Institutional Aspects of Tax Planning in the Conditions of Reforming of Tax System and Improvement of Tax Management

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Abstract: Methodological bases of tax planning and its role in system of tax management are investigated. Institutional conditions of increase of efficiency of tax planning are considered. Scientific approaches are generalized and the content of concept of tax planning on macro and microlevels is specified. Need of consideration of tax planning as object of scientific researches and the sphere of practical activities is proved. The place and role of tax planning of managing subjects in integration process of streamlining of financial and economic activity of the companies according to strategy of its development and within the existing tax legislation is shown. Expediency of the formulation in the Russian tax legislation of the concept "tax planning" on macro and microlevels is proved. Problems of system nature of increase of efficiency of tax planning at the present stage are considered.

Key words: Institutional conditions · Tax planning · The taxation · Tax management · Methodology · The tax mechanism · Types of the tax planning · Managing subjects · Tax minimization · Tax strategy · System character

INTRODUCTION

Institutional condition of successful realization of reforms carried out in the state, achievements and preservations of economic stability the steady condition of public finances and first of all of growth of tax revenues in budgets of all levels is. Formations of the tax income of the state in many respects is defined by quality of tax planning. In the conditions of permanent reforming of tax system and a tax policy of the Russian Federation tax planning also develops and improved.

On one side, tax planning serves as an object of scientific research, representing a relatively new direction for Russian finance science and on the other side it represents an area of practical activity. Tax planning can and should be considered both from the perspective of the state and local government bodies represented by their authorized agencies and from the perspective of a certain economic entity, i.e. on macro- and micro-levels. In spite of positive movements they pay inadequate attention to theoretical and methodological aspects of tax planning in Russia. Therefore, it will be logical to begin with a more precise definition of tax planning and the criteria of its classification.

A famous Russian scientist, Doctor of Economics, Professor T.F. Yutkina, was one of the first researchers who introduced the concept of state “tax management” and “tax planning” as its component [1]. Such authors as M.V. Romanovsky and O.V. Vrublevskaya pointed out the necessity and timeliness of the separation of problematic, connecting with the planning of the taxation process as an individual direction, as well as the establishment of methodological and methodical fundamentals of this process in the form of an entire integrated system. In their opinion, practicability of its separation is determined by the fact that due to disunity of the governmental bodies dealing with management of tax processes, certain discrepancies in statutory and regulatory support of taxation-between economic, social and political purposes of the state and the capability of financial support for their achieving-appear [2].

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The Great Economy Encyclopaedia interprets tax planning as choosing between different variants of performance of a legal entity’s activity and allocation of its assets aimed to the achievement of as low a level of tax liabilities appeared upon this as possible [3]. The Dictionary of Business Terms by D.Friedman defines tax planning as “systematic analysis of different tax alternatives aimed to minimization of tax liabilities in current and future periods” [4]. Such foreign scientists as E. Bodie and R.Merton hold the same definition [5]. The definitions represented above characterize a concept of tax planning mainly in the “restricted” sense, i.e. the content of tax planning is uncovered only at the level of an economic entity.

Russian research scientists A.I. Ponamarev and T.V. Ignatova consider that tax planning at the macro level “represents estimation of tax potential and returns of taxes and levies to the budget system and is performed by state and governmental bodies based on forecasting of social and economic development of the Russian Federation and its constituent entities, representing a system of indicators and main parameters for directions of social and economic development” [6]. In the opinion of Doctor of Economics, Professor of the Financial University under the Government of the Russian Federation, L.I.Goncharenko, the purpose of the planning of tax returns is the achievement of the highest level of mobilization of taxes and levies to the budget system [7].

Tax planning at the macro-level possesses an essential singularity, lying in directive and indicative forms of performance. In fact, on one side, budgetary tax assignments acquire a status of law after they are approved by the legislative body of the Russian Federation or regional representative bodies; on the other side, as distinct from traditional directive assignments, they don’t have a specific address form that makes it necessary to look for other methods of regulation and control over the fulfilment of budgetary and tax assignments. It is necessary to note that this aspect of the problem of organization of the efficient mechanism of the management of tax relations has not yet found appropriate reflection in science and practice.

In the process of tax planning at the macro-level, they not only implement fiscal assignments, but lay the basis for optimization of tactics and strategy of tax regulation and control as well. In modern conditions, tax science has not created special methods of planning of amounts of tax returns to the budget. In practice they apply generally known and much-used traditional methods in the process of tax planning. Application of these methods is justifiable, because they are unified and do not depend upon specifics of the processes under research. At the same time, one should also apply specific approaches to detection of common tax factors and to drafting of perspective tax conceptions on their base in the process of tax planning.

The necessity of application of different methods and procedures of tax planning in practice is caused largely by multiplicity of taxes and their different impact on the factors of production. This was mentioned by R.Musgrave: “Different taxes impact on norms of savings and investments and therefore on capital formation in different ways. Increase or decrease of capital will result in change of factor revenues and therefore in distribution of revenues in the economy” [8].

Thus, we can conclude that tax planning at the macro-economic level does not represent mechanical determination of the amount of future returns to the budgets of the corresponding governmental bodies. It is a process of detection and mobilization of reserves existing in the economy for the solving of nationwide, regional and local tasks in tactical and strategic aspects. Tax planning on the level of constituent entities of the Russian Federation (sub-national level) is a process of determination of economically feasible amounts of tax returns, detection and mobilization of reserves, for the increase of revenues of regional and local budgets in conditions of modern financial policy, pursued by governmental authorities and local administration bodies.

The author considers that a concept of “tax planning” should be recognized in the Russian tax legislation, in the Tax Code of the Russian Federation in particular, for improvement of the quality of forecasting of tax revenues. Determination of the essential features of this component of the economy in tax legislation has a substantial significance for formation of a concept of its estimation and state control, including tax control, over the generation of budget revenues. While establishing an efficient system of tax planning at the macro-level, it is important to receive high-quality information which would be reliable, well-timed and which would comply with the requirements placed on it. In developed nations, planning begins with the determination of purposes and tasks and the setting of qualitative and quantitative indicators for the achievement of these purposes [9].

At the present stage of the Russian Federation, distinct methodological approaches for the establishment and functioning of the tax planning system at the macro-level have not yet worked out the consequence of what is a systematic discrepancy between planned and
actual indicators of mobilization of tax returns to the 
budgets of different levels. So, according to the official 
information of the Federal Tax Service of the Russian 
Federation in 2010, the federal budget received 3,207.2 
billion roubles from tax returns; that is an increase of 28% 
in comparison with 2009. However, in comparison with 
2008, the amount of received taxes is less by 10%. 
Budgetary assignments for the mobilization of taxes 
were fulfilled by only 97.3% [10]. Concerning the fact that 
the amount of tax returns to the federal budget in 2010 
did not reach the level of 2008, we can agree with the 
official position of the Federal Tax Service of the Russian 
Federation in regard to the lower oil price (average price: 
2008-94 USD per barrel; 2010-77 USD per barrel; oil price 
in 2009 was 58 USD per barrel). However, systematic 
discrepancies between planned and actual indicators of 
the execution of budget assignments of both the federal 
budget and the budgets of constituent entities of the 
Russian Federation give evidence that the instruments 
of tax planning require improvement.

A similar situation can be observed in many regions 
of the Russian Federation as well. In particular, reported 
data of the Ministry of Finance of the Republic of 
Dagestan give evidence that in 2012, budget assignments 
for mobilization of tax returns to the consolidated budget 
of the Republic were fulfilled by only 95.0 %. In particular 
in regard to: excise taxes-84.37 %; tax on profit of 
organizations-93.81 %; in regard to personal income tax 
and tax on natural resources production, these figures 
were over-fulfilled; by 106.5% and 104.2% respectively.

Thus, informational and statistical analysis shows 
systematic under-fulfilment of budget assignments in 
regard to certain items and over-fulfilment in regard to 
other ones. Non-compliance between forecasting and 
actual indicators (in addition to the other factors) can be 
explained by the establishment of budget assignments, 
without the highest possible consideration of factors 
impacting on the formation of the taxation base because 
of the non-availability of a scientifically grounded 
methodical procedure of the actual determination of a 
taxation base. To confirm the validity of our conclusion 
we made statistical sampling and undertook an 
appropriate study for the year of 2003. Analysis of 
fulfilment of budget assignments for mobilization of tax 
returns to the budget of the Republic of Dagestan for the 
above-mentioned period identified some discrepancies 
between planning and budgetary indicators of fiscal 
performance as well. So, assignments for mobilization of 
personal income tax to the budget were fulfilled by 105.2 
%, tax on profit of organizations-88.3 %, excise tax on 
excise goods-78.2 %, tax on land-42.9 %, water tax-73.8 % 
and transport tax-36.7 %.

By virtue of the objective uncertainty of forecasts 
of tax revenues, differences between projected and 
actual scopes of mobilization are inevitable. As a rule, 
such discrepancies are the consequence of inaccuracies 
contained in economic reports used for analysis; 
unforeseen changes in legislation; changes in the system 
of tax administration and degree of taxpayers’ compliance 
with the law; other reasons of economic, organizational 
and methodical nature. However, fulfilment of planning 
assignments depends not only on the efforts of the 
authorized bodies and the economic situation in the 
region, but also on how real and feasible the positions of 
the plan are and how accurate the calculations and 
forecasts taken as a basis for its development are.

In connection with the above-listed information, 
the improvement of methodological and methodical 
fundamentals of tax planning and strengthening of its 
scientifically grounded component comes at an opportune 
time in the modern Russian Federation. Regarding this, 
development of a new approach to quantitative estimation 
of budgetary assignments on the basis of a real taxation 
base and appropriate tax potential of constituent entities 
of the Russian Federation has significant importance. 
Unfortunately, indicators of tax potential and fiscal 
performance, as well as methodical procedure of 
calculation of the taxation base, on the basis of which 
assignments for the flow of revenues to the budgetary 
system are being determined, have not represented 
acknowledged economic and statistic indicators until now 
Russian Federation.

While examining the classification of tax planning it 
is necessary to remember, in the first place, the logic 
and construction of a chain of the best methods of 
achievement of the stated purposes and, in the second 
place, the time frames limiting, on one part, the setting 
of impossible tasks and purposes and on the other part 
acting as indicators of the efficiency of planned actions 
by comparison of forecasting and actual results [11].

Based on the above-stated classification of tax 
planning as a process of development and further control 
over the progress of implementation of the tax plan and its 
correction in accordance with the changing institutional 
conditions, it can be constructed only on the basis of the 
parameters of the term structure of tax planning. As 
timeframes of achievement of the purposes differ from 
each other, the logic and structure of the sequence of
events of the tax planning process comply with general theoretical rules and are not liable to differentiation. Therefore it can be stated that tax planning is management activity directed to the achievement of short-term, mid-term and long-term (strategic) purposes (results), i.e. tax planning is divided into: operative, tactical and strategic tax planning, performed on macro and micro-levels.

The author doesn’t share the opinion of researchers about the multiplicity of criteria of classifications of tax planning. For example, D.N.Tikhonov considers that there are two criteria of differentiation of types of tax planning: the legitimacy of actions of a taxpayer, i.e. how the actions of a taxpayer comply with legislation and the degree of a tax burden, whether he (she) pays taxes, taking no measures directed to decrease taxation or minimize taxes by any way [12]. Upon simultaneous use of these criteria D.N.Tikhonov obtains three types of tax planning: classic tax planning, optimization tax planning and vulgar (illegal) tax planning.

Foreign researcher P. Valente separates aggressive tax planning additionally. In accordance with the definition of the researcher, aggressive tax planning includes application of artificial operations or acts of the state and their practical use represents a basis of tax planning at the micro-level. Surely, questions of tax relief functioning are tightly linked with the problem of the estimation of their effectiveness. In the cases when the relief does not have a social return or is economically inefficient, then such relief cannot play its role to the full extent, as the most mobile instrument of tax regulation.

Authors of the classification given above, like many other researchers, define tax planning, not exactly substituting its essence by content-related characteristics. In general, planning is a data reduction process aimed at substantiation of the forthcoming actions; it cannot be optimization or classic, legal or illegal.

The planning process complies with general philosophical and methodological principles. In this sense it is unified and uniform. For example, one cannot say that the planning process is illegal (vulgar); you can estimate planned actions from the perspective of legitimacy. These actions are nothing more than content of planning and they can be estimated from different points of view. That’s why it is necessary to speak in this case not about classification of tax planning, but about grouping of planned actions (measures, methods, ways) in accordance with certain characteristics common to components of the whole group.

Thus, we can summarize that based on the understanding of the fact that tax planning represents an economic construction, the abstract process of forecasting of certain actions of tax planning is divided into operative, tactical and strategic, which can be performed on macro and micro-levels. Another classification is possible only from the perspective of its practical destination, when attributive features of the measures contained in the taxation plan, subjects planning tax efficiency measures, territorial and jurisdiction characteristics of these measures and objects affected by the planned measures, are used as a classification basis.

The formation and development of market relations focused the attention of Russian scientists on the research of problems of tax planning at the micro-level, i.e. in activities of economic entities. Russian scientists E.S. Vylkova [15], S.A. Guskov [16], E.Yu. Zhidkova [17], D.A. Melnik [18], A.I. Ponomarev [6], B.A. Rogozin [19], E.Yu. Sidorova [20], K.S. Selutin [21], D.N. Tikhonov [12], D.G. Chernik [22], performed significant research in the area of tax planning of economic entities.

The availability of relief in the effective regulatory acts of the state and their practical use represents a basis of tax planning at the micro-level. Surely, questions of tax relief functioning are tightly linked with the problem of the estimation of their effectiveness. In the cases when the relief does not have a social return or is economically inefficient, then such relief cannot play its role to the full extent, as the most mobile instrument of tax regulation. Additionally, inefficient relief results in not only direct loss of budget revenues, but also in such phenomena as the decrease of competitiveness of goods (works, services) and market motivation of economic entities not using such relief, slackening of the rates of economic growth, intensification of social inequality and tension in the community, etc. The estimation of effectiveness involves, as a rule, comparison of the result of one or another action with the expenses required for its performance. To improve the effectiveness of preferential taxation, many Russian and Ukrainian scientists (I.A.Mayburov, Yu.B.Ivanov, I.A.Panskov, L.L.Tarangul) propose to account them both in decreasing budget revenues and in a separate item on the expense side of the budget [23]. In world practice such a conception is referred to as a “conception of tax expenses of the budget”. Academic literature recognizes the fact that programmes of tax expenses can be more efficient than direct subsidies for stimulation of individual behaviour in
the direction of the achievement of certain purposes [24]. Acknowledging the importance of the estimation of tax relief efficiency on the national and sub-national levels, let it be noted that the author does not investigate this problem in this work. The estimation of tax relief efficiency in Russian conditions requires in-depth and individual investigation.

In scientific works on the problems of tax planning at the micro level, numerous definitions of tax planning are contained, the place of tax planning in the system of management of organizations is specified, a role of different structural subdivisions in tax planning is shown, different models and methods of optimization and minimization of taxation are projected. At the same time it is necessary to note that the problem of tax planning at the level of economic entities is considered by the above-mentioned authors mainly from the perspective of practical recommendations to accountants and tax consultants, explaining the methods of decrease of tax payments. Theoretical and methodical justification of principles and methods of tax planning, formulation of scientific methodology of tax planning organization and the identification of its place in the system of general economic planning pale into insignificance, because tax planning cannot be efficient without the availability of established and recognized principled foundations and institutional conditions, the formation of instruments and the methods of investigation.

In addition to its empirical orientation to decrease tax returns, modern practice of tax planning organization also differs from the standards acknowledged abroad, by the excessively significant role of an organization’s accounting department in this area of planning and the insignificant role of economic and financial services. The latter either do not take participation in tax planning at all, or they collect statistical information. Now, therefore, planning of tax payments by Russian organizations in modern times can become one of the most important options of their management. In these days tax planning, unfortunately, does not have theoretical justification and is applied in practice only to decrease tax payments to the budgets, without considering existing functional relations and has a random nature.

For example, tax planning at the micro-level is understood to be “organization of entrepreneurial and/or private activity of a person with the lowest tax consequences”, “organization of activities of enterprises in such a way as to minimize tax liabilities for a stable period, not violating the letter and spirit of legislation”, “a complex of planned measures aimed to increase financial resources of organizations, regulating volume and structure of the taxation base, affecting efficiency of managerial decisions and providing well-timed settlements with the budget in accordance with legislation in effect”, “a legal method of tax minimization by use of tax relief and options of reduction of tax liabilities provided by law” [7], “a legal method of evasion of taxation by use of tax relief and options of reduction of tax liabilities provided by law” [6].

Russian scientist and economist, Doctor of Economics, Professor E.S. Vylkova, proposes to make a distinction between tax planning on the level of an economic entity as a wider conception and tax planning as a narrower conception [15]. Researcher D.Yu. Zhidkova considers that tax planning sets a purpose to minimize tax payments by legal methods based on the application of tax relief and preferences, the correct selection of tax regimes and taxation objects, reasonable formation and use of accounting policy components.

As the investigation shows, many famous Russian and foreign scientists mean by tax planning-first and foremost-activities aimed to decrease tax payments. The proposed definitions consider the essence of tax planning from purely restrictive positions, perceiving it through the prism of confrontation of a taxpayer on one side and fiscal authorities on the other side. At the same time, tax planning serves not only and not that much to decrease the tax payments of organizations, although optimization of a tax portfolio represents its most important function, to become a regulator of the process of organization management in addition to the business plan. Minimization and optimization of a tax portfolio does not always meet the strategic needs of an economic entity. In accordance with the taxation practice existing in the Russian Federation, it is unprofitable for an economic entity to understate the taxation base in certain cases, for example, in the cases when the cost of minimization of tax payments exceeds revenues from it, as well as when relief from payment of one tax can result in the increase of taxes in regard to other tax payments. Refusal to minimize taxation in the specified cases does not mean refusal to apply tax planning; on the contrary, tax planning stays, as before, one of the main types of general economic planning (specialists of the organization keep studying and analysing effective tax legislation, perform tax calculations and draw up a tax calendar).
Thus, tax planning on the level of an economic entity, in the author’s opinion, represents a complex multi-dimensional and multi-aspect integration process, lying in the arrangement of financial and economic activity of an economic entity, in accordance with the strategy of organizational development in the frames of effective tax legislation. The full uncovering of the economic content of tax planning, on the basis of a complex and systematic approach, develops and supplements the theory and methodology of taxation management. The identification of essential characteristics and the proposed definitions of tax planning at the macro-and micro-levels are the most important institutional conditions of improvement of its efficiency.

REFERENCES