

## CURRENT TAXATION MECHANISM OF CREDIT INSTITUTIONS IN THE RUSSIAN FEDERATION: ASSESSMENT OF THE STATE AND WAYS OF IMPROVEMENT AT THE CURRENT STAGE

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**Abstract:** The main goal of the study was to identify ways to improve the taxation mechanism of credit institutions in the Russian Federation as a special group of participants in tax relations based on the analysis of the current system and the specifics of their taxation at the present stage. In the course of the research, such scientific methods of the empirical and theoretical group as analysis and synthesis, abstraction and generalization, systemic and integrated approaches were applied. The article examines the key problems and features of the mechanisms for calculating and collecting the main taxes (income tax and value added tax) levied on credit institutions in the Russian Federation at the present stage. The study and systematization of theoretical and methodological approaches helped investigate and assess the role of banks in the formation and development of the tax system and the economy of Russia. The scientific novelty of the work lies in the development of proposals and recommendations, scientific and applied, aimed at realizing the fiscal and regulatory potential of the taxation mechanism of banks as a special group of tax relations. The positive elements of foreign experience in taxation of banks, from the point of view of its possible use in the Russian Federation were emphasized. The expediency is substantiated and a variant of income tax rates differentiation for credit institutions in terms of types of activities and profit is proposed. The importance of tax support for bank lending to priority sectors of the economy and increasing taxation of speculative transactions, currency and financial transactions is argued. The need to eliminate existing contradictions in tax legislation, improve the system of banks' liability, in order to minimize offenses and increase tax and general economic security in the Russian Federations revealed.

**Keywords:** taxation, current mechanism, banks, profit tax, tax crimes.

### 1 Introduction

An important factor in ensuring high rates of the economic growth in the country is the existence of an effective financial system, in which credit institutions play a key role. At the same time, banks play the leading role in the structure of the entire system of credit institutions. The system of taxation of banking organizations is an integral, specific part of the Russian tax system, due to the peculiarities of banking activities and their role in the reproduction processes. In any tax system, banks play a special role. On the one hand, they are self-payers of taxes. At the same time, they are also intermediaries between the state and taxpayers, as they transfer taxes to the state accounts. The stability of the banking system influences the level of stability of the entire state.

Speaking about the role of banking organizations in the tax system of Russia, one cannot but mention the fact that banks are one of the major investors in the real sector of the country's economy, which implies an increase in budget revenues due to an increase in the number of taxpayers and the creation of additional material benefits. Tax regulation methods are designed to create macroeconomic conditions that are most favourable for the functioning of the banking system, which contributes to its resilience to market fluctuations, transformation into a vibrant instrument of investment processes and economic growth.

The scientific works of many foreign and Russian scientists are devoted to the problems of creation of an effective taxation system of organizations in general and of financial and credit organizations in particular, as well as the study of the peculiarities of the banks' taxation methodology. The following researchers have made significant contributions to the development of this subject: Maniloff Peter, Manning Dale [1], Mikes A. [2], Freebairn John [3], Phua Y.S. [4], Vylkova E.S. [5], Vasiliev D.A. [6], Goncharenko L.I. [7], Igonina L.L. [8], Kichigina A.K. [9], Karpova O.M. and Mayburov I.A. [10], Lantsova N.M. [11], Shurina S.V. [12], and others.

However, despite a number of significant studies carried out by the scientists, in their works insufficient attention is paid to the analysis of the key problems of the credit institutions' taxation mechanism in the Russian Federation and finding ways to solve them at the present stage. It should also be noted that there is no free access to full official information on the amount of taxes paid by credit institutions in the total amount of budget revenues of the Russian Federation, which in turn makes it difficult to analyze the state of the banking sector [13].

Despite the constant transformation, the system of taxation of organizations in Russia has many shortcomings [14]. Unfortunately, the current system of taxation of credit institutions does not allow the banking sector to fully realize its possible fiscal and regulatory potential. The relevance of the chosen topic is due to the poor implementation of the fiscal and regulatory potential of the banking taxation mechanism in the Russian Federation at the present stage, as well as the special role the credit institutions play as subjects of tax relations in the economy.

### 2 Methodology

Over the past years of the market relations formation, the Russian tax system has largely acquired the characteristics of European tax systems, since it was created mainly on the basis of the experience of taxation in foreign countries. Nevertheless, it should be noted that the tax systems of the post-Soviet countries had a very low culture of borrowing, which led to a simple copying of the experience of the developed countries. "Soviet science lacked deep research on taxation, since in 1930-1990 the role of taxes in the socialist economy was generally misunderstood, and administrative methods were used to redistribute financial resources, for example, regular deductions from profits" [15], which led to significant shortcomings and omissions in the creation and implementation of the Russian tax system. At the same time, the organizational and methodological aspects of taxation of banking organizations are most characteristic: instability of legal regulation, frequent changes in the rules for calculating and paying taxes, an almost negligible regulatory role.

It should be noted that banking organizations are not identified in the Russian legislation as specific independent participants in tax relations. Nevertheless, the Tax Code of the Russian Federation (in separate articles) establishes the status, rights and obligations of commercial banks, which in fact determines their most important role in the Russian tax system [16].

In accordance with the current Russian legislation, banking organizations pay generally established taxes. The current mechanism of taxation of banking organizations in the modern conditions in accordance with the Tax Code of the Russian Federation is represented by such taxes as: value added tax (VAT); corporate income tax (CIT); corporate property tax; land tax; personal income tax (when collecting this tax from employees, banks perform the functions of a tax agent, i.e. withhold and transfer it to the budget); transport tax; state duty (if there is an object of taxation). Financial and credit

organizations (including banking), as well as other business entities, also transfer insurance contributions to off-budget social funds (Pension Fund, Social and Health Insurance Fund). In the Russian Federation, insurance contributions to off-budget social funds, although they increase the tax burden, are not included in the general taxation system.

The specifics of the financial and economic activities of banking organizations, the list of their operations, transactions, services provided determine the specifics of the taxation method for this category of taxpayers. In particular, in accordance with the current Russian legislation, in the methodological aspects of calculating and levying taxes on the banking sector of the economy, such taxes as income tax and VAT have specific characteristics. The rest of the taxes are paid by banking organizations in accordance with the generally established procedure.

The key tax in the taxation system of credit institutions in the Russian Federation is income tax. Since 1.01.2002 in accordance with Chapter 25 of the Tax Code, Russia uses an updated methodology for calculating and paying corporate income tax. Moreover, this methodology characterizes the general principles of taxation of all payers, as well as the peculiarities of taxation of certain categories, including banks. In Russia, with the adoption and implementation of Chapter 25 of the Tax Code of the Russian Federation, the existing tax exemptions on corporate income were cancelled and a single tax rate was established for all business entities, including banks.

The reform of the taxation system of organizations carried out in the Russian Federation after 2000, in general, contributed to a decrease in the tax burden on credit organizations, in connection with the introduction of Chapter 25 of the Tax Code of the Russian Federation (due to a decrease in the base rate of corporate income tax, from 43% to 24% and then up to 20%). Until 2002, banking, brokerage and insurance organizations in the Russian Federation paid income tax at a rate of 43%, while for other segments of the economy the income tax rate was 35%. At present, credit institutions pay income tax on their profits at the basic, generally established rate of 20%.

In addition to the general income the same as for all taxpayers, the income of "the bank which is subject to profit taxation includes: interest from the placement of funds by the bank, provision of loans and credits; fees for opening and maintaining a customer bank account; payment for the collection of cash, bills, payment and settlement documents and cash services for clients; income from foreign exchange transactions, as well as from the purchase and sale of precious stones and precious metals; other income related to banking" [17].

Thus, the peculiarity of banks' incomes is that the main part of them belongs to incomes that other profit taxpayers relate to other taxes and are independent in terms of taxation as part of non-operating income. For banks, these incomes are directly related to the sale of their specific services. It should also be noted that the costs common to all taxpayers have certain characteristics for commercial banks. For example, in accordance with the provisions of Article 260 of the Tax Code of the Russian Federation, banks are classified as taxpayers, for whom the amount of repair costs is regulated. In Article 264 of the Tax Code of the Russian Federation, expenses for maintaining their own security service to perform the functions of protecting banks and business operations and saving assets, etc. are allocated.

Another tax paid by banking organizations is VAT. There are three VAT rates in the Russian Federation (0%, 10% - preferential, and 20% - basic). Banking operations, with the exception of cash collection operations, are not subject to value added tax. The provision of a loan in cash is also exempt from the VAT. At the same time, all other banking transactions and services are subject to taxation at the basic rate of 20%.

It should be noted that although transactions that are and are not subject to the VAT are described in Chapter 21 of the Tax Code

of the Russian Federation, in practice it is very difficult to separate a taxable transaction from the one which is not subject to the value added tax. In addition, there is no special tax in the RF that reflects the specifics of banks' activities. At the same time, as it was noted above, they pay similar taxes as other business entities.

### 3 Results

As the analysis and assessment of the methodology for calculating and levying income tax showed, in the Russian Federation, in general, there is a low income tax rate for the banking sector of the economy. However, despite this, it should be noted that the current taxation mechanism of banking organizations in the RF has a number of difficulties. This applies both to the problems of interpretation of the relevant chapters of the Tax Code, regulating the procedure of paying corporate income tax and value added tax, and to the absence of incentives for banks lending science-intensive industries and the real sector of the economy. One of the difficulties in calculating the tax on profit of organizations is the task of attributing income or expenses to the sale of banking services or non-operating expenses, which directly distorts the real financial result of banks' operations. It should also be noted that in world practice, as a rule, progressive taxation is applied to excess profits of credit institutions (with an increase in taxable profit, the tax rate rises).

In Russia, unlike in many foreign countries, there is no progression in the method of calculating and levying income tax. Let us analyse the indicators of the structure and dynamics of taxes paid to the budget using the example of one of the largest banks in the Russian Federation, public joint stock company (PJSC) Sberbank of Russia for 2016-2018. At present, PJSC Sberbank of Russia is the leader of the Russian banking system and, accordingly, is a fairly stable and large payer of corporate income tax. One should begin the analysis of the timeliness and completeness of paying taxes to the budget with determining the tax burden, that is, the ratio of taxes paid during the tax period to the amount of revenue [18]. In the case that the tax burden is calculated according to the method recommended by the Federal Tax Service of Russia (tax burden = S paid taxes × 100%/S of revenue per year, excluding VAT), then the tax burden of PJSC Sberbank of Russia as of 01.01.2019 amounts to 10.6%, while on average in other sectors of the Russian economy (including the real sector) - 22.8%. Table 1 presents data on the amount of taxes paid by Sberbank of Russia, according to its annual reports.

The data in Table 1 shows that there was an increase in the expenses of paying taxes in 2018 compared to 2016 by 103,807 million rubbles (117.3%). Analyzing the indicators in Table 1, it can be noted that most of the bank's tax expenses (excluding insurance contributions to extra-budgetary social funds) fall on income tax (in 2018, it accounted for 83.5% of the bank's tax expenses). At the same time, in the general structure for the period from 2016-2018, this tax tends to grow, while other taxes and fees tend to decrease. In particular, in 2018 compared to 2016, there was an increase in expenses of PJSC Sberbank of Russia for the payment of income tax by more than 4 times.

Table 1. Changes rate in the expenses of Sberbank of Russia for the payment of taxes by their types for 2016-2018 (million roubles,%)\*

No.	Type of Tax	2016	2017	2018	Changes, mln. rub. (+ -)	Changes Rate, in % 2018/2016
	Total expenses of the bank for the payment of taxes, including:	88513	149605	192320	100380 7	117,3
1.	Profit Tax	53412	120418	165039	111627	482,4
2.	VAT	25560	19068	21180	-4380	-17,1

3.	Property Tax	6563	6689	5226	-1337	-20,4
4.	Land Tax	251	248	242	-9	-3,6
5.	Vehicle Tax	55	55	54	-1	-1,8

\*Source: the table was compiled by the author based on the reporting data of PJSC Sberbank of Russia for 2017-2019 [19].

As the data in Table 1 show, in the structure of tax deductions of Sberbank of Russia, the second most important fiscal tax is the VAT. In 2018, there was an increase in the bank's expenses for VAT payment by 2,112 million roubles (11.1%), and in comparison with 2016 - a decrease by 4380 million roubles (7.1%), which was mainly due to an increase in the list of benefits for this tax and a decrease in non-banking operations. Let us note that the VAT is a rather specific tax for banks, due to the fact that most banking operations are not subject to the VAT taxation. This is due to the fact that the price of banking services is very sensitive to changes, and their increase by 1-2% can lead to a sharp decrease in the bank's profitability, and if you impose VAT on these operations, then their price will increase by 10-20%, which will lead to the collapse of the banking system. In this regard, only an insignificant part of operations carried out by banks are subject to the VAT, while most of these operations do not relate to the banking ones.

Thus, as follows from the data in Table 1, direct taxes prevail in the structure of the bank's deductions. The difference in the ratios between direct and indirect taxes, in contrast to organizations in the field of entrepreneurship, is explained, first of all, by the imposition of the VAT on a limited range of operations and the exemption of all banking services (except for cash collection).

Despite the stimulation of the Russian banking system by means of a relatively low rate of income tax, the mechanism for forming the income tax base still does not allow credit institutions to develop to the full extent. The system of banks' taxation, in conditions of the economic modernization, should be the economic lever with the help of which it will be profitable for the manufacturer to develop production, especially in the innovation sphere. The current high interest rates on loans significantly increase the cost of Russian products, significantly reduce their competitiveness and enterprises do not have sufficient funds for self-development.

In our opinion, in the Russian legislation, in the taxation mechanism, it is necessary to provide for the possibility of applying a lower income tax rate for credit institutions in the case if they systematically direct profits not to pay dividends, but to lend the innovative activities, science-intensive industries and the real economic sector. The real sector of the economy is intended to solve the problems of import substitution in Russia; therefore, it should have advantages in obtaining loans. At the present stage, the Russian state can and should use the tax mechanism to timely solve urgent problems of the real situation in the economy taking into account the past experience of overcoming the crisis and the current state of the economy, as well as functioning in the regime of sanctions and restrictions. The differentiation of tax rates on the received profit, for credit institutions, in the context of the types of their activity and received profit may be as follows:

- lending to innovative activities and science-intensive sectors of the economy (including IT technology) - 10%;
- lending to the real sector of the economy, as well as social entrepreneurship at a reduced rate of 13%;
- lending to other operations, not lower than the basic rate - 20%.

It is also possible to conduct expert assessments on the feasibility of introducing an increased income tax rate (up to 25-30%), for banks on income received from speculative transactions, operations with financial and foreign exchange transactions. This measure will make it possible to compensate for budget losses due to the introduction of a low tax rate for lending to innovative activities, science-intensive industries and the real sector of the economy. Despite the high rate of profit

taxation, banks are most likely not to give up speculative operations, since they are often the simplest and most profitable [11]. It should be noted that for a long time in some countries a special additional tax has been levied on foreign exchange and financial transactions with a high level of profitability. For example, such taxation takes place in the USA, Great Britain, Sweden, China and in a number of other countries.

In turn, credit institutions need to maintain a differentiated loan rate, with the arrangements of its application in the loan agreement. For example: if a loan is approved at 13% per annum, and its goal is achieved (a positive outcome), the loan rate can be reduced to 10% per annum. As a result, a triple effect respecting the interests of all participants is achieved:

- for a bank client - a loan with a low interest rate, which gives opportunities for growth and development of their own business;
- for a credit institution - taxation of its own income at a reduced rate;
- for the state - investment growth and development of priority sectors of the economy.

Thus, differentiating the income tax rate by types of banking operations, services and transactions, as well as strengthening control measures and sanctions, in cases of criminal and illegal activities of banks, it is possible to fully realize the fiscal and regulatory potential of the banking taxation mechanism, and more successfully solve development problems of modern priority industries and sectors of the economy.

#### 4 Discussion

In conditions of difficult access to foreign financial sources for credit institutions in Russia, the creation of the resource base occurs mainly due to the savings of the population and investments of the corporate sector [12]. Regulation of the tax component in the finances of commercial banks should allow them to function as economically stable taxpayers and act as a reliable source of budget revenues.

The data in Table 2 demonstrate that the fiscal role of taxes from the banking sector of the economy in the formation of the consolidated budget revenues of Russia remains low. So, the share of taxes received in the consolidated budget of the Russian Federation from the banking sector of the economy, in the total volume of taxes and fees amounted to 2.5% in 2017, 1.7% in 2018 and 2.2% in 2019. (Table 2) This can be explained both by the insufficient development of the banking system in Russia, in comparison with foreign countries, and by the orientation of the current taxation mechanism towards providing only banking services and performing banking operations related to attracting and placement of attracted funds.

Table 2. The rate of change in tax receipts to the consolidated budget of the Russian Federation from credit institutions for 2017 - 2019 (billion roubles, in%)

Indicators	Billion roubles			Changes Rate, 2019/2017/2018 (in %)		
	2017	2018	2019	2018 /2017	2019 /2017	2019 /2018
Total receipts, including:	17476,3	21328,5	22757,0	122,0	131,7	106,6
From credit institutions	436,7	362,6	500,7	83,0	114,6	138,1
Specific weight, %	2,5	1,7	2,2	-	-	-

\* The table was compiled by the author based on the reporting data of the Federal Tax Service of Russia (2018-2020) and the Federal State Statistical Service of the Russian Federation (2018-2020).

According to the data in Table 2, one can say that despite the overall increase in tax revenues to the consolidated budget of the Russian Federation by 22.2% in 2018, the volume of taxes paid by credit institutions amounted to 362.6 billion roubles, which is

17.0% lower than the same indicator in 2017. This can be explained by a decrease in the liquidity of the Russian banking system and a significant reduction in the number of regional banks in 2018. Some of the regional banks were closed because of the shadow activity, i.e. the use of illegal money laundering schemes in practice. However, other banks (mainly small and medium-sized banks) were actually driven out of the financial market. It is known, that in the countries with developed economies, both large, medium and small banks function to the full extent. The problem of low capitalization of Russian banks and the banking system as a whole is well known. Unfortunately, in recent years, the Bank of Russia has been trying to solve it by administrative methods exclusively, raising requirements for the minimum size of banks' own assets.

Analysis of tax revenues to the consolidated budget of the Russian Federation in 2019 in comparison with 2018 shows an increase in the share of tax revenues from the financial sector in the total volume of tax revenues to the budget. So, according to table 2, one can see that the volume of taxes paid by credit institutions to the consolidated budget of the Russian Federation amounted to 500.7 billion roubles in 2019, which are 138.1 billion roubles or 38.1% more than in 2018. The main factor in the growth of tax deductions is an increase in the income of credit institutions; among other factors, there is an increase in transactions with government securities.

The Republic of Dagestan (RD) is one of the most important strategic subjects of the North Caucasian Federal District of the Russian Federation. It is known that the Republic of Dagestan lags significantly behind the national average in terms of the main indicators of the socio-economic development per capita and is one of the most subsidized regions of the Russian Federation.

Let us consider the role of banks in the formation of the sector structure of tax payments in the Republic of Dagestan from 2017 to 2019. The banking system of the Republic of Dagestan has 94 credit and cash institutions, including 2 own credit institutions, four branches of credit institutions in other regions (including the Dagestan branch of PJSC Sberbank of Russia), 88 internal structural divisions of credit institutions (branches) (May 01, 2020). The data in Table 3 show that the level of tax revenues from credit institutions in the Republic of Dagestan is even lower (less than 2%) than in Russia as a whole.

Table 3. Comparative data on the total volume of tax revenues and the fiscal role of credit institutions in the Republic of Dagestan for 2017-2019 (million roubles)

Types of Taxes and payments	2017		2018		2019	
	Sum, Million roubles	Specific weight, in %	Sum, Million roubles	Specific weight, in %	Sum, Million roubles	Specific weight, in %
Total receipts, including:	33 278,8	100,0	39 278,8	100,0	4535 6,3	100,0
From credit institutions	700,2	2,1	589,2	1,5	771,0	1,7

\* The table was compiled by the author based on the reporting data of the Office of the Federal Tax Service of Russia in the Republic of Dagestan for 2017-2019 (reports No. 1-NM, 4nm).

In 2018 in comparison with 2017, due to a decrease in the number of functioning credit institutions, there was a noticeable decrease in tax revenues from the banking sector of the economy in the Republic of Dagestan. So, in the period from 2017 to 2018, regional banks were closed in Dagestan, and the main reasons were the low level of capitalization of regional banks, as well as the use of illegal tax evasion schemes by individual banks.

In the current conditions, it seems expedient to exempt from the profit tax the part of the commercial banks' profit, which is directed to increasing capitalization, that will allow small

regional banks to increase their own capital, since in conditions of high regional differentiation, they provide direct proximity to the regional economy.

In 2019 the situation relatively stabilized, there was an increase in profits of most banking organizations operating in the region. This led to an increase in the share of tax revenues from the banking sector of the economy from 1.5 to 1.7%. In general, such an increase in tax revenues can be explained both by an increase in the profits received by banking organizations, and by an improvement in tax administration of this segment of the economy. Unfortunately, in 2020 we can see the instability in the banking segment of the economy again, caused by well-known world events, which will lead to a decrease in tax revenues not only in the Republic of Dagestan, but in the Russian Federation as a whole.

According to the famous Russian scientist L.I. Goncharenko "Banks, occupying an intermediary position between taxpayers and the budget, have a significant impact on the revenue part of the budget" [7]. According to another Russian researcher, the bank plays the role of a tax intermediary, ensuring the receipt of taxes into the budget [6]. This is confirmed by the following circumstances: credit organizations are obliged to transfer taxes to the budgets of various levels in time and in full extent, and they must do this completely free, contrary to the principles of commercial activity. On the one hand, D.A. Vasiliev views the bank as a commercial organization, and on the other hand, he says it is similar to the bodies of the Federal Treasury. The predominance of the intermediary role of banks is also mentioned by the famous Russian scientist A.Z. Dadashev [20].

Researcher S.V. Klyukovich concludes that in Russia, banks are not considered as specific independent participants in tax relations. At the same time, individual articles of the Tax Code of the Russian Federation establish the status, rights and obligations of banks, which in fact determines their special role in the Russian tax system [21]. At the same time, Professor L. Igonina believes that "the point of view that banks pay little taxes to the budget is not entirely correct and is based on an incomplete understanding of the processes taking place in the credit sphere" [8].

Meanwhile, a well-known Canadian scientist Sanger Toby notes that "the dramatic changes in taxation introduced over the past decades and inspired by the economics of supply have provided the financial sector and some of its highly paid employees with enormous benefits. Tax breaks that have given the financial industry a disproportionate advantage and even further stimulated the speculative behaviour should also be abolished" [22].

Thus, Russian economists focus on the role of banks as an intermediary, pushing it as a taxpayer to the background, although the level of taxation of credit institutions directly or indirectly affects all spheres of the economy, the ability to transfer taxes to the budget in time. Due to the prevalence of aim proper approach to the role of banks in the economy, the low level of tax revenues from the banking sector in Russia is not accidental. In general, as we have noted above, the share of tax revenues to the budget from the banking sector of the economy in Russia is extremely low compared to other sectors. In these conditions, the foreign experience of taxation of credit institutions can play a great role for Russia. In developed industrial countries, significant attention is paid to tax incentives for the development of banking activities. Moreover, they are, as a rule, rather large taxpayers to the budget. The current mechanism of taxation of credit institutions is designed in such a way that it allows to combine the fiscal and regulatory functions of taxes.

Of course, in industrialized countries, the mechanism for calculating and levying taxes from banks has its own individual characteristics. In foreign countries, as well as in the Russian Federation, the main tax paid by banks is corporate income tax. Let us consider the taxation of banks in one of the most

developed countries in Europe - Germany. Considering the taxation system of banks in Germany, it should be noted that taxes paid by banks in this country include personal and corporate taxes on income from financial assets. State banks, which mainly contribute to the economic development and participate in the implementation of state lotteries, are exempted from paying income tax [5]. In Germany, since January 1, 2008, the corporate income tax rate, both for unallocated and distributed income, was 15%, but then it increased to 15.83% [23]. In Germany, when forming the tax base, all expenses incurred by the bank as a result of financial and economic activities are deducted. An important feature of banks' taxation is that interest on loans granted is not subject to corporate income tax.

The taxation of credit institutions in the United States follows the general rules of corporate taxation, where the basic corporate tax rate is 35%. However, the final rate depends on the income received for the year and is determined in the range from 15 to 39%. At the same time, the tax base is reduced by the amount of expenses attributed to bad debts. In the case of a return of their reserve for unpaid loans, banks are entitled to apply the method of return or offset. Credit institutions that do not use the reserve method can eliminate losses by identifying bad debts using methods developed by the regulatory authorities for banks, after which they independently determine the amount of bad debts. At the same time, the United States has a sufficient number of benefits that reduce the taxable base [24]. Among these benefits, the tax exemption for income earned from activities abroad stands out. In addition to the main federal tax in the United States, there are local taxes on bank profits. The rates of these taxes in all states of the United States differ and range from 3% to 9.99%. In many states, local income tax replaces a license that must be purchased, while others have either special taxes or special rules for taxing banking activities.

The US experience demonstrates rather harsh penalties in cases of deliberate non-payment of taxes. According to the current legislation, if the bank has income, the minimum tax must be paid. The system of penalties for violators of tax legislation is created in such a way that it far exceeds the amount of tax collection. In the United States, all documents are submitted to the Data Processing Centre for registration and TIN assignment. Since 2017 in case of non-payment of income tax, a fine is imposed in the amount of 100% of income [9], while in Russia for a similar violation, the amount of the fine is -20% in cases of unintentional non-payment, and in cases of intentional non-payment -40% of the unpaid amount of tax. In the process of forming the tax base, banks exclude expenses incurred as a result of financial and economic activities. As a result, the amount of profit subject to taxation is calculated. The advantage for banks is that interest on loans granted, unlike in Russia, is not taken into account in the taxation of corporate income.

The tax burden in Japan is quite moderate. For example, the share of taxes in Japan's national income is about 26%. In Japan, banks pay almost 50% of their profits in the form of taxes. At the same time, the high level of taxation of banks is compensated by the stimulating industrial policy of the state, which provides broad benefits and tax credits to the real sector of the economy. Research and generalization of foreign experience in taxation of credit organizations allows us to conclude that, despite the peculiarities of each country, taxation acts as the most important tool for the country's socio-economic development. If you do not consider the details, very formally, the tax burden on banking activities in Russia is relatively lower than in industrially developed countries (the USA, Germany, Japan, etc.). However, carefully studying the foreign experience of taxation, one can notice a distinguished regulatory role of the taxation mechanism of the banking sector. It is characterized by a combination of high tax rates, with a system of incentives for lending to the real sector of the economy, as well as harsh penalties for banks deliberately evading taxes.

The relevant governing bodies of different countries are trying to protect their rule of law in various ways, including court

decisions. At the same time, the most important reason for the violation of rights and freedoms is the lack of control, which results in many negative consequences [25]. Well-known scientists note that control is an effective method for the proper functioning of any system, including the proper functioning of the tax system [2]. The mechanism of taxation and liability of banks for tax offenses in this context is no exception.

On December 12, 2014 the Swiss Parliament adopted a federal law on the use of the revised recommendations of the Financial Action Group for Combating Money Laundering, which came into force on January 1, 2016. One of the largest financial "holdings in Switzerland, UBS, has begun checking its Russian clients for compliance with Russian anti-offshore legislation. Taking into account the possible risks, Swiss banks began to work according to the following principle: no notification of controlled foreign companies (CFC) - no account. Credit institutions are asked to provide copies of CFC notices" [26]. If the Russian client has not provided documents confirming the absence of claims from the Federal Tax Service regarding notifications of controlled foreign companies, then the information on transactions on the bank's client's accounts should be sent to the Swiss Legalization Supervision Service.

The use of the above-mentioned most progressive elements of foreign experience in taxation of credit institutions in the Russian legislation will allow, on the one hand, to strengthen the incentive component of the taxation mechanism, and on the other hand, to minimize the risks of banks if they can't identify suspicious transactions on customer accounts.

In the Russian Federation, the bank's accounting policy is developed annually for tax purposes, taking into account the requirements of the tax legislation and regulatory legal documents on the taxation issues of the Ministry of Finance of the Russian Federation and the Federal Tax Service of Russia. However, it should be noted that there are contradictions in these regulations, for example, regarding the imposition of penalties for violations by banks of the requirements of the Central Bank of the Russian Federation. As a rule, Russian courts decide that the measures of administrative responsibility for violations of banking legislation cannot exceed the sanction established by Articles 15.26 of the Code of Administrative and Legal Violations of the Russian Federation, and change the instructions of the Central Bank of the Russian Federation in terms of a fine exceeding this amount. Thus, the size of the fines of the Code of Administrative Offenses of the Russian Federation is incomparable with the fines imposed by the Federal Law of the Russian Federation "On the Central Bank of the Russian Federation (Bank of Russia)". In fact, they are not significant for credit institutions and cannot be a sufficient incentive for them to comply with the law. In this situation, it becomes necessary to eliminate contradictions in legislative acts in order to increase the effectiveness of tax sanctions and simplify their procedures. Strict measures against violators of tax legislation should be combined with measures aimed at maximizing the simplification of the taxation mechanism. In this context, one should agree with the recommendations of the well-known tax expert Ch. Maklur, who immediately after the collapse of the USSR recommended that new countries build exceptionally simple tax systems [27].

## 5 Conclusion

Thus, as it was shown by our research, the mechanism of taxation of credit institutions in the Russian Federation needs further improvement in order to fully realize the fiscal and regulatory potential. In general, a set of systemic measures to improve the mechanism of taxation of credit institutions in the Russian Federation can be summarized as follows.

First, the creation of tax tactics and strategies in relation to banks-investors, in order to stimulate investment in the real sector of the country's economy from the bank capital.

Secondly, in order to achieve the strategic goal, it is necessary to provide for a differentiated mechanism of taxation of profits of

banking organization in the Russian legislation, with a decrease in its rates when lending to modern priority sectors of the economy;

Third, the reduction in income tax rates for lending to priority sectors of the economy should be simultaneously accompanied by an increase in taxation of speculative transactions and financial transactions with a high level of profitability, which will prevent a decrease in the revenues of the budgetary system of the Russian state in the face of limited resources and current sanctions.

Fourth, to completely exempt credit institutions from paying the VAT, since they do not create added value, but only redistribute it. The exemption of banking operations from the VAT corresponds to the economic content of the tax and the current mechanism of its calculation, since pricing in the market of banking products does not imply the creation of added value.

Fifth, it is necessary to expand the use of progressive elements of the taxation mechanism of credit institutions, the experience accumulated by foreign countries in the current Russian legislation, which will allow banks to minimize the risks if they don't identify suspicious transactions on customer accounts. This can be done by introducing amendments to the Russian legislation on taxes and fees, regulatory legal acts and regulations of the Bank of Russia aimed at combating the legalization (laundering) of proceeds from crime and the financing of terrorism. It seems that the Ministry of Finance of Russia and the Bank of Russia must ensure close cooperation on the improvement of the Russian legislation, its harmonization with the standards of international law, taking into account the provisions of the Guidelines of the Fiscal and Customs and Tariff Policy of the Russian Federation for 2020 and for the period of 2021 and 2022.

The improvement of tax control and counteracting tax crimes mechanisms is a way to ensure the economic security of the state. To be effective, penalties for violations of legislation should not be excessively low. It is necessary to eliminate the existing contradictions in various by-laws, and make the taxation system as convenient and simple as possible, with low costs associated with paying taxes.

In conclusion, we should note that the problems in the sphere of taxation of credit institutions in Russia formulated in this work cannot be quickly eliminated, but the main point is to start moving in this direction, using international progressive models and modern innovative technologies in tax relations

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**Primary Paper Section: A**

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