

Social function of taxes as a toolkit for income differentiation reduction among population of the depressed republics of the North Caucasus Federal District

Función social de los impuestos como conjunto de herramientas para la reducción de la diferenciación de ingresos entre la población de las repúblicas deprimidas del Distrito Federal del Cáucaso Norte

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Abstract

In the conditions of a difficult political situation, economic uncertainty and increasing unemployment in the land-poor manpower-surplus, depressive republics of the North Caucasus Federal District, the need to implement the entrepreneurial opportunities of the population is manifested clearly. It seems that small business can manifest itself in these conditions as a separate element of the economy decentralized sector. Of course, the success of small business in a depressed region depends on the state position to a large extent. And this is natural, because only the state is capable of creating the necessary conditions in market relations and various preference provision for the development of entrepreneurship, especially in the mountainous territories of the country. It should be noted that the next economic crisis and pandemic (coronavirus) not only led to the depletion of the state budget, but also collapsed the production activity of small diversified enterprises in the region. Most of the entrepreneurs of the North Caucasus Federal District declare that they are not able to solve independently the complex of this phenomenon negative consequences. The state, in our opinion, should promptly respond and also promptly support small businesses in the region, because only small businesses can fill the municipal budget and extra-budgetary funds by increasing the growth of mandatory payments through the employment of unemployed population (potential taxpayers), and provide local markets with goods and services. The thing is about the need to study the problems of tax social function role, because the observed nature of tax relations distorts the relationship between the functions of taxes, and emphasizes their fiscal orientation. All of the abovementioned became the basis of our study.

Keywords: economic crisis, pandemic, depressive republics, unemployment, tax policy, social function of tax.



Resumen

En las condiciones de una situación política difícil, la incertidumbre económica y el aumento del desempleo en las repúblicas deprimidas del Distrito Federal del Cáucaso Norte, pobres en tierras y con excedentes de mano de obra, se manifiesta claramente la necesidad de implementar las oportunidades empresariales de la población. Parece que la pequeña empresa puede manifestarse en estas condiciones como un elemento separado del sector descentralizado de la economía. Por supuesto, el éxito de las pequeñas empresas en una región deprimida depende en gran medida de la posición del estado. Y esto es natural, porque solo el Estado es capaz de crear las condiciones necesarias en las relaciones de mercado y la provisión de diversas preferencias para el desarrollo del emprendimiento, especialmente en los territorios montañosos del país. Cabe señalar que la próxima crisis económica y pandemia (coronavirus) no solo provocó el agotamiento del presupuesto estatal, sino que también colapsó la actividad productiva de las pequeñas empresas diversificadas de la región. La mayoría de los empresarios del Distrito Federal del Cáucaso Norte declaran que no son capaces de resolver de forma independiente el complejo de consecuencias negativas de este fenómeno. El estado, en nuestra opinión, debe responder con prontitud y también apoyar con prontitud a las pequeñas empresas de la región, porque solo las pequeñas empresas pueden llenar el presupuesto municipal y los fondos extrapresupuestarios al aumentar el crecimiento de los pagos obligatorios a través del empleo de la población desempleada (contribuyentes potenciales) y proporcionar bienes y servicios a los mercados locales. Se trata de la necesidad de estudiar la problemática del rol de la función social tributaria, porque la naturaleza observada de las relaciones tributarias distorsiona la relación entre las funciones de los tributos y enfatiza su orientación fiscal. Todo lo anterior se convirtió en la base de nuestro estudio.

Palabras clave: crisis económica, pandemia, repúblicas depresivas, desempleo, política tributaria, función social del impuesto.

Introduction

The transition to market relations radically changed the socio-economic situation in the life of Russians, and the mistakes of private property development led to an unacceptable social stratification of society, the increase in income differentiation, the change in consumption structure, etc. During these years, they formed ecological, financial, social and public institutions corresponding to these processes, a new stage of Russian modern economic science intensive development began.

It should be emphasized that the abandoned (Soviet) financial and tax science has always ignored the positions and principles of economics. So, for example, the parameters of the prescribed mandatory payments in the USSR did not correspond almost to the financial capabilities of direct taxpayers, etc.

The lack of research concerning the social significance of taxes in the daily life of modern Russian society does not allow public authorities to regulate sufficiently the disproportions in the development of depressed regions, because the effectiveness of their solution directly depends on the volume of mandatory payments to the corresponding budget.

The analysis of special scientific literature on the issues under consideration shows the presence of many definitions of taxes.

Based on the format of our research, we settled on the current legislative acts, which provide the official interpretation of tax.

In accordance with the Article 8 of the Russian Federation Tax Code, tax is a mandatory, individually gratuitous payment paid by enterprises and individuals in the form of a discussion of funds belonging to them by the right of ownership (Sadigov, 2004).

At the same time, the Federal Law of the Russian Federation "On the Basics of the Tax System in the Russian Federation" states that a tax is a mandatory contribution ...

As you can see, the given basic legislative documents demonstrate a duality (ambiguity) in the interpretation of the concept under consideration, because the contribution and payment are not the same per se.

Indeed, a fee is the payment of a predetermined amount of money in Russian business (literary) language, for example, for the membership in some organization or an entrance fee ...

The absence of a correctly and competently formulated interpretation does not allow to reveal the content of the concept under consideration objectively, does not contribute to an unambiguous understanding and implementation of financial science theoretical and methodological foundations.

Study Methodology

The works of the most famous foreign and Russian scholars and practitioners, the achievements of



modern theory and practice in the field of the social function of taxation, regulatory legal acts and legislative documents on the issues under study were used as the theoretical and methodological basis of the study.

General scientific and special research methods were used in the course of the study: induction and deduction, analysis and synthesis, comparison, detailing, grouping, and generalization.

Study Results

The need for an objective study of the theoretical aspects of taxation acts as an initial stage - the construction of any system associated with the organization of mandatory payment collection.

It should be noted that the problems of studying the unevenness of the population incomes have a long history - starting almost from the period of private property development ...

The most famous works in this area are the works by V. Pareto, K. Ginny and others. These and other researchers noted in their works that the social content of state tax policy should be manifested in the construction of tax rates aimed at reducing the area of the Lorenz curve, i.e., the higher the income level, the higher the tax rate, and vice versa ...

To analyze the differentiation of population incomes, they use so-called decile coefficient of differentiation - the ratio of incomes of 10% of the wealthiest and 10% of the poorest citizens ...

Experts note that modern financial science with regard to the developments in the field of Russian taxation is characterized by a complex of practical difficulties. Moreover, this applies to all participants in these economic relations - direct developers of tax legislation, authorities, tax structures, enterprises and individuals (Sadigov, 2004; Gauzhaev et al., 2013; Merkulova, 2005).

Indeed, this is the fact, because most of the used classical concepts, theories and models of Russian financial science do not allow for a reliable forecast of enterprises and individual behavior, purposefully influence the change in the socio-ecological and economic situation of the country. Under these terms, in our opinion, we can talk about the presence of a certain study of taxes. This, in turn, requires an immediate study of taxation provisions, the development of a clear concept that interconnects all the functions of taxes in order to reduce socio-economic inequality in the life of Russians.

A constructive analysis of the theoretical and methodological foundations and the provisions of taxation allowed us to identify the features of tax

involvement and use not only as a regulator of relations that are formed between government structures and taxpayers, but also its concept as an effective toolkit that allows us to create favorable conditions for the development of small business and entrepreneurial activity of the population, and, thus, reduce the differentiation in the socio-economic development of the regions (Kerbs, 2009; Malis, 2012).

In the course of our study on the materials of the depressive republics of the North Caucasus, we were convinced that it is precisely the incompleteness of the study of the social significance of taxes in the everyday life of modern Russian society that does not allow the authorities and administration to regulate sufficiently the disproportions in the development of the regions. And this is natural, because the effectiveness of their solution is still directly dependent on the volume of mandatory payments to the corresponding budget.

Moreover, it can be argued that in modern realities, Russian taxes, as a rule, are manifested in a fiscal orientation, which naturally suppresses other tax functions and hinders the implementation of its social purpose.

This situation makes us talk about the partial loss of the tax social function in our society.

In the specialized literature on tax functions, we counted more than 30 of their varieties (these are anti-inflationary, reproduction, budget-forming, burdensome, etc.).

In our research, we deliberately focus on the social function, which is inextricably linked with fiscal and regulatory function. It manifests itself in the development of different conditions for tax collection in accordance with the established social security, as well as the taxpayer's material capabilities. It seems unnecessary to talk about the importance of this function in the modern realities of the economic crisis, aggravated by a pandemic. Everywhere taxpayers need appropriate financial support from the state.

In the current conditions it is impossible to talk about the full implementation of the tax social function in the depressed republics, because in fact, the existing taxation system is entirely focused on the implementation of the fiscal component. This once again actualizes the need for immediate amendments to the current RF Tax Code.

Russia has declared that it is a socially oriented state and the fiscal function is intended to generate financial resources necessary to ensure the social orientation of the state.

At the same time, it must be admitted that the success of social programs and project implementation in the depressed republics depends



exclusively on the timeliness and completeness of fund flow provision to the respective budgets ... This situation forces us to talk about the dominance of the fiscal function of taxes over the social function, which ultimately does not allow to use and implement fully entrepreneurial opportunities in the depressive republics (the opportunities which are equal for all citizens of the Russian Federation), as compared with the industrially developed regions. Moreover, in our opinion, sustainable economic development of territories (especially depressed ones) can be ensured not only by the implementation of the fiscal function, but also by total stimulation of the local population entrepreneurial activity (Akaev & Sarygulov, 2012; Glukhov & Glukhov, 2013; Shmelev, 2008).

Hence, it must be assumed that the fiscal function of a tax in the course of its implementation must be built in accordance with the role and purpose of its social function in compliance with the order and algorithm for the implementation of the set goals and objectives. The orientation of the tax social function on the redistribution of income, the formation of motivational conditions for enterprises to the sustainable development of business structures allows to change the social stratification of society, the structure of social groups, behavior patterns of the population and their life values purposefully.

Of course, today society and the state are faced with a difficult task regarding the determination of the optimal balance of economic efficiency and social justice of the current taxation.

At the same time, one must proceed from the assumption that the basis for an optimal ratio development concerning the considered area of research is the tax social content. Moreover, as the level of productive forces develops and welfare grows, the social orientation of taxation will come to the fore.

The experience of economically developed EU countries shows that the implementation of social programs and projects is not a tax function. This is one of the key state functions, because only the state has the right to dispose of financial resources obtained both through tax and fiscal policy (Akaev & Sarygulov, 2012; Misakov & Berozov, 2012).

At the same time, we want to note that we do not want (and we will not be able to) infringe on the social significance of the implemented state tax policy fiscal orientation, which is necessary to ensure the stability of budget revenues at all levels. Moreover, its importance is especially evident in the context of the economic crisis and economic uncertainty.

It is clear that the continuing polarization of the population in terms of income is an objective feature of the market economy. But this does not mean that the role and significance of social factors cannot be ignored during the implementation of the necessary transformations in all spheres of the life of Russian society. However, this applies to all countries that are in the phase of market relation development and reform their national economies (Demin, 2011; Misakov et al., 2013; Pinskaya, 2010).

It should be noted that the majority of the RF population, especially the inhabitants of the North Caucasian republics, retains the obligation of paternalism on the part of the state. Moreover, it is precisely the state withdrawal from these problems that they consider the main reason for social inequality ...

In fact, all transformations taking place in society, new conditions of access and control over the distribution and use of natural and other resources, etc., are initiated and implemented by a certain category of the population (their representatives), which inevitably leads to the dominance of their interests over the interests of the general population ... All this suggests that the taxation system being implemented in the Russian Federation does not aim to reduce income differentiation among high and low-income categories of the population, which has already become a chronic factor in the development of socio-economic conflicts (Kalinina, 2010; Turova et al., 2019).

In the course of our research (according to the Federal State Statistics Service of the Russian Federation), we found that if the decile coefficient of the population of the North Caucasian republics was 4.2, and the Ginny coefficient was 0.21 in 1991 (i.e., the incomes of 10% of the poor population in the depressed region were 4.2 times less than the incomes of 10% of the wealthy part of the population), then in 2018 the decile coefficient was already 16.5, and the Ginny coefficient - 0.422.

During the analyzed period (1991 - 2018), the structure of cash income decreased by 18.2% and amounted to 56.4%. At the same time, social payments (we are talking about state social transfers) increased slightly - from 13.8% to 18.6%.

With regard to entrepreneurial activity in the region under study, the dynamics almost remained unchanged - income in this context was 7.8% (1991), and it made 7.7% in 2018.

It seems to us that this does not reflect the real situation, since, for example, it does not take into account shadow activity.



Communication with the leaders of different levels in the region, with local scientists and practitioners allows us to state that the used tax system does not fulfill its fiscal function in a given format to provide the corresponding levels with the required financial resources, but it is also an effective tool of the state to reduce the degree of differentiation in population incomes which does not fully fulfill its social purpose.

It seems to us expedient to introduce a temporary (5 year) tax exemption for the representatives of socially-oriented small businesses in the conditions of a depressive labor-surplus land-poor region, subject to the compulsory employment of individuals who do not have a job.

It seems to us that such an approach will implement the tax social function effectively and thereby strengthen its fiscal function by increasing the parameters of tax revenues from the local population employed in small business.

Conclusions and offers

- In the course of the study, we managed to clarify the social essence of the tax and substantiate the need to use it as a modern toolkit of state tax policy aimed at the differentiation reduction concerning the material well-being of population various categories, different forms of business structures, and social tension reduction in the polarized North Caucasian depressed region.

- We have found that socially oriented taxation is absolutely beneficial to all participants in tax relations, which allows not only to ensure social stability in society, but also to stimulate actively the economy development.

- We have substantiated that the state tax policy in depressed regions must be formed taking into account the differences in the social status of taxpayers, the characteristics and scale of production, etc. At the same time, it must be emphasized that the social function of the tax will be fulfilled fully only in the case when most of the fiscal system for mandatory payment collection will be based on socially oriented principles.

Conflict of interest

The authors declare that they have no conflicts of interest.

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