Abstract: Achieving financial sustainability is the most important strategic task of the state in a turbulent global economic environment. The purpose of this study was to identify the patterns of development and peculiarities of the tax situation in Russia. The authors determined the most effective approaches for the formation of the tax system that would ensure the financial sustainability of the state in conditions of economic transition. This study examined the existing features and patterns of the formation of the Russian tax system. The ways and instruments to achieve financial stability were considered. As an example, it was decided to take into account the international practices of the most successful states in terms of tax (according to the Doing Business methodology)—namely, the USA, Ireland, France, Greece, Luxembourg, the Netherlands, Germany, Switzerland, the UK, Sweden and Norway. A list of conditions is proposed, the implementation of which might ensure the transformation of the Russian financial system in terms of sustainability. This article also demonstrates changes in the economic infrastructure of the Russian Federation and indicates possible scenarios for the development of the tax system. This study determines that the tax system is largely shaped by the information environment. Therefore, digitalization processes can serve as a catalyst for the achievement of financial sustainability by the state. The choice of tools for the internal reform of public finances is situational. However, strategic transformation (in terms of macro-level sustainability) can be achieved by performing a number of universal steps. The implementation of the latter creates not only a positive effect from the introduction of new approaches, but primarily minimizes the impact of existing negative phenomena and trends. The tax system of the Russian Federation can be optimized by consolidating sustainable development indicators in the legal acts. The latter is an important step towards achieving financial sustainability.

Keywords: tax system; the concept of the tax administration; digital services and technologies; financial sustainability

1. Introduction

Taxes are the most important part of the financial policy in almost every state. Taxes, as among the oldest institutions, as well as the entire tax system are a powerful tool for managing the economy in the conditions of modern business and the market. With the help of taxes, the relations of economic entities
with the corresponding budgets, banks, and other market participants are determined and the foreign economic activity of the states is also regulated [1]. The use of taxes is among the economic methods used for the management of and to ensure the interrelation of national interests with the commercial interests of economic entities [2]. The tax system of each country is among the main instruments for managing the general system of economic regulation as well as the socio-economic functions of the state. Thus, the importance of the financial sustainability of the state arises—namely, the conformity of the state’s revenue and expenditure. State-wide financial sustainability should be considered as the ability of the budget to meet the state’s financial needs. The latter is based on the adequacy of tax and other inflows to budgets of various levels, while ensuring a high level of tax collection and non-tax payments [3].

Many countries have a concentrated tax revenue, with the authority and administration under the central government. However, there is a spreading sense that local governments are becoming more independent [4]. They no longer require central government guidance and control, as they are fully capable of providing effective government services. They can and should be more financially responsible. Bringing decisions closer to the voters will improve government efficiency, effectiveness and responsiveness. Stimulating structural positive changes in the economy, a qualitative improvement in tax administration, a consistent reduction in the tax burden and an increase in tax collection have been identified as the main priorities of the country’s tax policy [5].

In this regard, the problem of the heterogeneous nature of financial sustainability is exposed. It is characteristic that the requirements of the two components of financial sustainability—the budgetary and tax considerations—are mutually contradictory and are, therefore, difficult to reconcile. Formally, to strengthen the budgetary aspect, the state should increase the burden on taxpayers, since taxes are the main source of funds to budgets of all levels [6]. However, tax returns reduce if tax rates increase beyond reasonable limits. The latter also inhibits the desire of taxpayers to increase taxable income. In accordance with the interests of both the budgetary and tax aspects of financial sustainability, a compromise must be sought between the desire to fill the state budget and not oppress taxpayers with excessive tax burdens [7]. The state (on behalf of responsible authorities and persons, including decentralized ones) should harmoniously determine how to regulate and change budget revenues and expenses, types of taxes, and levels of tax rates. The latter is determined according to the financial situation in the country and problems related to ensuring economic growth [8].

The introduction of new information technologies and the gradual formation of a single information administration space have made it possible to significantly increase the collection of budget revenues without increasing the tax burden [9]. The effective deployment of e-services and emerging technologies can assist revenue bodies in providing better services to taxpayers and lower their operational costs, while at the same time enhancing taxpayer compliance [10]. There are many different options available to revenue bodies. While the cost of implementation may be high, the opportunity cost of not moving decisively into this space is higher. It is, therefore, important that revenue bodies have sound and relevant information at their disposal to inform organizational decision makers and reduce the investment risk, while improving the end-to-end customer experience and overall levels of compliance [11].

In global economies that struggle with increasingly scarce resources [12], debates about financial sustainability include both local governments and owned entities [13,14]. The modern financial crisis has also encouraged efforts to measure financial sustainability in the public sector, such as through consolidated financial statements [15]. Financial sustainability in governments is not only an issue related to the management of the individual public entity, but also a matter of multi-level governance, since the budgetary outcome—surplus or deficit—of the general government (macro level) is influenced by the budgetary positions of all individual entities existing at the sub-national level (micro level) [2].

The concept of governmental financial sustainability itself has different meanings based on the different theoretical perspectives under which the concept has been developed [16,17]. The government, for-profit organizations and not-for-profit organizations all have to ensure the long-term viability of
their operations without reverting to financial support from higher levels of government. IPSASB [18] has noted that the long-term financial sustainability of a public entity is defined by its ability to meet service delivery and financial commitments over time. This means that, to fulfill its mission, a government should be able to achieve not only an acceptable operating balance (i.e., current revenues should be large enough to cover current expenses—a capability known as budgetary solvency), but also satisfactory liquidity (i.e., the ability to meet current liabilities when due—an ability known as cash and long-term solvency) [19].

Conversely, running systematic operating deficits (i.e., to spend more money than taxes collected) might result in increasing future negative cash flows and, in the long run, increasing the inability of the government to pay its obligations, thus leading the government to default. On the other hand, public finance and economic theories have emphasized the need to develop specific budgetary rules—often labelled ‘fiscal rules’—for the sustainability of fiscal policy. These theories posit that large fiscal deficits and debt levels growing out of control may lead, sooner or later, to a loss of confidence in the country’s fiscal policy, which will require costly adjustments for taxpayers to reduce the fiscal imbalance [20].

In public finance, it is recognized that governments can revert to deficits and borrowing when taxes are insufficient to finance capital spending [5]. According to this approach, the fiscal policy is financially sustainable (the so-called intergenerational equity) if the future tax base growth or user charges will offset the increased liability for debt service [21]. If this condition is met, the government is able to repay its debt, and there is no risk of insolvency. In other words, the current level of government debt measures the present value of future amounts of taxes that future taxpayers are required to provide in order to finance outstanding debt. This is consistent with the principle of maintaining an adequate operating budget balance to fund debt service, as posited by the accounting and financial management theories mentioned previously [22].

Currently, nothing is being done in Russia in order to form the financial and tax mechanism of economic growth typical for the second or third type of tax policy. An analysis of the current situation in the Russian economy leads to the conclusion that the financial and, above all, the tax system negatively affects the development of the economy. This requires great efforts from the state to change the situation in the opposite direction. Consequently, only careful preparation of tax reforms and sound government policies can stimulate an economic breakthrough. The sustainability of public finances requires the sustainability of other state systems. The transition to sustainable development requires structural changes. The implementation of the latter requires specialists who possess sufficient knowledge and skills in a certain sphere, especially in the niche of sustainable entrepreneurship, which serves as the basis for the sustainable development of financial relations in society [23]. Due to the depth of such transformations, it is necessary to change not only documents and rules, but it is also necessary to change values in the social model, worldview patterns [24]. In this regard, there is a need to study the patterns of development and the peculiarities of the tax situation in Russia. The latter is in order to determine the most effective approaches for the formation of a tax system that would ensure the financial sustainability of the state in conditions of economic transition.

2. Methodology

This study used systemic, institutional and structural/functional approaches, based on which a comprehensive analysis of the tax system, the main results of its reform, and ways to increase the economic sustainability were carried out. In studying the problem posed, legislative and other regulatory legal acts of the Russian Federation were used. Further, to understand the prospects of the domestic tax system, it was compared with the systems of other states—the regulatory acts of many progressive countries of Europe and the USA were studied along with the normative legal acts of international organizations. Based on the analyzed data, the load on enterprises was calculated according to the Doing Business methodology and a comparative analysis was carried out.

The empirical analysis was carried out in a Russian context, with a particular focus on local government municipalities. Although the results are country specific and influenced by Russia’s
socioeconomic conditions and accounting systems, the conclusions can be generalized and applied to the wider international debate on harmonization processes. A qualitative/interpretative research methodology was applied in this study, based on the existing studies of academics and standard setters/practitioners. A structured case-by-case assessment was carried out based on the current literature on public finance, with tax-assignment principles and further specified local tax criteria.

Processing of the economic and legal framework for taxes and fees was required, as it was not clear and stable. This problem became apparent when calculating taxes and fees, since prerequisites are required for compliance for tax laws that often change. The latter may serve as a limitation of the study. The authors used the deduction method and the synthesis of the international practices of economic regulation. Thus, the authors developed and proposed universal steps for the transition of countries to the sustainable development of financial systems.

3. Patterns and Features of the Development of the Tax System in Russian on Its Path to Achieving Financial Sustainability in a Comparative International Context

3.1. General Features of the Tax System of the Russian Federation and Other Countries

The creation of an effective tax system that allows forming a solid foundation for the receipt and renewal of the budgetary resources of the government structures at all levels is considered as the most important task of the economic policy of the Russian Federation. Currently, in the legislation, there is no legal definition of the concept of the tax system. The applicable, modern tax system of the Russian Federation is a three-level one, using construction principles such as one-time taxation, a strict procedure for maintaining and abolishing taxes and the distribution of tax revenues between federal, regional and local budgets. Despite the visible increase in tax revenues, the current tax system in Russia is different at certain points in policy instability, excessive tax burden, and lack of incentives for the development of the real sector of the economy. A single tax rate on personal income (excluding the volume of the taxpayer’s income) exists for low-paid workers.

The inclusion of insurance contributions to state extra-budgetary funds in the Tax Code of the Russian Federation is ambiguous by nature in terms of tax laws and, being unexpected, has become debatable for Russian tax legislation. From 1 January 2017, insurance premiums are paid in accordance with the procedure established by the Russian legislation on taxes and fees. The legal norms enshrined in federal laws for each type of social insurance regarding the specifics of paying insurance premiums have not lost their effect (in 2017, Russia reached a new stage in the sphere of the legal regulation of insurance premiums—in fact, the legal regulation of insurance premiums was replaced. The Federal Law of 24 July 2009 No. 212-FZ “On Insurance Contributions to the Pension Fund of the Russian Federation, the Social Insurance Fund of the Russian Federation, the Federal Mandatory Medical Insurance Fund” was declared invalid on 1 January 2017 on the basis of the Federal Law of 3 July 2016 No. 250-FZ “On Amendments to Certain Legislative Acts of the Russian Federation and Recognition of Certain Legislative Acts (Provisions of Legislative Acts) of the Russian Federation Invalid in connection with the adoption of the Federal Law.” From 1 January 2017, the Federal Law of 3 July 2016 No. 243 Federal Law “On Amendments to Parts One and Two of the Tax Code of the Russian Federation in connection with the transfer to the tax authorities of the authority to administer insurance contributions to the mandatory pension, social and medical insurance”, Chapter 34 of the Tax Code of the Russian Federation “Insurance Contributions” was put into effect, and is still in force. As a result of the above, as well as with the advent of Chapter 2.1, Chapter 34 of the Tax Code of the Russian Federation, insurance contributions are conditionally included in the system of taxes and fees established by the Tax Code of the Russian Federation, despite the absence of changes in Chapter 2 of the Tax Code of the Russian Federation).

Describing and studying the modern tax system of Russia, one can mention such an important principle of the tax system formation as orientation, which allows eliminating double taxation. Further, for proper and effective functioning in the tax system, responsibility for evading taxes and fees must be defined. Today, taxes, fees, and insurance premiums are used as an instrument of economic and
structural policy—they determine the level of tax burden and depend on the specific objectives of government regulation and the particular economic situation [9].

In order to elaborate the content of the national tax system, we need to determine the elements that make it up. The elements of the tax system are: the system of taxes and fees as a set of obligatory payments levied to the budgets of various levels established and operating at present in a certain territory; the system of participants in tax relations—taxpayers and their representatives, on the one hand, and tax authorities, on the other; the taxation system, which, in turn, includes the procedure for establishing, introducing, changing, and abolishing taxes and fees; the procedure for the distribution of taxes and fees between budgets of different levels; forms and methods of tax control; the responsibility of participants in tax legal relations and protection of the rights of taxpayers and the interests of the state [25].

The interaction of all these links forms the overall integration qualities that determine the effectiveness of the tax system as a whole. The tax system is implemented through the tax mechanism, which is a qualitatively defined set of organizational and legal regulations and methods of taxation management. The most important element of the tax system is the aggregate of various types of taxes, fees and other payments collected by the state from legal entities and individuals as forms of manifestation of objective tax relations. The system of taxes and fees is a key, separate element, an integral part of the tax system of the Russian Federation and is a collection of individual types of taxes and fees, represented by three levels: federal, regional and local taxes. Thus, the concept of the “tax system” is broader than the concept of the “system of taxes and fees”—in turn, the latter is an element of the tax system. Together, they serve as the proper organization of state activity and constitute an important mechanism for its functioning [17]. The tax system should be complete, harmonious, and balanced. All elements of the tax system are interconnected. This is tremendously important, since the subjective happiness and well-being of people directly depends on personal and household finances. Therefore, the positive sustainable development of the state also depends on these factors [26].

Currently, the Russian Federation provides for 15 taxes and fees and six special tax regimes. The system of taxes and fees does not include special tax regimes and insurance contributions to state extra-budgetary funds. Traditionally, the system of taxes and fees is divided into three groups: federal, regional and local. Moreover, the criterion in this case is not the budget to which one or another tax is received, but the level of authority that establishes the elements for a particular tax. The assignment of each type of tax to a particular level is carried out on the basis of the scope of functions and powers—the implementation of which is entrusted to the state as a whole, the subjects of the Russian Federation or municipal formations. It should be noted that, regardless of whether taxes are fixed at a certain level of the budget system, the relevant legislative (representative) bodies can make decisions on specific tax issues only within their competence. The levels of the tax system do not coincide with the links of the budget system: if only federal taxes are credited to the federal budget, regional or municipal budgets may receive deductions from federal or regional taxes, respectively. Thus, the division into fixed taxes and proportions of the distribution of regulated taxes is more important, which, in turn, determines the replenishment of budgets of different levels of the budget system.

Chapter two of the Tax Code is devoted to the system of taxes and fees. The system of taxes and fees is a set of taxes and fees established by the current legislation, with organizational and legal unity. On the basis of Article 75 of the Constitution of the Russian Federation, the establishment of a system of taxes and fees belongs to the exclusive jurisdiction of the Russian Federation. Currently, the system of taxes and fees in the Russian Federation is determined by the federative structure, which is reflected in the delimitation of taxes and fees, taking into account the corresponding levels of the system of taxes and fees. Based on the above, federal taxes and fees are allocated in the Russian Federation (Article 13 of the Tax Code), regional taxes (Article 14 of the Tax Code), and local taxes (Article 15 of the Tax Code). It should be taken into account that, as a rule, three levels are formed in states with a federal structure: federal, regional and local.
Special tax regimes may provide for exemptions from the obligation to pay individual federal, regional and local taxes and fees referred to in articles 13–15 of the Tax Code. At present, Article 18 of the Tax Code of the Russian Federation refers to special tax regimes:

- The taxation system for agricultural producers (single agricultural tax);
- The simplified tax system;
- The tax system in the form of a single tax on imputed income for certain types of activities;
- The taxation system in the implementation of production sharing agreements;
- The patent taxation system;
- The tax on professional income (introduced as an experiment).

Let us briefly consider the three main levels of the tax system of the Russian Federation.

3.2. Federal Taxes and Fees

Federal taxes and fees are taxes and fees that are established by the Tax Code of the Russian Federation and are obligatory for payment throughout the territory of the Russian Federation, unless otherwise provided for by paragraph 7 of Article 12 of the Tax Code of the Russian Federation (the exception is the provision for establishment of special tax regimes).

Federal taxes and fees include:

- value added tax;
- excise duty (tax);
- the tax to incomes of physical persons;
- corporate income tax;
- tax on the extraction of mineral resources;
- water tax;
- fees for the use of the objects of fauna and for the use of water biological resources;
- state duty;
- tax on additional income from hydrocarbon production (Article 13 of the Tax Code).

In 2018, the income tax was 4.1 trillion rubles, with an increase of 24.6%; the VAT was 3.6 trillion rubles, with an increase of 16.4%; the personal income tax was 3.7 trillion rubles, with an increase of 12.4%.

3.3. Regional Taxes

Regional taxes are the taxes established by the Tax Code of the Russian Federation and the laws of the subjects of the Russian Federation on taxes and are obligatory to pay in the territories of the respective subjects of the Russian Federation, unless otherwise provided for by paragraph 7 of Article 12 of the Tax Code of the Russian Federation. Article 14 of the Tax Code establishes the following types of regional taxes:

- corporate property tax;
- gambling tax;
- transport tax.

Regional taxes are put into effect and cease to operate in the territories of the constituent subjects of the Russian Federation in accordance with the Tax Code and the laws of the subjects of the Russian Federation on taxes.

When regional taxes are established by the legislative (representative) state authorities of the constituent subjects of the Russian Federation, the following elements of the taxation are determined in the manner and extent stipulated by the Tax Code: tax rates, procedures and deadlines for paying
taxes, if these elements of taxation are not established by the Tax Code. Other elements of the taxation on regional taxes and taxpayers are determined by the Tax Code of the Russian Federation.

Legislative (representative) bodies of state power of the constituent entities of the Russian Federation, laws on taxes, in the manner and extent provided for by the Tax Code of the Russian Federation, may establish the specifics of determining the tax base, tax privileges, grounds and procedures for their application. Taxes that are not provided by the Tax Code of the Russian Federation cannot be established.

3.4. Local Taxes and Fees

Local taxes and fees are taxes and fees established by the Tax Code of the Russian Federation and the regulatory legal acts of the municipality’s representative bodies on taxes and fees and are obligatory for payment in the territories of the respective municipal entities, unless otherwise provided by Article 12 of the Tax Code of the Russian Federation.

Article 15 of the RF Tax Code includes the following local taxes:

✓ land tax;
✓ personal property tax;
✓ trade fee.

At present, the real property tax is split into Land Tax and tax on buildings (Individual Property Tax). Both taxes are asset related and levied against the owner. The Land Tax is assessed according to the market value of the land (“cadaster value”). The Individual Property Tax (a tax on residences, buildings) is assessed on data provided by the cadastral and registry federal authority, which maintains technical building records. The tax rates are set within a range determined by the municipal government. The Individual Property Tax in Russia is seen as problematic—for example, in the case of residential development, the tax is based on inventory cost/original cost, which in practice constitutes construction costs (not adjusted for inflation). The tax is, therefore, much higher for newer buildings than older ones even though they might be quite similar [27].

Federal, regional and local taxes and fees are canceled by the RF Tax Code. There is a ban on the establishment of federal, regional or local taxes and fees which are not provided by the RF Tax Code. The list of taxes and fees established by Articles 13–15 of the Tax Code of the Russian Federation is closed.

The Tax Code of the Russian Federation contains a requirement for compliance of the tax legislation of the constituent subjects of the Russian Federation and the regulatory legal acts of local governments with federal tax legislation (clause 4, 5 of Article 1, Article 6). This requirement means the prohibition of expanding the list of regional and local taxes and fees at the appropriate territorial level and the inadmissibility of the implementation by the constituent subjects of the Russian Federation and municipalities of other powers in the field of taxation and fees compared to those provided to them by the Tax Code of the Russian Federation.

3.5. Tax Administration and Innovations

For different revenue bodies, their digital transformation journey may have different starting points. While some are building e-services and digital capabilities, basically as green field developments, others are looking to re-engineer new service offerings in a legacy environment; further, others are utilizing or considering commercial off-the-shelf (COTS) solutions to deliver new digital services. Despite these differences, there are common features of revenue bodies’ experiences in their digital transformation and consequent delivery of e-services [28].

According to IT usage, the Russian Federation takes its place in the group of global leaders among the 26 tax administrations in the world. In the Russian Federation, as in many other countries, work is in progress to modernize the tax system. The tax system cannot be left aside with such global changes. The tax system should not be an obstacle to the movement towards digitalization because the use
of digital technologies in the field of tax administration is the most important step in achieving this goal [29].

Among the advanced technologies, the software package of automated control over VAT is used—PC ASK “VAT-2” (the tax service applies it in 2013)—and, in certain constituent subjects of the Russian Federation, PC ASK “VAT-3” has been introduced, allowing the tax authorities to fully automate the process of controlling the movement of funds between the accounts of businesses and individuals and increase its productivity. The mechanism of action of the PC ASK “VAT-2” is actually a counter tax audit, provided for by Article 93.1 of the Tax Code of the Russian Federation. Its main advantage is to detect inconsistencies in VAT data. The ASC “VAT-2” system allows building value chains and automatically preventing VAT evasion or attempted fraudulent tax refunds. Thanks to this complex, the number of shell companies has decreased by more than two times, and the number of cases of VAT refund claims by high-risk organizations has decreased almost 15 times. Tax monitoring has become a modern method of tax administration in Russia. It actually has replaced the traditional checks with online interaction based on remote access to taxpayer information systems and its accounting and tax reporting. This method of providing data to the tax authority allows coordinating promptly with the tax authority the position on taxation of planned and completed operations. Access to taxpayer data allows the tax authority to reduce the number of required documents and focus resources on checking those transactions that contain elements of risk. In the application of this form of tax control, a preventive identification of tax risks and a quick settlement of disputed uncertain tax positions are provided, which at the time of planning transactions can prevent the occurrence of tax risks and disputable situations (Article 105.26 of the RF Tax Code).

Another effective tool for tax administration is a new technology of cash registers. Separately, it is necessary to dwell on the product-labeling system—RFID-tags (for fur goods) and QR codes (for pharmaceutical products, in relation to certain types of drugs). Data analysis showed that every fourth participant in this sector has been legalized, and the trade turnover increased sevenfold. In Russia, a further extension of the product-labeling system to other business areas is envisaged—for this, the PC ASC “VAT” system, the online CCT and GIS will be combined. These systems bring us closer to tax administration in real time, which will make the fulfillment of tax obligations imperceptible to the taxpayer. In the near future, the FTS of Russia will enable the creation of new services on the nalog.ru portal, the withdrawal of some services on the Unified portal of public services (gosuslug.ru), and the improvement of existing solutions and their maximum adaptation to the needs and convenience of users.

Criteria for the legality of the tax planning and the limits of acceptable and possible behavior of the taxpayer as a result of ambiguous interpretation of the tax legislation remain among the controversial issues in the relationship between tax authorities and business. Increasing the efficiency of tax policy, optimizing the tax burden, creating incentives for developing promising areas, and differentiating rates depending on the income level of the population are very important and relevant at the current stage of development of the tax system in Russia [30].

Over time, new electronic services have been developing and appearing. In order to form a state information resource from 1 January 2020, as stipulated by Article 18 of the Federal Law “On Accounting”, a new electronic format for the presentation of a copy of the annual financial statements and an audit report about it was introduced [31].

Another aspect of the work of the Federal Tax Service of Russia is the administration of foreign suppliers of electronic services. Since 1 January 2017, such companies are registered and pay VAT to the Russian tax authority using a special electronic service created by the FTS of Russia.

The Federal Tax Service of Russia forms the largest part of the budget system revenues, which causes the service to conduct serious forecasting and analytical work on all administered revenues. At the same time, the FTS of Russia uses, as mentioned above, a number of software and information systems. The official accounts of the Federal Tax Service have appeared in social networks. Further improvement of the personal account of the taxpayer is planned. The main features of a new personal account are the
simplicity and clarity of information presentation, ease of use—in particular, the ability to pay taxes in one click—and the developed tax calculation formula (for transport, land and property taxes). In the future, it is planned to modernize the private offices of legal entities and individual entrepreneurs. This is an interface optimization for creating maximum usability. Of note is the “Tax Passport”. It is especially created for the purposes of analysis and forecast and is maintained up to date. Currently, tax passports are formed in Russia, constituent subjects of the Russian Federation and federal districts, and municipalities.

The Federal Tax Service of Russia has updated the data contained in the tax passports of the constituent subjects of the Russian Federation and federal districts with relevant information. A tax passport is a database of tax and statistical reporting for each constituent subject of Russia. It includes 11 sections and contains information on the receipt of taxes and fees by levels of the budget system, by type of economic activity, debt, tax base, as well as basic indicators of the socio-economic development of the region. The tax passport allows for a comparative analysis of changes in the statistical and tax indicators of each constituent subject of Russia in order to assess the tax potential and tax burden—both for certain types of taxes and for certain types of economic activity. First of all, the Tax Passport is intended for government authorities at all levels. It allows adequately assessing the situation in the fiscal sphere of federal districts and constituent subjects of Russia, to take appropriate management decisions. The information contained in the Tax Passport is used for strategic planning. At the same time, it may also be interesting for taxpayers in terms of assessing the financial and investment potential of the regions for making business decisions and forecasting investments. Information service “Tax Passport” provides the opportunity to select the period, the subject of the Russian Federation or the Federal District, and view or download the document [32]. From 1 June 2018, a new service for checking counterparties, Transparent Business, was launched on the website of the Federal Tax Service of Russia, which allows verifying a counterparty in seconds. This electronic service allows you to determine which category the contractor belongs to. So, for the organization, its actions will certainly testify that they have shown a due degree of caution when choosing a business partner. Currently, online, it is possible to check the potential counterparty for the presence of debt and tax offenses as well as find out the financial condition of the company. Further, thanks to the electronic service, every business owner can obtain an objective picture of how his own business looks in the eyes of the counterparty (the information that you obtain through the service “Transparent business” [33].

The tax system in Russia has been changing—innovations and digital technologies have been introduced into it. Today, the Federal Tax Service of Russia provides various electronic services to taxpayers. More than a dozen electronic services work on its site. Some of them are for informational purposes only (for example, Learn TIN; create your business; address and billing information of your inspectorate; reference information on property tax rates and benefits; letters from the Federal Tax Service of Russia addressed to territorial tax authorities; frequently asked questions; business risks: check yourself and the counterparty). Others allow interacting with the tax authorities (for example, online registration at the tax authority; contact the Federal Tax Service of Russia; learn about the complaint; submission of an individual’s application; a stop on the account), without leaving the house. The third is for paying taxes (pay taxes).

International cooperation in the field of exchange of the tax information, which is among the main regulatory instruments of the economy, has been developing. In the context of the globalization of the world economy, tax administrations are expanding international cooperation. New qualitative changes have been taking place: technological modernization and transition to digital economy form new relations between the state and citizens at the present stage of development [34]. Currently, the tax system of the Russian State in the context of the development of the digital economy is making the transition from an electronic to “proactive state”, which is expressed in the harmonization of tax administration, the formation of a new legal framework and the implementation of tax potential.
Digitizing is the main objective for the whole public sector. It is expected that by 2025, the tax administration will be able to contact, receive information and handle all tax-related issues electronically 24/7. This goal will be achieved by:

- building a taxpayer’s access point (portal), where customers can view and change all their tax information,
- compliance by design for individuals and businesses with an online income tax register and real-time VAT data collection,
- efficiency in digitizing hard-copy documents, and
- developing mobile apps and online payment functions, etc. [35].

Internet, portal solutions, social media, mobile platforms, cloud computing and Big Data technologies are opening up new opportunities. In doing so, they are impacting on the strategies and business models of both private and public sector organizations. That is, the development of the information and communications technology sector directly affects the business climate in the country and, therefore, the dynamics of foreign direct investments [36]. The information environment is among the factors that influence the state’s finances (Figure 1).

![Figure 1. The environment surrounding revenue bodies. Source: created by authors, based on data from the Australian Tax Office (ATO), 2016.](image_url)

It is increasingly clear that the successful application of information technology as a key enabler will determine the future success of revenue bodies in effectively and efficiently managing compliance risks and meeting rising service expectations [37]. It is important to take into account that tax policy measures are reduced to improve tax administration and the effectiveness of tax authorities. Tax control is a prerequisite for the effective functioning of the country’s tax system.

3.6. Public Finance Transformation Tools in Terms of Sustainability

In general, universal steps can be highlighted that will bring any country closer to financial stability. The only and main difficulty here is that states interpret the concept of the “sustainability of
public finances” differently. On the one hand, the problem can be linguistic and intercultural, since not all countries approve of the separation of public and private finances, and this concept is unfamiliar to them. On the other hand, countries conceptually differ in interpretation, as was mentioned earlier. In considering specific steps to transition to financial stability, the authors combine different approaches. The authors also note certain weaknesses that need additional reform. First of all, any government (or the highest executive body) must determine the essence and role of sustainability of public finances along with a set of means for the transition to such sustainability. This decision should be supported by a normative legal act in order to minimize erroneous interpretations among the lower authorities and the next government. In the authors’ opinion, such a regulatory act should contain the action plan (a strategy), without the right to change it for a certain period of time. The transition covers financial relations at all levels of public life. For full-fledged structural transformations, it is necessary to use one (unchanged) policy in the medium term of 1–3 years.

The structure and form of the strategy can be adaptive to a particular country. However, in the authors’ opinion, it must necessarily describe the following aspects:

1. The legalization of capital, which was accumulated by individuals and legal entities in the pre-reform period. Such a decision will allow “bringing” the population’s money into the economy, thereby stimulating growth. Concerning companies, legalization will reduce the need to withdraw capital to countries with offshore jurisdictions, with powerful protection of banking and commercial secrets.
2. A decrease in the level of the “gray sector” of the economy. For each individual country, the causes of “grayness” are their own market structures. The key here is an understanding of what exactly provokes the desire of economic agents to bypass fiscal authorities.
3. A decrease in dollarization of the economy. By dollarization, the authors mean the dependence of the real sector of the economy on the financial markets of other countries.
4. There are a lot of financial and non-financial corporations in state ownership (especially in federalism). Such corporations often lack qualitative management, which, accordingly, reduces the adaptability of the state apparatus to market conditions. Hence, such a management system needs to be substantially improved and controlled.
5. The stimulation of the payment of taxes. The authors focus not on reducing or increasing the number of tax payments, but on ensuring that they are strictly paid. In the authors’ opinion, this is precisely what may indicate a truly sustainable development of the country’s finances.
6. The minimization of corruption in the distribution and redistribution of funds [38]. Manifestations of corruption, although they are the cultural norm for some societies, in the authors’ opinion, they do not meet the norms of sustainable development.
7. The prevention of trade embargoes. Any trade wars provoke an imbalance in trade and foreign exchange balances, which negatively affects the currency exchange market and enterprises in the real sector, oriented to foreign economic operations.
8. Reducing the number of control measures that put pressure on entrepreneurs. In numerous surveys, this factor was identified as critically influencing entrepreneurship initiatives in countries [39].
9. Money issuance control. Excessive money supply should be prevented, as it provokes increased inflationary processes. Negative inflation and the appearance of negative bank rates should also be prevented as the latter immensely impedes the economic development of any state [40].
10. The minimization of Distributed Denial of Service (DDos) attacks and data theft. There is an expert position [41] that cybercrimes are now significantly concentrated in the niche of financial transactions. For sustainable development, the state must ensure the security of transactions for both individuals and legal entities, thereby strengthening the ability to preserve personal data, commercial and banking secrets. In addition, cybersecurity reduces the risks of bureaucratic collapse in the interaction between the state and citizens. Cybersecurity prevents the unauthorized
destruction or alteration of data (for example, in tax payments), which protects the interests of both parties to these relations.

(11) Avoiding quasi-tax practices. In the authors’ opinion, there should be clarity and specificity in payments. The payments’ binding nature and subsequent punishment for their absence. The latter will significantly increase the transparency of the financial system and, therefore, make it more stable in development.

It is important to note that the implementation of any executive and legislative initiative in the context of sustainable development can be implemented only based on indicator systems. Such indicator systems guarantee the validity of actions and determine boundary and target values.

4. Discussions

The attractiveness of a country’s economy (as a field of doing business) for external investors can serve as an indicator of the financial sustainability of the state and the effectiveness of its tax system. Further, it was decided to compare the approaches of different countries in terms of the formation of tax infrastructure. The countries that were chosen were chosen based on being socially and culturally similar to Russia, according to the Hofstede theory of cultural measurements. Hofstede’s theory is the basis for cross-cultural comparative analysis and is applied in various fields as a paradigm for research. It represents a typology of cultural dimensions through a set of universal parameters suitable for analyzing the cultural context in which the processes under study occur. Hofstede has developed an original model for assessing the degree of influence of culture on social processes and the specificity of this influence. This model has been developed based on the basis of factor analysis when studying the results of a large-scale survey. Namely, 116 thousand IBM employees have been surveyed from company divisions located in different continents and in different countries. The first survey was conducted in the 1970s, but the evidence base is updated regularly to this day. Thus, Hofstede’s theory represents the most relevant typology of the countries of the world. This suggests that in countries with a similar cultural context, it is indeed correct to conduct a comparative analysis. Further, recommendations given in studies based on such approaches can be implemented with a minimal adaptation period. Further, the authors have taken into account those countries that are culturally similar to Russia. Moreover, the approaches of these countries are distinguished as the most successful examples of tax systems according to the Doing Business methodology 2013–2018.

Some of the EU countries compete by lowering their corporate income and profit tax rates in trying to be more attractive for investors [42]. The leading country in this case is Ireland, where the reduction of the corporate income tax rate was most significant [9]. Although the share of corporate taxes in total taxation and budget income is not big, its high variation, which is strongly related to budget income, is indicative of its importance for the sustainability of public finance.

The research has revealed that Ireland, France, Greece, Luxembourg, and the Netherlands show a downward corporate taxation income trend. The break points of the trend lines are very close to the tax rate reduction. These findings show the harmful small tax rates that could hit the sustainability of public finance and the economy. Ireland and Greece have already faced some public finance problems, and the situation of France can be considered to be most risky because of a high variation in its corporate taxation income cycle [43]. Switzerland has a flexible tax system. In fact, anyone can contact the tax department and agree on the amount of taxes paid by him/her or his/her company. Any company planning to operate in Switzerland may request a full calculation of taxes due in advance. At the cantonal and municipal levels, moderate taxation and a friendly attitude from the tax authorities are guaranteed [44]. The stimulating function of the German tax system is manifested in the investment potential of the tax system—namely, the use of accelerated depreciation rates and the preferential taxation of profits allocated to the formation of reserves. The main purpose of the latter is to ensure the long-term development of business entities [45].

At the same time, it must be noted that the structure of the tax burden varies enormously across the world (Figure 2). Such differentiation is primarily associated with civilizational and cultural
aspects. These aspects have influenced the formation of economic systems and the indication of the optimal level of tax burden. While such a tax burden satisfies the needs of the state (ensures its financial sustainability) and is acceptable for taxpayers. It should be noted that the degree of economic development, as well as the transparency of the economy directly affect the tax structure. In economically developed countries, for the money of taxpayers, an infrastructure of social services is organized. Such an infrastructure maintains the same level of quality of life (free education, medicine), which allows satisfying the basic needs of people regardless of their social status. That is, through equalization in basic opportunities, the intensity of the problems of the “poor and rich” decreases. In economically undeveloped countries, a high tax burden on the income of individuals leads to an impoverishment of people and the concealment of income. That is, the budget receives less tax revenue, which undermines the financial stability of a state. On the other hand, the concealment of income is possible in any system where there is a significant amount of cash and corporatism in the market is poorly developed. Taxing and collecting the maximum number of legal capital flows are the only ways of survival for some states (e.g., in South America) in the conditions of the modern global economy. Since they have neither natural resources nor high-tech products relevant for import. Effective budget management for developing countries is a balance between the desire for economic development, current market conditions and social problems [46].

![Figure 2. Components of the global tax rate by region. Source: created by authors, based on data from [47].](image)

The tax systems of developed countries have acquired a modern structure as a result of tax reforms carried out after the end of World War II and in the 1980s. Tax systems were transformed according to the principle “it is better to have low rates and fewer benefits than high rates and many exceptions” [48]. The tax systems of Western European countries and the United States of America are very different. At the same time, tax reforms carried out since the late 1980s bring them somewhat closer together.

When creating an effective fiscal system, it is necessary to fulfill conditions such as the relative simplicity of tax calculation and collection, as well as maintaining stability. Tools to counter tax evasion are also extremely important, since disregarding tax payments triggers negative scenarios in society and destroys the market economy through the creation of unfair competition [49]. Tax systems of developed countries perform this function successfully. The social function in its most general form is aimed at observing the principles of social justice in taxation. The US tax system provides, albeit very complex but clearly regulated procedures for assessing taxable income. Significant benefits and reduced rates for corporations and citizens who have small incomes or are engaged in the construction
and updating of equipment determine much greater choices when calculating taxable income [50]. In the USA, much attention is paid to penalties—in particular, there is a combined penalty for tax evasion: 5% of the unpaid amount plus 50% of the amount that the taxpayer would have received if the money were placed in a bank based on standard bank rates [51,52]. Thus, unlike Russia, in the USA, it is not beneficial to evade tax payment. In Russia, it is more profitable to pay a fine than to pay a tax. The UK tax system, which is rather complex, defines more favorable taxation conditions than most other European countries. The latter is due to significantly lower mandatory social taxes when stimulating voluntary contributions and savings, and lower income tax rates for legal entities and individuals [53]. France, as among developed countries, is characterized by a high share of tax revenues in gross domestic product and contributions to social funds. France’s tax system is tough on individuals and families with high per capita incomes. However, applying significant deductions from the individual income tax base reduces it to zero for the poor [2]. The highest taxes and mandatory contributions apply to small businesses. In general, compared to the tax systems in the United States and Great Britain, the tax system in France is more stringent in relation to corporations and the personal incomes of citizens [54,55]. France also has its differences from Russia. In the French tax code, there are tables to calculate the estimated income of the taxpayer depending on his/her lifestyle. For example, if a citizen has a house of a certain cadastral value, then his/her income is approximately defined as five times the amount of the annual rent when renting a house. If there is a domestic worker, it is considered that the payer’s income is at least 30 thousand francs per year [56]. Thus, the tax authorities themselves determine the approximate amount of a person’s income in the event that a citizen has not filed a declaration. In Russia, control over the expenses of individuals is not carried out. Such control in developed countries is carried out, in particular, thanks to the development of innovative technologies, the introduction of automated electronic registries and access to fiscal authorities. Sweden and Norway are considered the countries with the highest tax rates [13]. The result of the tough tax pressure in Sweden was a decline in economic growth, a decrease in the competitiveness of Swedish goods, and the transfer of a number of industries outside the country. Therefore, the main corporate tax rates and VAT were significantly reduced [12]. Personal income taxes remained at a high level. In countries such as Germany and France, corporate tax rates range from 25% to 40%, and the value of tax benefits is not so great. They are mainly used to stimulate the creation of new enterprises and stimulate investment [47]. The value of benefits in the taxation of profits is significant for most countries in quantitative terms. The benefits reduce the overall income tax rate in the United States by approximately 8%, and by 9% in England. The general tax rate on retained income in Germany is reduced by approximately 16%, when deducting from it that part of the commercial tax, which, in essence, is a capital tax [15]. The greatest burden on enterprises is observed in countries such as Sweden and Norway. Tax benefits are minimal in these countries. However, it is believed that although taxes are high, the bulk of the funds raised is returned to the population in the form of various services [19].

Lack of transparency is among the reasons for governmental ineffectiveness in tax policy. Another problem with tax incentives is that people take advantage of them in a way that governments did not intend. Tax avoidance of this kind gives rise to lots of extra tax rules specifically to prevent it. In addition, the unexpected consequences of anti-avoidance rules often provide new ways of avoiding taxes. This leads to even more intricacies as the authorities to try to close loopholes they accidentally created closing other loopholes. In addition, tax reform often makes the law more elaborate as exceptions have to be made for those who would otherwise lose out from change [16]. Thus, there are sound political reasons why the tax system remains so complex, even though this complexity has real costs. Thus, the modernization of the tax system of the Russian Federation should be focused on the most effective elements from the tax systems of the countries considered. However, the focus should be on tax systems in the USA and Canada due to the need to take into account optimal fiscal federalism. In addition, to create a stable tax system in Russia, it is important to use the experience of Germany, where the tax system is “incorporated” into the Basic Law—the constitution. Financial stability of a
state is formed over many years or decades. Hence, while it is necessary to achieve stability, and it is important that the legislation is stable, financial stability should be allowed to develop dynamically.

Russia aims to complete the transformation from a planned economy to a market economy and maintain financial stability (for the socio-economic well-being of society and Russia’s economic attractiveness for external investors). Thus, based on the experience of developed countries, the authors argue that in order to implement such a transformation, the following conditions must be met:

- the prevention of budget deficits at the federal, regional, and municipal levels above the maximum permissible level;
- compliance with the principles of fiscal federalism;
- budget support in terms of government spending on the maintenance and development of the production and social sectors, programs and investment projects;
- budget support in terms of the external and internal obligations of the state;
- the achievement of the level of tax and non-tax revenue collection to the budget in accordance with the tax base and rates established by law;
- the prevention of an excessive tax burden that undermines incentives for the development of production and entrepreneurship.

However, the full implementation of these initiatives will only be possible in the case of the following:

- their legal fixation;
- the determination of responsible bodies and decision makers and deadlines;
- the minimization of the impact of factors that impede the sustainability of the Russian financial system.

5. Conclusions

The most important factor in the tax policy is the need to maintain a balanced budget system of the Russian Federation. The development and improvement of the tax system reflects the fundamental basis for strengthening the integrity of the financial system of Russia as a federative state, but also guarantees the territorial/public entities within its structure the freedom to exercise the tax and legal competence necessary for the independent and full provision of territorial budgets. The features of regional and municipal Russian tax systems are in the legislatively established procedure for establishing and introducing taxes of the appropriate territorial level. The tax legislation of the Russian Federation is based on the principle of the unity of the financial policy of the state—manifested, in particular, in establishing a closed list of taxes applicable throughout its territory. The tax system of the state plays an important role in the implementation of the provisions of the economic and social policy of the state. The tax system is changing to meet the economic, political and social requirements—among these is digitalization, which creates convenience for people and helps the state solve a number of problems. It seems that in the future, the transition to a “proactive state” will lead to the tax system becoming completely transparent, and the mutual understanding between taxpayers and tax authorities will reach the level that the required amounts of taxes will be automatically debited from the accounts of taxpayers and distributed to the relevant budgets both within the country and across state borders. However, it is of importance to reinforce the transparency of the tax system, especially in terms of the distribution of funds. There is also the need to minimize the influence of factors that prevent the Russian economy from transforming into a market economy with financial sustainability principles. Only in such a scenario can the dual nature of financial sustainability be effectively managed in a large state such as Russia.

Author Contributions: conceptualization, I.T.; methodology, E.V.; formal analysis, S.K., L.N.; investigation, I.T., S.K., E.V., L.N.; resources, L.N.; data curation, I.T.; writing—original draft preparation, I.T.; writing—review and editing, S.K., E.V.; visualization, L.N.
Funding: This research received no external funding.

Conflicts of Interest: The authors declare no conflict of interest.

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