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Functioning of the tax system and tax policy in the Russian Federation

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Abstract: Taxes have played a vital role in economic interactions within society since the inception of the state. The evolution and adaptation of governmental structures invariably coincide with modifications to the tax system. Within contemporary civilized societies, taxes stand as the primary source of state revenue. Beyond their financial role, the tax mechanism serves as a tool for the state to influence the economic landscape, affecting aspects such as social production, its patterns of growth, and the state of scientific and technological progress. The absolute majority of the country's population began to pay certain taxes, that is, they became taxpayers. In this regard, knowledge of tax legislation and tax literacy are a prerequisite for ensuring the successful promotion of economic reforms.

Keywords: Taxation, tax system, tax policy, forms of tax policy, tax system analysis.

وظائف النظام الضريبي والسياسة الضريبية في الاتحاد الروسي

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المستخلص: لعبت الضرائب دورًا حيويًا في التفاعلات الاقتصادية داخل المجتمع منذ نشأة الدولة، و إن تطور الهياكل الحكومية وتكيفها يتزامن دائمًا مع التعديلات التي يتم إدخالها على النظام الضريبي وفي المجتمعات المتحضرة المعاصرة، حيث تعتبر الضرائب المصدر الرئيسي لإيرادات الدولة وإلى جانب دورها المالي كما و تعمل الآلية الضريبية كأداة للدولة للتأثير على المشهد الاقتصادي، مما يؤثر على بعض الجوانب مثل الإنتاج الاجتماعي، وأنماط نموه، وحالة التقدم العلمي والتكنولوجي. بدأت الغالبية المطلقة من سكان البلاد في دفع ضرائب معينة، أي أنهم أصبحوا دافعي الضرائب. وفي هذا الصدد، تعد المعرفة بالتشريعات الضريبية والمعرفة الضريبية شرطا أساسيا لضمان نجاح تعزيز الإصلاحات الاقتصادية.

الكلمات المفتاحية: الضرائب، النظام الضريبي، السياسة الضريبية، أشكال السياسة الضريبية، تحليل النظام الضريبي.

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1. Introduction:

The establishment of the tax system is justified by the role taxes play in meeting state needs and contributing to the overall functioning of the state. Taxation is an integral component of a country's financial policy, significantly impacting its economy. By collecting appropriate tax revenues, the state wields influence over economic factors, leading to increased production volumes, higher capital investment, and enhanced profit rates. The government employs tax policy as a regulatory tool to address adverse market phenomena.

The efficacy of the national economy is closely tied to the proper construction of the taxation system. Throughout various phases of its formation and operation, the state makes decisions and addresses specific problems that necessitate financial support. Establishing and sustaining a tax system is a significant macroeconomic undertaking. The ongoing relevance of this topic is underscored by the annual consideration of the Russian Federation government to enhance the tax system and implement restructuring, ensuring that any changes align with the criteria for the development of the Russian economy.

A. Research problem: The main problem of the tax system of the Russian Federation is the contradictory interpretation of the norms of tax legislation and frequent changes, the problem of the study is related to the crisis that the Russian tax system was experiencing, the impact of successive financial crises, as well as in the light of the Covid-19 pandemic and the need to work on the development of tax policy in the country, which must be solved.

B. Research importance: The role of taxes, the tax system and tax policy in the economic development of the country cannot be overestimated. They affect economic growth, sustainability of development, structural shifts in the economy, and ultimately, the quality of life and the level of well-being of the population.

C. Research objective: Of this study is the tax system and tax policy of the Russian Federation, and the subject is the study of the features of tax systems.

D. Research methodology: The researcher used the descriptive and analytical scientific method in analyzing the data obtained through statistics, which show the size of financial revenues at the federal level, the size of taxes, and the importance of tax functions in the Russian economy.

E. The purpose: of this study is to analyze the current state of the tax system and tax policy of the Russian Federation.

Based on the purpose of this study, the following tasks are set:

− To reveal the essence of taxes and the tax system;

− consider the essence of tax policy;

− To get acquainted with the main directions of tax policy implementation;

− To analyze the main directions of tax policy.

2. Taxes and tax policy (Conceptual framework)

A. The concept of tax and the tax system:

Defines the essence of taxes as "The withdrawal by the state in favor of society of a certain part of the gross domestic product in the form of a mandatory contribution". (Mezentseva: 2020 :P 735)

There are a number of definitions of the concept of "Taxes", namely:

Taxes are mandatory charges and payments imposed by the state on individuals and legal entities, directed to the budgets of respective levels or extra budgetary funds at rates established by law. These payments are mandatory and do not involve any form of compensation.

Functioning as a dynamic tool within a changing economy, taxes play a role in both stimulating and restraining specific activities. They steer the progress of specific industries, mold the economic endeavors of entrepreneurs, maintain equilibrium between solvency and demand, and oversee the circulation of money.

At the core of tax law, taxes are encapsulated in Article 8 of the Tax Code of the Russian Federation. This legal framework defines a tax as a mandatory, individually gratuitous payment extracted from organizations and individuals. This payment involves the relinquishment of funds rightfully owned, managed economically, or operationally managed, with the purpose of providing financial support to the activities of the state and municipalities. (Aktionova: 2018: P 73).

Furthermore, as outlined in Article 1 of the Tax Code of the Russian Federation, a tax is described as a mandatory contribution imposed on organizations and individuals. The payment of this contribution becomes a prerequisite for the execution of legally significant actions against fee payers by state bodies, local self-government bodies, other authorized entities, and officials. This includes actions such as granting specific rights or issuing permits.

A tax is considered established if the necessary legal procedure is followed, and taxpayers and mandatory elements of taxation are determined: (Panskov: 2019: p 436)

− The object of taxation;
− Tax base;
− Tax period;
− Tax rate;
− A certain procedure for calculating the tax;
− A certain procedure and timing of tax payment.

In obligatory instances, when instituting a tax, The tax and fee legislation of the Russian Federation may also specify tax advantages and the criteria for their utilization by the taxpayer. Concerning the establishment of fees, the law is required to identify their payers and the components of taxation. The role of a tax represents the manifestation of its essence in practical terms and serves as a means of expressing its characteristics. These roles encompass the following aspects: Facilitating the financing of public expenditures, constituting the fiscal function. Upholding social equilibrium by altering the distribution of incomes among various social groups, with the aim of mitigating disparities, i.e., the social function. Participating in the state regulation of the economy, exemplifying the regulatory function (Mamiy& Melnikova: 2022: p8-9).

The fiscal function of taxes is implemented sequentially or gradually. This is manifested in providing the State with the financial resources necessary to carry out its activities. The execution of the fiscal function culminates in the formation of a centralized monetary reserve for the state, enabling the redistribution of a portion of the national income in favor of specific societal groups (Lomova: 2019: p165).

As a result, the fiscal function establishes conditions conducive to state intervention in the economy, a role carried out through the regulatory function of taxation. The core of the regulatory function of taxes involves: (Tychina : 2019: p 284)

Formulating and altering the taxation system.
Determining tax rates and their differentiation.
Granting tax benefits.

In contemporary circumstances, the regulatory function of taxes extends beyond merely maximizing exemptions of profits and income from taxes. It also involves establishing a numerical correlation between the extents of tax benefits granted to a business entity. (Kryzanowski, Perrakis & Zhong: 2020). These tax functions are presented below, in Figure 1.

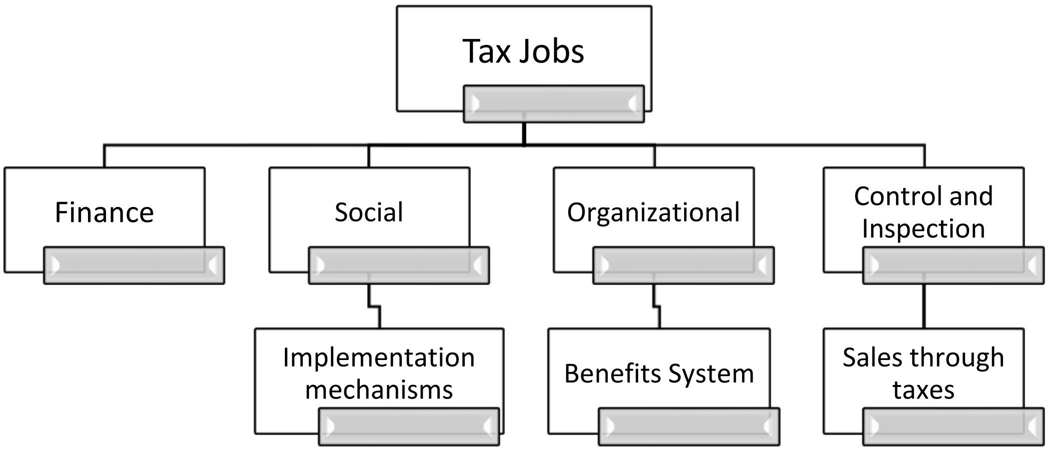

Figure (1) Tax functions

Source: Prepared by the authors (2024)

The tax system primarily constitutes a collection of taxes and fees imposed on contributors in the manner and under the conditions specified by the Tax Code of the Russian Federation. All individuals are obligated to fulfill their legally prescribed tax and fee obligations. The legislation pertaining to taxes and fees is grounded in the acknowledgment of the universality and equality of taxation. Tax Code of the Russian Federation outlines the foundational principles guiding the construction of Russia's tax system. Generally, these principles can be categorized as follows: (Tychina : 2019: p 284)

Fairness: Every Russian citizen is required to fulfill their tax obligations as outlined in the legislation. The assessment of taxes considers the taxpayer's practical ability to meet these obligations.

Certainty: To levy a tax, there is a need for clearly defined elements within the tax system. Ambiguous interpretations of legislation are interpreted in favor of the taxpayer.

Equality: The law prohibits differentiation in tax rates and the provision of unwarranted preferential treatment based on the taxpayer's citizenship, property, or capital. Furthermore, taxes must not be applied disparately due to considerations of nationality, professed religion, social status, or race.

Convenience: Laws should be articulated in a manner that ensures citizens are informed about the necessity, amount, and deadline for payment of a specific tax. The application of this principle aims to facilitate the timely fulfillment of tax obligations by Russian citizens and prevent the abuse of tax authorities' powers.

Economy: There is a requirement for an economic rationale behind the implementation of taxes and fees. Payments that run counter to the constitutional foundations of Russia are deemed unacceptable. Consequently, the principles of the tax system are designed to align Russian legislation with its constitutional underpinnings. (Shcherbakova: 2017: p 30)

All taxes contain the following elements:

- The tax's object refers to the property or income susceptible to taxation.
- The tax's subject is the taxpayer, namely, an individual or a legal entity.
- The source of the tax is the income from which the tax is paid.
- Tax rate – the amount of tax per unit of the tax object.
- Tax benefit – full or partial exemption of the payer from tax (Guidolin, Hansen & Pedio: 2019: P 96).

Utilizing taxes constitutes an economic approach to oversee and harmonize the alignment of national interests with the commercial concerns of entrepreneurs and companies, irrespective of departmental affiliation, ownership structures, and organizational or legal forms of the companies involved. With the help of taxes, the state can pursue a policy to develop industries that require knowledge and eliminate unprofitable enterprises. The concept of a tax system is a development of the term "Tax": The tax system of the Russian Federation forms the foundation for the state to fulfil its functions and serves as the primary source of income for federal, regional, and local budgets. The tax system assumes: The interaction of all its elements and an integrated approach to solving tax problems. All of them form a tax structure. This structure of the Russian tax system includes:

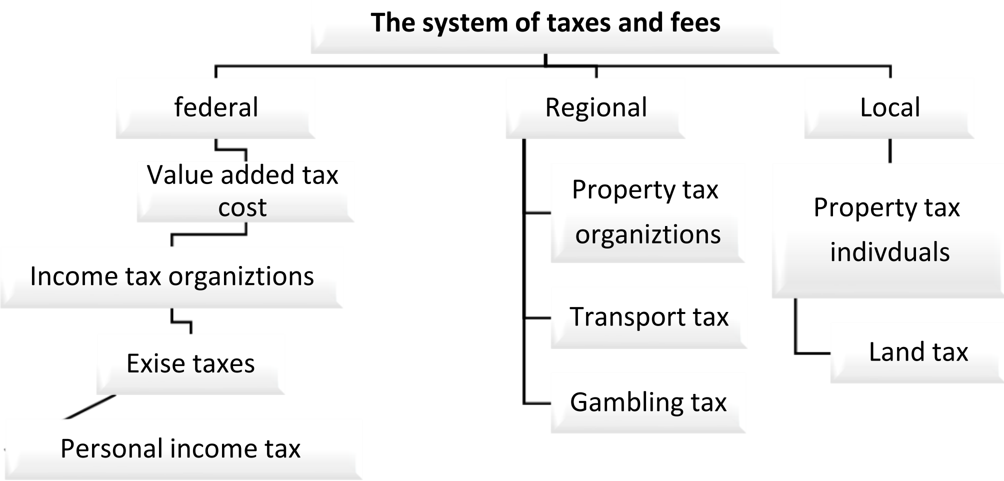

Figure (2) – The system of taxes and fees
Source: Prepared by the authors (2024) Prepared by https://www.nalog.gov.ru/rn77/

The level of the tax determines the appropriate level of the budget to which it is to be credited. Given that the tax system of the Russian Federation is structured into three levels, the legislative framework on taxes and fees is also organized accordingly: (Polyaka: 2015: p 474)

- Federal Legislation: This constitutes the highest level of the legislative structure and is applicable across the entire territory of the Russian Federation. By-laws and other regulatory legal acts must align with it. This category encompasses both parts of the Tax Code of the Russian Federation, federal laws consistent with its provisions, decrees of the President of the Russian Federation, resolutions of the Government of the Russian Federation, and the Constitution of the Russian Federation.
- Regional Legislation: This level encompasses the laws of the Russian Federation's constituent subjects pertaining to taxation within a specific region of the country.
- Local legislation comprises normative legal acts enacted by representative bodies.

The Russian tax system assumes a complex interaction of all the elements that make up its structure (Ivanova: 2014: p. 64-73).
The elements of the tax system of the Russian Federation include:
− Taxes and fees;
− Payers;
− Regulatory and legal framework;
− State authorities in the tax sphere.

B. The essence of tax policy and the forms of state tax policy:

Tax policy is one of the main tools of fiscal policy, as well as attracting financial resources for the needs of the state. This is noted in the laws, the Tax Code of the Russian Federation, regulations and other documents. It is designed to stimulate the reproductive processes of the national economy. Tax policy is a course of action, as well as a system of measures carried out by the state in the field of taxes and taxation (Lomova: 2019: p165).

It finds its expression in:
− Types of taxes applied;
− The values of tax rates;
− Establishment of the circle of taxpayers;
− Establishment of objects of taxation;
− Tax benefits.

The state implements tax policy at all stages of economic development, providing and changing tax benefits, as well as rates for certain taxes and fees that stimulate the development of some types of activities and the reduction of others, the introduction of some taxes and fees for others (Al-dajlawi: 2018: P68).

The financial and budgetary system includes relations related to the formation and use of state finances – the budget and extra–budgetary funds. Taxes are an important component of the financial and budgetary system. They were created together with the production of goods, the societal stratification into classes and the establishment of the state. (Polyaka: 2015: p 474)

When determining taxes, the state strives to provide the necessary material basis for the implementation of certain tasks that are carried out through tax policy, which is part of the state's financial policy.

Tax policy is a multi-faceted concept intricately linked to the interactions between the state and individuals, the state and enterprises, diverse organizations among themselves, and international relations (Shakatreh, Mansour & Alatyat: 2022: p.18). In formulating tax policy, the state should aim to achieve the following goals:

- Fiscal – mobilization of part of the generated national income in the regions into the budget system and extra–budgetary funds to finance national, regional and local socio-economic development programs.
- Economic – purposeful impact on the economy through the tax mechanism in order to carry out structural changes in social reproduction, redistribution of national income and GDP in territorial, sectorial and social sections, regulation of supply and demand, stimulation of entrepreneurial and investment activity in the regions of the Russian Federation.
- Social – the relative elimination or smoothing of inequality in income levels of the population by groups and between regions due to a progressive taxation system, providing tax benefits and privileges to large and poor strata of citizens, disabled people and participants in military events.
- Environmental – environmental protection and rational use of natural resources by strengthening the role of environmental taxes and penalties, both to individual enterprises and to regions where it is permissible to exceed the limits of emissions of pollutants into the atmosphere and effective actions are not taken to improve the environmental situation in their territories.
- Control – due to on-site and desk inspections, when not only an increase in tax receipts to budgets of different levels is achieved, but also compliance with tax discipline. The information received from the tax authorities is used by the state to make operational, tactical and strategic decisions in the field of planning, both taxes themselves and in the field of socio–economic development of territories and the country (Gustap: 2019: p.29-30).
- The international goal is to strengthen economic ties with other countries through the conclusion of various bilateral and multilateral agreements, but the elimination of double taxation, reduction of trade customs duties and harmonization of tax systems.

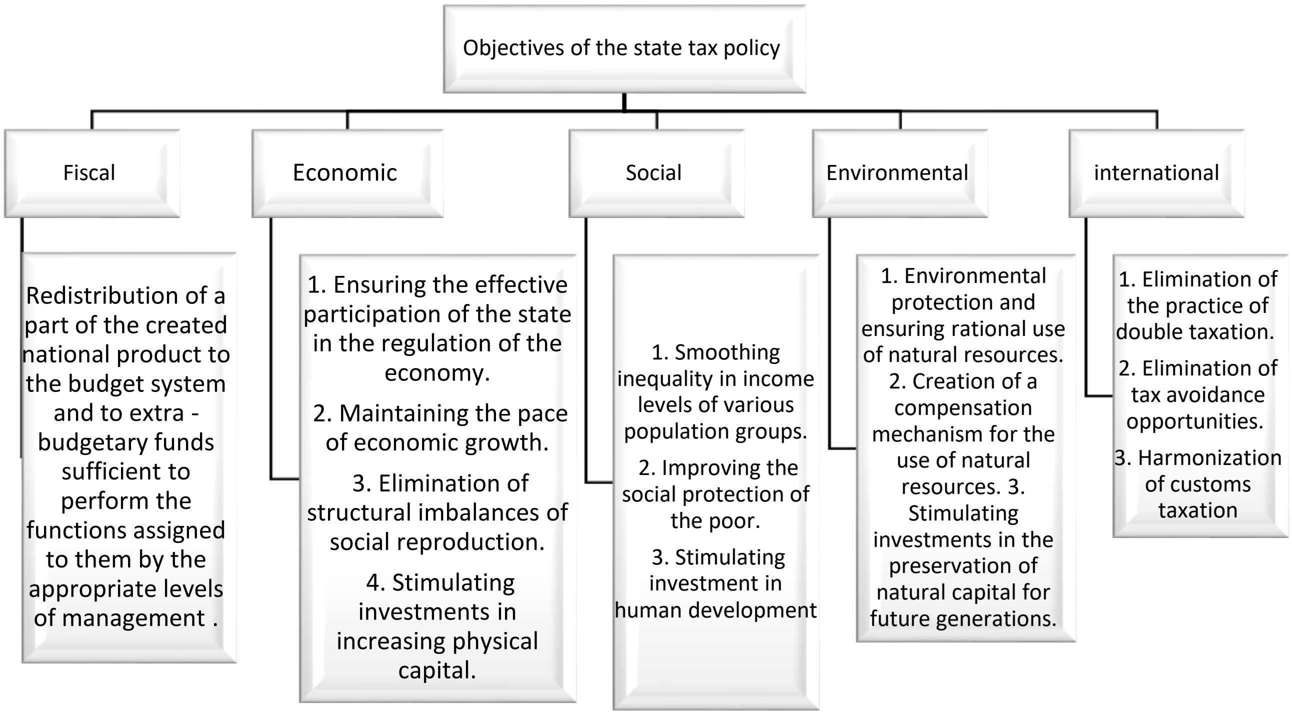

Figure (3) These goals are presented below in the figure.
Source: Prepared by the authors (2024) Prepared by https://www.nalog.gov.ru/rn77/

There are three types of state tax policy, namely: (Solarik: 2016: P 15)

- The policy of maximum taxes, which is characterized by the principle of "Take everything that is possible". At the same time, the state is prepared for a "Tax trap" when tax increases are not accompanied by an increase in income. That is why this policy is carried out by the state, in emergency cases, such as: Economic crisis and the conduct of military operations.
- A policy of reasonable taxes that promotes the development of entrepreneurship, but reduces the amount of social guarantees.
- Tax policy, which provides for a high level of taxation, but with a sufficiently significant social protection of the population. Tax revenues are used to increase social funds. The only drawback of this policy is that it causes inflation (Gustap: 2019: p.29-30).

Tax policy is carried out through methods such as:
− Management;
− Informing;
− Education;
− Consulting;
− Benefits;
− monitoring & Coercion.

Depending on the goals and forms of tax policy, the state uses specific methods, or a combination of them. Examining tax policy requires attention to key concepts such as the subjects of tax policy, principles of formation, tools, goals, forms, and methods. The entities involved in tax policy include the Federation, federal subjects, and municipalities. Each of these subjects possesses tax sovereignty within the bounds set by tax legislation. (Solarik: 2016: P 15)

Federal subjects and municipalities hold the authority to introduce or abolish taxes from the list of regional and local taxes outlined in federal tax legislation. They also have extensive powers to adjust tax rates and determine the procedures and timelines for tax payments.

In the implementation of tax policy, these subjects can shape the economic interests of taxpayers, creating conditions for management that prove advantageous both for taxpayers and the overall economy. The efficacy of tax policy is significantly influenced by the principles upon which the state grounds it. These principles align with the foundational principles of the tax system, including: (Lykova: 2014: p37)

- The balance between direct and indirect taxes.
- Implementation of progressive tax rates.
- The extent of progression in tax rates.
- The prevalence of proportional rates.
- Adoption of the deduction system.
- Utilization of discount and withdrawal systems and their specific focus.
- Approaches to shaping the tax base.

Employing the aforementioned principles, the state fosters the growth of goods, services, and investment activities in a developing economy, along with enhancing qualitative indicators of economic development.

By applying these principles, taxation is directed toward structural and social objectives. During a crisis, tax policy, guided by these principles, plays a role in addressing challenges aimed at overcoming the economic crisis. In contemporary global practices, various methods of tax policy are recognized, including: (Smelova: 2015: p 406)

- Adjusting the balance between direct and indirect taxation.
- Managing the distribution of federal, regional, and local taxes.
- Transferring the tax burden from one category of taxpayers to another.
- Modulating the balance between proportional and progressive tax rates and determining the degree of their progressiveness.
- Regulating taxes, benefits, preferences, deductions, and discounts.
- Controlling the composition of taxes, taxable objects, methods for calculating the tax base, and the procedures for calculation and payment deadlines.

In world practice, such methods as :(Guenther: 2015: 67)

- Alteration of the tax burden on the taxpayer.
- Substitution of certain methods or forms of taxation with others.
- Modification of the scope of specific taxes or the entire taxation system.
- Implementation or abolition of tax benefits and preferences.
- Establishment of a differentiated system of tax rates.

The tax rate constitutes a significant instrument for executing state policy in income regulation. Through adjustments in rates, the state can effectively implement tax regulation. A substantial impact of tax policy is realized by tailoring tax rates for specific categories of taxpayers, in particular regions, or within specific industries (Lykova: 2014: p 37).

Through the application of progressive and regressive rates, the adjustment of not only the income levels of various taxpayer categories is achieved but also the generation of budget revenues at different levels. While Russia does not implement progressive rates for personal income taxation, regressive rates were previously employed for the unified social tax, which was abolished in January 2019. Since 2020, the income tax rate has seen a reduction (Muresianu & Watson: 2021: p 214).

Tax benefits serve as an effective tool for implementing tax policy, as organizations or individuals may be granted full or partial exemptions from taxation. To execute an active tax policy, legislation establishes numerous and diverse grounds for providing tax benefits or deductions. The forms and methods of granting benefits in any state are subject to continuous change. Certain tax benefits aim to alleviate the impact of economic and financial crises. However, it's crucial to recognize that preferential regulation undermines the fundamental principle of equitable taxation for all taxpayers, regardless of their activity type, and creates unequal conditions for enterprises across different

sectors of the economy. Therefore, the application of the benefit system should be approached with caution. In modern Russian tax legislation, not all taxes offer tax benefits; they have been reduced for certain taxes and increased for others (Mohammed: 2018: p 162).
Tax policy is concentrated and disclosed in such documents as: the Tax Code of the Russian Federation, regulations of the subjects of the Federation, municipalities. It is also disclosed in the message of the President of Russia on budget and tax policy for each fiscal year. There are also forms of tax policy, which are presented in Figure 4.

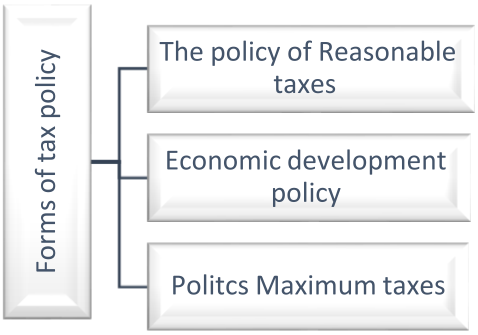

Figure (4) – Forms of tax policy
Source: Prepared the authors (2024) Prepared by Министерство финансов Российской Федерации.

Economic policy is a combination of various directions, elements that together form the economic policy of the state. The main elements that make up economic policy are: (Smelova: 2015: p 406)
− Monetary policy;
− Fiscal policy;
− Investment policy;
− Industrial policy;
− Policy in the field of labor and employment, labor market, income regulation;
− Foreign economic policy.

3. The main directions of the implementation of the tax policy of the Russian Federation (Analytical framework and results)

A. Characteristics of the tax system of the Russian Federation:
The tax system in the Russian Federation comprises a collection of taxes and fees mandated by the state. The Tax Code and corresponding federal laws govern the establishment of the tax system in Russia. This system encompasses various taxes, including excise taxes, and fees, excluding customs duties related to customs regulation (Thomson: 2015).
The Tax Code of the Russian Federation outlines a three-tier tax structure, incorporating federal, regional, and local taxes. Additionally, special tax regimes are defined within the Tax Code, while the Tax Code acknowledges the sales tax and the unified social tax, they were not in effect as of the conclusion of 2018. Special tax regimes encompass: (Guceri: 2016).

- The taxation system designed for agricultural producers (unified agricultural tax)
- The simplified taxation system.
- The taxation system in the form of a single imputed income tax applicable to specific types of activities.
- The system of taxation in the implementation of production sharing agreements.

The Federal Tax Service of the Russian Federation is responsible for monitoring and supervising compliance with the legislation of the Russian Federation on taxes and fees. It also oversees the accuracy of the calculation, comprehensiveness, and punctuality of the submission of taxes and fees

to the respective budget. Additionally, in cases stipulated by the legislation of the Russian Federation, it verifies the accuracy of the calculation, comprehensiveness, and punctuality of the submission of other mandatory payments to the relevant budget.
For breaches of tax legislation, individuals and organizations are subject to liability under Chapter 16, Section 4, Part 1 of the Tax Code of the Russian Federation, in the form of fines either fixed amounts ranging from 50 rubles to 15 thousand, or a portion of the income obtained as a result of the violation or during activities involving infringements (Mark: 2021: P2).
The consolidated budget of Russia for 8 months of 2019 received taxes of more than 15 trillion rubles, which is 10.9% more than last year's figure. the indicator showed an increase of 10.6% to 8.3 trillion rubles. In comparable conditions, that is, without taking into account the excise tax on the processing of crude oil, which is partially returned to the taxpayer, the growth rate of revenues to the consolidated budget would be +13.6%, and to the federal budget +17.5%.
According to the Federal Tax Service, all major taxes demonstrate high rates of income: income tax (- 3.3) trillion rubles (+20%), VAT (- 2.6) trillion rubles (+17.1%), personal income tax (- 2.5) trillion rubles (+8.4%) and mineral extraction tax (- 4.2) trillion rubles (+10.8% rubles). Insurance premium receipts also maintain high growth rates. Over the eight months of 2019, 4.5 trillion rubles were received, which is 9.6% or 393 billion rubles more than last year and 2.4 percentage points ahead of wage growth (for January–July +7.2%). The Pension Fund received about 3.5 trillion rubles with an increase of 287 billion rubles, or 9%.
About a 35% decrease in the number of on-site inspections, while receipts from the results of analytical work have almost doubled. Along with the decrease in the number of inspections, the number of complaints based on their results also decreases by 47.3% for the first half of 2019. The number of court disputes between the Federal Tax Service and business has also decreased by 20%, the head of the service noted.
The head of the Federal Tax Service of Russia also spoke about the implementation of technological projects of the service. So, to date, 1.4 million taxpayers have registered more than 3 million online cash registers. The service has also developed the "Check Checking API" service, to which more than 80 organizations and sole proprietors have joined, creating their own free mobile applications. The technology of online cash registers has made it possible since 2020 to cancel reporting for taxpayers on the USN (income) that use them.
Thus, the necessity for a tax system stems from the functional responsibilities of the state. Each new stage in the development of the tax system is shaped by the historical features of the evolution of statehood. Consequently, the structure and organization of the country's tax system reflect the level of its state and economic development.

B. Analysis of the main directions of the tax policy of the Russian Federation:
The main directions of the tax policy of the Russian Federation have been developed by the Ministry of Finance of the Russian Federation as part of the cycle of preparation of the draft federal budget for the next period and are one of the documents that must be taken into account in the process of budget design, both when planning the federal budget and when preparing draft budgets of the subjects of the Russian Federation.
When discussing tax policy measures during the economic crisis, one of the most urgent is the question of how far measures in the field of tax stimulation of the economy are able to create prerequisites for overcoming the crisis. The primary objectives of tax policy in the Russian Federation for 2018-2020 included proposed amendments to legislation on taxes and fees in the following domains: (Tychina : 2019: p 284)
(1) Improvement of corporate income tax;
(2) Improvement of the value added tax;
(3) Indexation of excise rates;
(4) Improvement of the personal income tax;
(5) Introduction of a real estate tax to replace the existing land tax and property tax of individuals;
(6) Improvement of the mineral extraction tax;

(7) Improving taxation under special tax regimes;
(8) International cooperation, integration into international organizations and agreements, information exchange.

The principal orientations of budget, tax, and customs tariff policies for 2018, as well as the planning period spanning 2019 and 2020, were formulated in accordance with Article 165 of the Budget Code of the Russian Federation. These considerations were made with due regard to the outcomes of budget implementation, tax and customs tariff policy for the period up to 2017-2019. When preparing the Main Directions of the budget, tax and customs tariff Policy, the provisions of the Address of the President of the Russian Federation to the Federal Assembly of the Russian Federation dated December 1, 2016, the decrees of the President of the Russian Federation dated May 7, 2012, The key initiatives of the Government of the Russian Federation up to 2018, the Program for Enhancing the Efficiency of Public (State and Municipal) Finances up to 2018, and the state programs of the Russian Federation laid the foundation for the Main Directions of the budget, tax, and customs tariff policy. (Solarik: 2016: P 15)

The aim of these Main Directions is to establish the parameters and conditions guiding the drafting of the federal budget for 2018 and the planning horizon of 2019 and 2020. This involves outlining approaches to budget formation, specifying the primary characteristics, and projecting the parameters of both the federal budget and other budgets within the Russian Federation's budgetary system for the period 2018-2020.

The last 2 years have been marked by progressive movement forward. Despite the slowdown in global economic growth in the second half of 2019, domestic growth accelerated to 2.3 percent in 2019. This lags behind the desired dynamics of development, but, nevertheless, it became the fastest growth since 2012 and twice exceeded the average annual pace of the last 10 years.

It is necessary to consider the results of the main directions of tax policy, namely: (Tychina : 2019: p 284)

Positive trends in the structure of economic growth are strengthening:

- There is a dynamic growth of production in a wide range of industries, which is based on strengthening the competitiveness of the domestic economy. Exports of the non-oil and gas sector continued to grow at a rapid pace (the average annual growth rate over the past three years is about 8% in real terms), and the indicators of operational efficiency (profitability) reached the highest values in recent decades;
- The recovery of investment activity is strengthening. The growth rate of investments in fixed assets in 2019 remained above 4% in real terms. With zero contribution from the oil and gas sector, investment growth in the non-oil and gas economy amounted to 6.4% (after 5% in 2018);
- The stability of the structure of sources of financing continues to strengthen with a decrease in the role of external debt resources and an increase in the role of the domestic financial market.

Such trends are also related to the qualitative changes that the country's economic and financial policy has undergone in recent years. Mature institutions of macroeconomic policy were created, the system of inter–budgetary relations was built in a new way, the operational efficiency of budget execution was strengthened, and its own financial market infrastructure was launched.

Nevertheless, it is too early to call the emerging development of the Russian economy optimal. The income growth rates of the most vulnerable segments of the population remain below the desired ones, the increase in investment activity of the private sector is not fast enough, and structural constraints for dynamic and balanced development remain.

In this regard, the State economic policy is primarily focused on promoting the achievement of national development goals of the country by ensuring sustainable economic growth and expanding the potential for balanced development. This requires: (Polyaka: 2015: p 474)

(1) Creation of a predictable and stable economic environment with a low level of susceptibility of internal economic conditions to the state of external conjuncture, a steadily low level of inflation and inflation expectations.

This was facilitated by the implementation of a budget policy based on "Budget Rules" (along with the policy of inflation targeting and free exchange rate formation). With their introduction in 2017, the exposure of the economy and public finances to the conjuncture of commodity markets has significantly decreased:

- by the end of 2018, the level of oil prices providing the primary balance of the federal budget decreased to $ 45/ Barrels (for the current account of the balance of payments - $ 35/ Barrels), the non-oil and gas deficit of the federal budget decreased to 6.0% OF GDP;
- A test of strength: in some periods of 2019, the rate of falling oil prices and capital outflow was comparable to 2014; at the same time, the consequences were not dramatic - the ruble and financial markets remained stable, inflation remained moderate, and the economy continued to grow.

As a result, the domestic economy today is characterized by the absence of macroeconomic imbalances, its exposure to the state of external conjuncture is minimal, and its structure is strengthened by increasing the competitiveness of the real sector and strengthening the reliability of the financial sector.

(2) Elimination of structural imbalances and barriers to development, including distortions of the competitive landscape and incentives for investment, the quality and efficiency of public administration, demographic trends and the development of human capital.

This is the purpose of the activities of the unified plan for achieving national development goals, including those provided for in the framework of national projects. In 2018 – 1st half of 2019, significant preparatory work was done: (Smelova: 2015: p 406)

- The resource base of national projects has been formed and concentrated: changes in tax legislation have been adopted, government borrowing has been increased in order to increase infrastructure financing;
- Passports of national, federal and regional projects have been formed and approved (and other mechanisms for achieving national development goals - a plan to increase investments to 25% of GDP, etc.) with specific measures, responsible persons, deadlines and results of their implementation;
- In order to fully involve the regions, the stimulating parameters of co-financing in the implementation of national projects on the territory of the constituent entities of the Russian Federation have been determined;
- An effective system for monitoring the implementation of national, federal and regional projects has been created; it is planned to form an institute for strategic expertise (monitoring) of the implementation of state programs for their contribution to the achievement of national development goals.

4. Results and Discussion

The Government approved an action plan to overcome the crisis phenomena in the Russian economy. Anti-crisis measures are being implemented simultaneously in several directions, namely:

A. Minimization of unemployment growth and stabilization of production. In this regard, the program of implementation of measures to support the labor market adopted by the Government provides for advanced vocational training, temporary employment, assistance to the development of small businesses and self-employment of the unemployed in the event of a threat of mass dismissal.;

B. Strengthening the management of revenue sources. Starting in 2018, there is an action plan to increase tax and non-tax revenues to the budget. The practice of concluding agreements has yielded a positive result: obligations to increase wages for both municipal public sector employees and workers in the production sector have been secured. The volume of additional tax and non-tax revenues for 2018 amounted to 12% of the original plan. According to the results of the 1st half of 2019, the terms of the agreements regarding tax and non-tax revenues were fulfilled with an increase of 17.1%. The economic and social effect of joint actions of state and municipal authorities, economic entities was reflected in the positive dynamics of macroeconomic indicators in January – June of this year. With an increase in prices for purchased products by more than 28%, the industrial production index increased by 8%, the nominal accrued average monthly salary by 19.2%.

C. Any crisis pushes to improve the management structure and optimize irrational expenses. In accordance with the recommendations of the Ministry of Finance of the Russian Federation, the number of civil servants in the executive authorities has been reduced since April 1, 2018. For municipalities subject to paragraph 2 of Article 136 of the Budget Code of the Russian Federation, the standards for the formation of expenses for the remuneration of deputies, elected officials and municipal employees have been approved. In addition to these restrictions, the Government has approved standards for the maintenance of local self-government bodies. In order to reduce utility costs, the Government approves natural and cost limits. The excess consumption is formalized by additional agreements and is paid for at the expense of the funds of institutions received from paid services. In addition, interdepartmental working groups conducted inspections of the effectiveness of the current budget network of social institutions. Budget revenues of the Russian Federation have reached 20 trillion rubles, and expenditures 18 trillion. The 2019 budget surplus amounted to 1.8% of GDP. Due to the excess of income over expenses, it was possible to replenish the National Welfare Fund a little more. So, as of May 1, 2020, the volume of the All-Russian cup was equal to 12.4 trillion rubles. This is 11% of GDP. (Smelova: 2015: p 406)

Thanks to the diversification of the economy and better tax collection, the Russian budget has remained stable even in the face of declining projected revenues from the oil and gas sector. The increase in tax revenues directly affected the growth of federal treasury revenues. Thus, it will be possible to fulfill the social obligations of the government and help businesses in the crisis caused by the COVID–19 coronavirus.

Now the Cabinet of Ministers of the Russian Federation will be able to allocate much more money to support large and small businesses. We are talking about companies affected by the outbreak of the global economic crisis and restrictions imposed in connection with the pandemic. Let's consider an example of anti-crisis measures for tax collection in the Russian Federation:
The work done to improve tax collection has allowed additional revenues to the budget of the Russian Federation, which can be used to combat the crisis caused by coronavirus, as follows from the report of the Ministry of Finance submitted to the government. Budget revenues in 2019 amounted to 20 trillion rubles with expenditures of 18 trillion. Last year's budget surplus reached 1.8% of GDP. The excess of income over expenses allowed filling the National Welfare Fund a little more. The volume of the All-Russian cup reached 12.4 trillion rubles on May 1, which is already 11% of GDP. (Shcherbakova: 2017: p 30)

Despite the decline in projected revenues from the oil and gas sector, the Russian budget has remained stable due to the diversification of the economy and better tax collection. Now the government will be able to allocate significantly more funds to support large and small businesses that have suffered as a result of the global economic crisis and restrictions imposed in connection with the COVID–19 epidemic. And the vast majority of small businesses in the country now need state support. According to various estimates, more than half of all small businesses in Russia may close without the help of the government. Thus, the Federal Tax Service has laid a financial safety cushion, which the current government should spend wisely to support citizens and the economy.

The span from 2016 to 2022 can be characterized as a notably challenging period for the growth and development of the Russian economy. This challenge arose due to blockades imposed by certain global powers and the shared economic and financial difficulties experienced by all countries worldwide, including the Russian Federation, amidst the ongoing impact of the COVID-19 pandemic, which persisted throughout 2020. Examining the data on diverse revenues during this period reveals a discernible and modest stability in the federal revenue levels, as depicted in the table below.

Table (1): all revenues in Russia for the period 2017-2022 (unified budget)

Types of revenues	2017	2018	2019	2020	2021	2022
Taxes on profits	11%	11%	11.5%	11%	10%	7%
Personal income tax	10%	10%	10%	9%	10%	11%
Income from selling oil and gas	19%	24%	20%	22%	21%	21%
Value added tax	17%	16%	18%	18%	19%	20%
Government fees	5%	4%	5%	7%	6%	7%
Import duties	2%	2%	2%	3%	2%	3%
Compulsory social insurance contributions	22%	20%	20%	18%	20%	21%
Other	14%	13%	13.5%	12%	12%	10%

Source: Prepared by the authors (2024) Prepared by Минфин России :: Статистика.

The table above underscores the importance of delving deeper into the study and conducting additional analysis of tax revenues, particularly those imposed in Russia. The noticeable variation and relative differences in tax and oil revenues provide an incentive to comprehend the intricacies of these fiscal aspects. It is essential to recognize the crucial role of tax functions in fortifying the federal budget with financial returns and understanding their impact on the gross domestic product. This, in turn, contributes, albeit to a novel extent, to realizing the objectives of economic and social development at the federal level.

Table (2) the structure of tax revenues of the federal budget for the period 2017-2022

Types of taxes	2017	2018	2019	2020	2021	2022
Taxes on profits	23%	18%	21%	22%	19%	12.5%
Personal income tax	25%	26%	29%	33.5%	36%	29%
Value added tax	36%	34%	25%	25%	33%	47%
Land tax	1%	1.5%	1.5%	1.2%	1%	0.7%
Transport tax	1%	1.5%	1.5%	0.5%	1%	0.8%
Corporate property tax	7%	6%	14%	9.3%	4%	4%
Other tax	7%	13%	8%	8.5%	7%	6%

Source: Prepared by the authors (2024) Prepared by Минфин России :: Статистика.

Examining the illustration below, depicting tax revenues for the year 2023, provides a tangible insight into the actual scale of tax proceeds attained during that period. This reality has had an adverse impact on the government's performance in meeting its objectives, evident in the detailed breakdown in Table 3. The table reveals total revenues reaching (25.54) trillion Russian rubles, contrasted with actual expenditures totaling (29.12) trillion rubles. This mismatch has resulted in an actual deficit in the overall budget, compelling the government to resort to borrowing to fulfil its obligations.

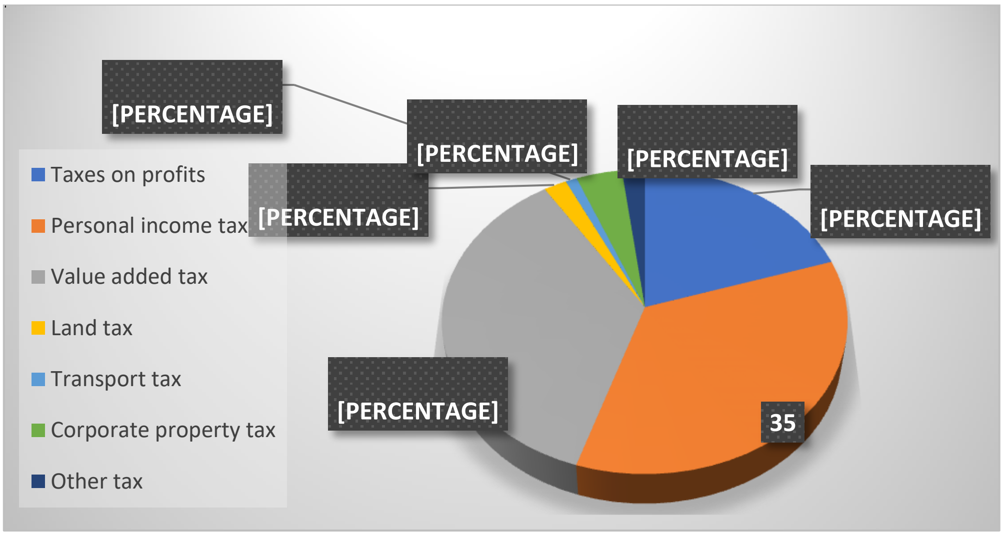

Figure (5): the structure of tax revenues of the federal budget for 2023

Source: Prepared by the authors (2024) Prepared by Минфин России :: Статистика.

Below is a depiction in Figure 6 of the revenues obtained in 2023. The income derived from the sale of oil and gas constituted 36% of the total revenue, with the remaining 64% sourced from diverse financing channels, including taxes and other forms of funding for the budget.

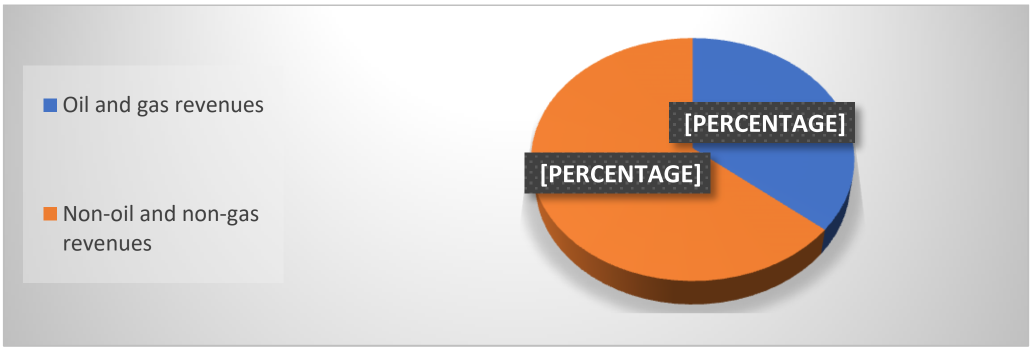

Figure (6): Total income from oil and non-oil revenues for the year 2023

Source: Prepared by the authors (2024) Prepared by Минфин России :: Статистика.

Table 3 provides a breakdown of sector-wise expenditures for the year 2023, totaling 29.12 trillion Russian rubles, as illustrated below.

Table (3): the structure of budget expenditures of the federal for 2023

Sector	The amount	Percentage%
Social police	7.34	25%
Public debt service	1.52	5%
Education	1.36	5%
National Defense	4.98	17%
National Economy	3.51	12%
National Security	4.42	15%
Media	0.19	0.8%
Culture	0.8	3%
Healthcare	1.47	5%
Inter-budget transfers	1.2	4%
Security the environment	0.34	1.2%
National Issues	1.99	7%
	29.12	100%

Source: Prepared by the authors (2024) Prepared by Минфин России :: Статистика.

Observing the allocation of expenditures in 2023, we observe that 25% was dedicated to social security. The education sector received a 12% share of the total expenditures, while national defense and national security accounted for 12% and 15%, respectively. The remaining sectors exhibited varying percentages, contributing to the overall balance and fostering a modest level of freshness and growth.

5. Conclusion

Based on the course work done, the following observations can be made:

- Taxes furnish the state with the financial resources essential for the advancement of the country's public sector.
- Russia has a three-tier taxation system, including federal taxes, taxes of the subjects of the Russian Federation, and local taxes. This taxation system most rationally and rigidly assigns certain taxes to the administration of each level so that the funds that support its activities go to the appropriate treasury.
- The key strategies for enhancing the tax system encompass reducing the tax burden, optimizing the allocation of funds across different levels of budgets, and enhancing the efficiency of the economic function of taxes.

All the tasks have been completed, in this regard, a number of conclusions can be drawn, namely:

A. Taxes are compulsory fees and payments imposed by the state on individuals and legal entities, directed to budgets of the corresponding level or to extra budgetary funds at rates established by law. These payments are obligatory and without recompense.

B. Tax policy is one of the main instruments of budget policy, as well as attracting financial resources for the needs of the state. This is noted in the laws, the Tax Code of the Russian Federation, regulations and other documents. It is designed to stimulate the reproductive processes of the national economy.

C. The tax system in the Russian Federation comprises a collection of taxes and fees instituted by the state. In Russia, the tax system is instituted through the Tax Code and federal laws that align with the Code.

D. The objective of the Principal Guidelines for budget, tax, and customs tariff policies is to establish the conditions applied in the formulation of the draft federal budget.

E. Thanks to the diversification of the economy and better tax collection, the Russian budget has remained stable even in the face of declining projected revenues from the oil and gas sector.

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