, the author notes the need to create a simplified taxation system not only for small and medium-sized businesses, in particular at the regional level, but also for the entire population of the country. At the end of the study, conclusions and a number of recommendations are provided aimed at improving the effectiveness of the implementation of the main functions of the taxes studied here.

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#### Introduction:-

The economic sphere in Russia, as well as in other countries of the world, is highly susceptible to the influence of the country's tax system. The latter enables the state to be provided with financial resources necessary, first of all, to solve basic socio-economic goals and objectives.

At the same time, at the present stage, each state is faced with the need to solve a dual problem - increasing tax revenues to the consolidated budget, on the one hand, and creating a favorable tax climate, and reducing the tax burden for this purpose, on the other hand [3, p. 32]. Due to the fact that in modern Russia 80% of the state budget is formed from tax revenues, the most important mechanism that has a significant impact on the functioning of our state is the creation of a stable taxation system.

The main source of tax revenue to the budget is legal entities and individual entrepreneurs. Thus, according to the Federal Tax Service of Russia, the consolidated budget of the Russian Federation in 2019 received 21,490.8 billion rubles, amounting to an increase of 5.6% compared to the comparable period last year [5], and compared to the comparable period in 2015g. – 63.3%.

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As can be seen from the table, during the analyzed period the most significant growth occurred due to revenues from the mineral extraction tax, VAT and income tax due to an increase in oil and gas revenues and an improvement in the situation on the oil market. The most insignificant dynamics is observed in property taxes, which is due to the fact that this is a regional tax, as well as the “minimization” of this tax by organizations, incl. not always by legal means.

Revenues from various types of taxes to the consolidated budget of the Russian Federation in the period from 2015 to 2019, billion rubles. In addition, the Federal Tax Service of Russia draws attention to the successful implementation of its major projects, and, first of all, the project in which certain entrepreneurs were transferred to working with online cash registers. The engagement project was also successful self-employed persons, the number of which amounted to 2019 about 330 thousand people in the sphere of legal circulation.

Thanks to the growth in tax revenues, the rate of increase in GDP significantly outstripped: in contrast to economic growth over the last five-year period of 3.2%, real tax revenues increased 1.4 times (+36.5%). According to former head of the Federal Tax Service Mikhail Mishustin, this trend continued in 2019, despite the fact that oil prices fell and a refundable excise tax was introduced on the petroleum products market [5]. However, today the Russian tax system is complex and imperfect, which does not meet the vital needs of the country. Big enough the number of taxes and fees somewhat complicates the tax mechanism, without expanding the revenue side of the budget [3, p. 238]. Therefore, the fiscal and distributional role of taxation predetermines the need for the continuous implementation of a set of multilateral measures, thanks to which it would be possible to eliminate existing shortcomings and improve the functioning tax system. All of the above determines the relevance of the chosen topic.

### **Methodology:-**

This work reflects current problems in the tax system of legal entities in Russia. The purpose of writing this study was to describe the problems of modern taxation of legal entities, as well as formulating ways to solve them, which will improve the taxation of legal entities in Russia and the Russian tax system as a whole. To achieve the goal, the following tasks were set and implemented:

1. the main shortcomings of the taxation system for legal entities in Russia are formulated;
2. lists the main measures necessary to solve existing problems of taxation of legal entities in the Russian Federation;
3. outlines the features and problems of the current system of taxation of small businesses in the country;
4. the priority tasks on the way to reforming the mechanism for collecting a single tax from small businesses in Russia are revealed, as well as practical measures aimed at implementing this effort;
5. proposals have been formulated that, in the author’s opinion, can improve the effectiveness of the implementation of the main functions of the taxes studied in this work.

### **The following research methods were used in the work:**

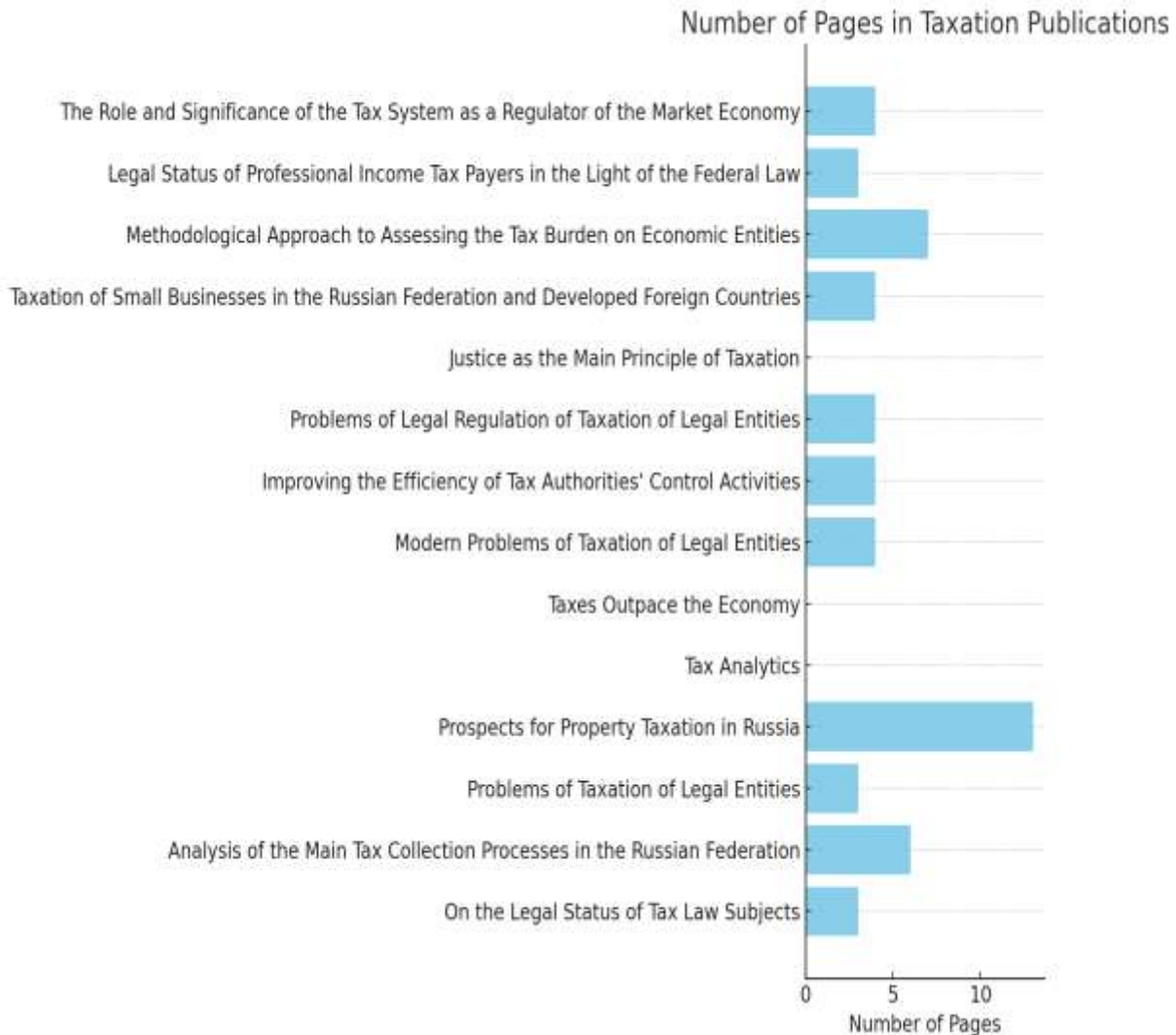
As analysis, synthesis and generalization of scientific and professional literature, various legal materials and statistical data, study of conclusions and recommendations available in regulatory materials, comparative analysis and systemic types analysis.

### **Results:-**

The existing taxation system (TS) in the state has a significant impact on the activities of legal entities, since it stimulates or oppresses them in the case of establishing and changing the state tax system, determining the value of tax rates or providing tax benefits. Acting as the main means for replenishing all levels of budgets, tax deductions made by legal entities should not become an unaffordable tax burden for them a burden that interferes with effective business activity. Therefore, the fundamental task of the state at the present stage of economic development is to create the “correct” taxation for legal entities. Currently, the tax system of legal entities in Russia has significant shortcomings that contribute to the creation of a number of problematic issues. Among them should be highlight the following:

1. the instability and imperfection of tax legislation in terms of how the establishment and collection of taxes is regulated contribute to the overall instability of taxation;
2. transfer to the subjects of the Russian Federation and municipalities of the right to assign taxes at their level that do not have any fiscal significance for the regional or local budget;
3. the list of taxes and fees that can be levied at the local level is significantly limited;

4. the presence of an excessive share of indirect taxes, which include VAT and excise taxes, included in the price of goods, performing exclusively a fiscal function;
5. uneven distribution of taxes between taxpayers;
6. tax evasion, incl. intentional;
7. double-entry bookkeeping, which exists, as a rule, to issue wages to employees in envelopes; the complex process of calculating taxes payable, which is expressed, first of all, in determining the parameters of the tax base and its real justification, taking into account the interests of legal entities, etc.;
8. the complexity of a real assessment of the financial and economic stability of legal entities, due to the parallel existence of accounting and tax accounting, which ultimately has a negative impact on improving the investment climate in Russia and attracting foreign investment into the Russian economy [2, p. 72].



It should be noted that, unfortunately, in our country, accruals differ significantly from receipts. Meanwhile, an increase in assessments, especially if it is significant, gives rise to an increase in economic crimes, primarily related to tax evasion. The above disadvantages contribute to the growth of tax charges in Russia as a whole. At the same time, the greatest growth is achieved in the accrual of taxes such as VAT, profit tax, mineral extraction tax and excise taxes.

Negative trend of modern taxation legal entities are also noted that the debt on these taxes is steadily growing, reaching a fairly high level in relation to the amount of tax charges [3, p. 31].

In addition, a significant problem is the risks currently faced by business entities, which may directly depend on the creation and expenditure of financial resources currently available to the state. Such a factor as taxes, of course,

negatively affects the functioning of a business entity. This influence has an impact on the economic sphere of the enterprise, in particular creating a financial loss. This type of loss can also be caused “before collection of taxes”, as well as receiving a fine. In this regard, measures should be developed that can minimize and reduce tax risks for enterprises. This measure will help reduce the fiscal risks of enterprises at various levels, as well as increase the tax security of a legal entity.

At the same time, today in the Russian Federation, experts note a clear orientation of the state towards fiscal interests, this is demonstrated by such efforts of the state authorities in this area as establishing tax rates without specific economic analysis and/or research into how effectively or not these rates have an impact on the level of production, in the field of investment, etc.[10].

Establishing the level of tax burden affecting the economic indicators of a specific country involves a formula that considers the value of mandatory payments made to the government relative to the country's GDP. Various factors directly influence the level of tax burden on an economic entity, including the form of operation, type of activity, chosen taxation level, and organizational and legal structures, among others. Besides the quantity of tax contributions, the structure of these payments is also significant, as it relates to the description of the tax burden level. Additionally, the mechanism by which taxes are collected is crucial. Therefore, optimizing taxation is essential for legal entities under current conditions.

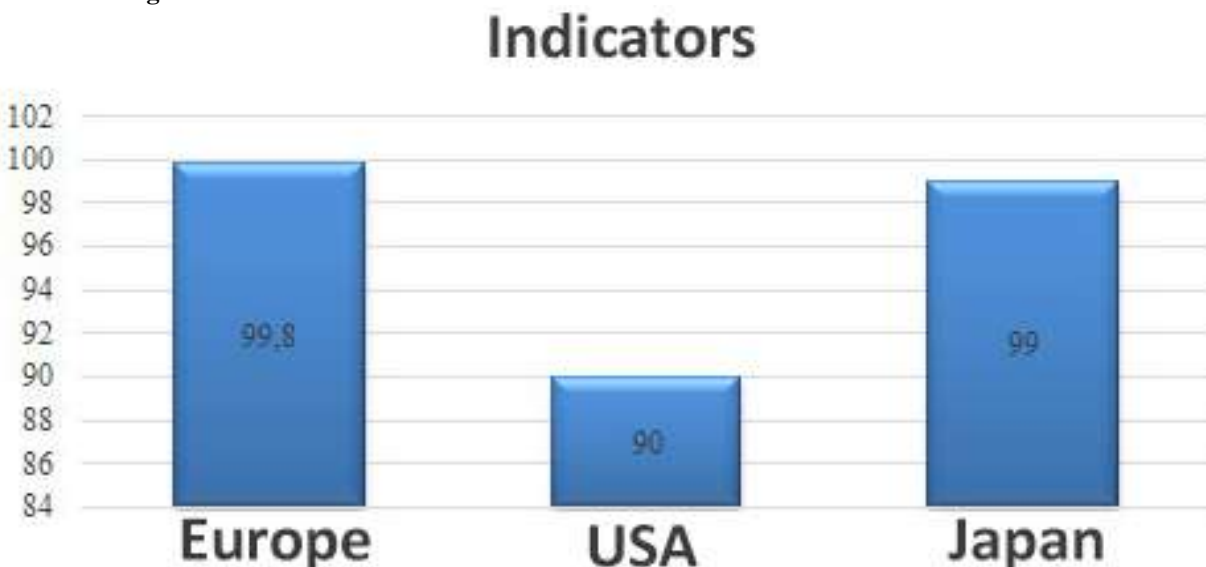
To address existing taxation issues for legal entities, we propose the following measures:

1. Enhance tax control over transactions conducted by legal entities while eliminating excessive administrative pressure on businesses and increasing their protection during oversight activities.
2. Ensure the stability of the tax system by gradually implementing tax reforms.
3. Increase the proportion of tax contributions from regional and local taxes and expand their list.
4. Grant local self-governance bodies the real ability to independently regulate local taxation, allowing them to form local budget revenues and independently administer these types of taxes.

In examining the current problems of taxation for legal entities, it is also noteworthy that one of the fundamental shortcomings in forming revenue levels at the regional budget level is the low receipt of property tax. This low level of receipts directly affects the financial independence indicators of some regional authorities.

To change the current situation, it is important to modify the existing method of forming the tax base. Additionally, the conditions for granting tax benefits to legal entities in the Russian Federation should be reviewed, and the modern technology for transferring and receiving information in critical bodies such as fiscal, registration, and inventory agencies should be reformed.

**Figure 1:-** Illustrates the share of small businesses in the total number of economic entities.



A separate focus of this study is the taxation of small business entities. This focus is due to the significant growth in the number of small enterprises in sectors that do not require substantial capital investments or extensive worker cooperation. There are particularly many such enterprises in high-tech industries, as well as in sectors related to the production of consumer goods and services.

Experts note that for small businesses to function effectively in the regional economic system, efficient conditions that consider economic, social, political, and legal forms of support are crucial, including improvements in public procurement legislation. It is appropriate to reflect the indicators of the share of small business units in the total number of enterprises in developed countries, as presented at a UN Conference on Trade and Development.

Carefully studying the experience of developed countries today reveals a general trend towards simplifying the tax system for both business entities (small and medium-sized) and citizens paying taxes.

### **Conclusion:-**

In conclusion, this study finds it advisable to note that reforming the current tax system requires not only the introduction of a unified tax for small business entities but also a reduction in the rates of this tax burden. It is also important to consider the possibility of exempting newly established small businesses from this tax for the first three to four years of operation. Echoing the opinions of other researchers in this field, we believe it is appropriate to include the unified social tax within this unified tax.

In addition to the aforementioned proposals, it is important to highlight the following recommendations aimed at minimizing current shortcomings in property taxation:

1. It is crucial to develop a systematic model for cadastral accounting that includes all necessary information related to real estate objects in the country and region, as well as their cadastral values. This measure will enable the executive authorities of both the constituent entities of the Russian Federation and Russia as a whole to objectively justify the revenue parts of budgets at different levels. Taxpayers will be able to calculate property tax payments before the tax period begins, while tax authorities will be able to implement control functions over the tax base, significantly reducing the expenditure of funds in tax administration.
2. There should be effective regulatory support, which is impossible without preparing qualified professionals in this field (specializing in property valuation). It is important to develop and adopt methodological guidelines at an appropriate level for organizing and conducting cadastral valuation work on real estate objects. This should include measures aimed at verifying the results of cadastral assessments of real estate objects in the region or the country as a whole.

Thus, the current tax system in Russia is insufficiently effective, necessitating well-considered reforms to increase economic activity among both legal entities and individuals. Implementing our proposed improvements to the existing taxation system for legal entities will help reduce the tax burden on taxpayers, eliminate the need for income concealment and tax evasion (particularly for indirect taxes), and ultimately create conditions for maintaining stable economic growth in Russia. This will improve the entrepreneurial climate and foster the development of production in the country.

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