



## **Reforming of Regional Fiscal Policy as Basis of Increasing Taxation Potential of Territories**

**Lyudmila Lazarevna Igonina<sup>1</sup>, Ramazan Abdulmuminovich Nabiyev<sup>2\*</sup>,  
Madina Gamidulakhovna Alimirzoeva<sup>3</sup>, Gulzar Akhmedullakhovna Gulmagomedova<sup>4</sup>,  
Magomed Magomedovich Suleymanov<sup>5</sup>**

<sup>1</sup>Federal State Budget Institution of Higher Education, Financial University, Government of the Russian Federation, Krasnodar Branch, 32/34, Neftyanikov Highway Street/Fedor Luzan Street, Krasnodar, 350051, Krasnodar Region, Russian Federation, <sup>2</sup>Federal State Budget Institution of Higher Education, Astrakhan State Technical University, 16, Tatishcheva Street, Astrakhan, 414056, Russian Federation, <sup>3</sup>Federal State Educational Institution of Higher Education, Dagestan State University, 43 “a”, Gadjieva Street, Makhachkala, 367000, Republic of Dagestan, Russian Federation, <sup>4</sup>Federal State Educational Institution of Higher Education, Dagestan State University, 43 “a”, Gadjieva Street, Makhachkala, 367000, Republic of Dagestan, Russian Federation, <sup>5</sup>Federal State Educational Institution of Higher Education, Dagestan State University, 43 “a”, Gadjieva Street, Makhachkala, 367000, Republic of Dagestan, Russian Federation. \*Email: nabiev56@list.ru

### **ABSTRACT**

The article is devoted to researching problems related to forming regional fiscal policy focused on increasing the taxation potential of territories. The subject of the research is theoretic and methodological basics of pursuing regional fiscal policy focused on developing the taxation potential of the Russian Federation regions. The object of the research is the Russian taxation system, regional fiscal policy, and foreign and national practices of taxation regulation of regional development. The authors consider in details such aspects of the theme as economic and functional content of regional fiscal policy. They argue the conclusion that efficient regional fiscal policy must contribute to stabilizing production and providing economic growth, equalizing conditions of social and economic, and financial development of regions, ensuring full implementation of principles of the taxation system and taxation federalism in the Russian Federation based on the unified economic and taxation space, establishing and providing financial and economic warranties of the local self-governance, providing all levels of government with monetary means that are sufficient for pursuing economic and social policy as well as fulfilling the imposed functions and performing tasks by relevant governmental authorities. The article stipulates the conclusion that an increase in efficiency of regional fiscal policy has an impact on volumes of tax revenues in budgets of the subjects of the Russian Federation and finally contributes to the development of the taxation potential of territories. It argues the conclusion that the basic goal of regional fiscal policy is to increase the region's own taxation potential by increasing the revenue base of regional budgets to carry out expendable obligations to provide economic growth.

**Keywords:** Regional Fiscal Policy, Taxation Federalism, Budgets of Territories, Revenues Base, Tax Authorities

**JEL Classifications:** H20, H21, H30, H39

### **1. INTRODUCTION**

Under conditions of solving problems on overcoming crisis phenomena in economy stipulated by the operation of economic sanctions, there is a necessity to increase revenues of all budget levels, and to search for additional resources of tax revenues focused on strengthening the taxation potential of territories. Unfortunately, in spite of the reforms that have been carried out over the latest two decades, the regional fiscal policy pursued

in the country does not contribute to carrying out expendable obligations by subfederal and local self-governing authorities, restrains the development of the country for the long-term perspective, and undoubtedly, requires further development. Efficiency of regional fiscal policy has an impact on the volumes of tax revenues in budgets of subjects of the Russian Federation, and finally contributes to the development of the taxation potential of territories. Peculiarities of the Russian Federation (its size, regional diversity, state of economy and finances, etc.) require more active

(as compared to the typical world practice) activity of the state on eliminating disproportions in the social and economic development of the territory, solving regional problems, and creating conditions for stable development of all regions of the country.

Regional fiscal policy must be considered as an aggregate of tax events carried out by authorities of various levels in the area of regulating territorial reproduction process and forming stable taxation potential of the region focused on providing economic growth of subjects of the Russian Federation.

Regional fiscal policy serves as an important tool that fulfils tasks and functions of regions under conditions of decentralization of budgetary relations and modernization of the Russian economy. However, regional authorities have not yet formed the required revenues base in the form of the unified system of financial provision. Moreover, statistical data shows that this base diffuses more and more. The results of the latest years show that at the present time more than the half of financial resources of the consolidated budget of the country focus on the level of the federal budget, one third-on the level of the Federation subjects, and only one fifth is on the level of local budgets (Aliev and Suleymanov 2013, 47-52). Under the conditions of modern social and economic transformations focused on decentralizing taxation and budgetary relations, the formation of the efficient regional fiscal policy becomes one of the key problems in the financial science and practice.

## 2. METHODOLOGY

During the research particular methods of the economic research were also applied: Method of economic and statistical grouping, statistical series, and table and graph visualization of statistical data.

## 3. RESULTS

In the modern context the basic goal of regional fiscal policy is to increase the region's own taxation potential by increasing the revenues base of regional budgets for fulfilling expendable obligations in order to provide economic growth of subjects of the Russian Federation under conditions of the taxation federalism development. Besides, efficient regional fiscal policy must contribute to:

- Stabilizing production and providing economic growth
- Equalizing conditions of social and economic, and financial development of regions
- Ensuring full implementation of principles of the taxation system and taxation federalism in the Russian Federation based on the unified economic and taxation space
- Establishing and providing financial and economic warranties of the local self-governance, and
- Providing all levels of government with monetary means that are sufficient for pursuing economic and social policy as well as fulfilling imposed functions and performing tasks by relevant governmental authorities (Aliev and Suleymanov 2013, 43-47).

It is necessary to distinguish state policy pursued by federal governmental authorities in relation to subjects of the Federation,

and peculiarly regional fiscal policy pursued by regional authorities and municipal establishments in relation to the territories that are subject to their jurisdiction.

Considering areas of the state fiscal policy, some economists distinguish three types. The first type-the policy related to charging the maximum taxes-is characterized by the principle "to take all possible to take." However, as it is known, there are definite boundaries or the highest estimate of the tax rate. Exceeding this rate is fraught with negative consequences in economy and inverted effect in the growth of tax revenues. Theoretically this boundary is represented by the Laffer curve. The second type is the policy of reasonable taxes that contributes to the development of economy, investment and entrepreneurship activity, and provides favorable tax climate (Berezdivina). The third type of fiscal policy provides a high level of taxes with their simultaneous return to tax payers-individuals-via social institutes.

Russia has almost always been characterized by the first type of the fiscal policy in combination with the third one. Under the developed economy all types of fiscal policy specified above can be successfully combined. However, in the modern context when our country still suffers economic and social crisis it is necessary to transfer from the fiscal (the first type) to economic (the second) type of fiscal policy. The goal of such policy is to provide the top-priority expanding of the capital, stimulation of the investment activity, development of structure forming areas of production, and smoothing of the level of social and economic development of regions. The economic type of fiscal policy was used, particularly, in the USA under the presidency of Ronald Reagan in the early 1980s. It was called Reaganomics. Today's success of the USA in economy and financial area vividly proves high efficiency of the conducted taxation events (Kravtsova et al. 2014).

The content of regional fiscal policy is multifaceted. It includes the following extremely important layers:

- Development of scientifically grounded concepts of the development of taxation system and taxation federalism. They are formed on the basis of studying requirements of economic laws, extensive analysis of the state of the development of the financial potential and economy of regions, population needs, and other factors,
- Defining basic areas to use taxes in the future and during the current period. Herewith, it is necessary to be based on the ways to achieve the set goals provided by the regional economic policy, take into account inter-regional and general national factors, and possibility and level of the taxes impact on regional economy and social area, and
- Performing practical actions on the federal, regional, and local levels focused on achieving the set goals (Krivonosova, 2007).

Depending on the period duration and nature of the solved tasks, regional fiscal policy can be classified into tax strategy and tax tactics. Regional tax strategy defines the long-term course of the federal and sub-federal government in the area of taxation calculated for the perspective and providing solving of large-scale tasks of social and economic, and financial development of regions (Merkushov). In the process of its development they forecast basic tendencies of the development of economy, social area and taxation potential, define

principles of the taxation federalism and perspectives of improving the taxation system of the country, and determine the areas of taxation regulation of various areas of the regional economy, stimulation of the development of separate enterprises or depressing regions. The selection of long-term goals and composition of target programs in the regional fiscal policy are required to concentrate efforts of the government on solving key problems of the territorial development by using the system of tax regulators and other levers of the state impact. Regional tax tactics provides solving territorial tasks of a specific development period by making quick amendments in the taxation system and taxation mechanism. Under relative stability of the tax strategy, tax tactics must be characterized by flexibility. It is pre-determined by the dynamics of regional, economic, and social development, and impact of inter-regional and super-regional factors (Suleymanov, 2013).

Strategic areas of regional fiscal policy are defined by the highest agencies of the executive power and are focused on solving the following tasks:

- Making up a stable taxation system that provides the integrity, non-controversy and permanence of the taxes and payments system during the financial year,
- Reduction of the number of taxes by their consolidation and cancellation of some taxes that do not cause considerable revenues,
- Decrease in the taxation burden of products manufacturers (works, services providers) and non-admission of double taxation by accurate defining of the taxable base,
- Development of the taxation federalism including establishment of minimum values of shares of revenue flow from every tax in the budgets of various levels,
- Decrease in incentives and exclusions form the general mode of taxation, and
- Increase in the level of economic sanctions and tax penalties (Ushvitskiy, 2005).

Regional fiscal policy is based on the principles that can be classified into general and specific principles. General principles include the following:

Systematicity principle is based on the complementary dependence, coherence of changes of basic tax indicators of the region when key parameters are changed (gross regional product and its structure). This principle does not allow to establish taxes that breach the integrity of the economic space of the country, i.e., it is inadmissible either to introduce regional (local) taxes that can limit free movement of goods, works, services, financial means within the only economic space, or to implement regional taxes that can allow to form budgets of some territories at the expense of other territories, or to impose taxes payment on tax payers of other territories (Shipilova).

Legitimacy principle of the regional fiscal policy lies in the accurate and implacable fulfillment of taxation and legal norms by all participants of taxation legal relations including state (municipal) bodies.

Efficiency principle is expressed in the possibility to maximally meet interests of the people who live on the territory of subjects of the Russian Federation by pursuing regional fiscal policy.

Economic feasibility principle lies in the fact that regional fiscal policy must be efficient in terms of self-sufficiency, i.e., the amounts collected by the state according to every separate tax must exceed the expenses for its administering (collection, charging, and control). Taxes establishment cannot be discretionary, i.e., when establishing a tax and defining its essential elements, it is necessary to take into account macro and micro-economic consequences both for the state treasury or specific area of economy (for example, the level of the taxation burden for products manufacturer) and for every specific tax payer (Musaeva, 2013).

Social justness principle lies in the fact that regional fiscal policy must be focused on increasing the level of life of the territories population, decreasing the level of unemployment and meeting needs of the production, supporting the real level of citizens' profits, controlling the inflation, developing education, health care and other social areas.

Unanimity principle means that it is inadmissible to introduce both regional taxes that can directly or indirectly limit free movement of goods, services, and financial means within the unified economic space, and regional taxes. It allows to form budgets of some territories at the expense of tax revenues of other territories or to impose taxes payment on tax payers of other regions (Aliev et al. 2014).

Specific principles of regional fiscal policy include the following:

Principle of stimulating social and economic development and investment activity of regions lies in the fact that the most important condition of stable development of Russian regions is the increase in tempos of economic growth, increase in the feasibility of economic and organizational, regulatory and financial and credit decisions taken on the regional level and focused on regulating and state stimulating of the investment activity in regions.

Principle of stability of the taxation system for regions of all territorial levels is based on the fact that in spite of the definite mobility of taxation, the pursued regional fiscal policy must be rather stable. Essential reforming of regional fiscal policy must be performed only in exclusive cases and according to a strictly determined procedure.

Principle of smoothing special disproportions lies in the fact that when pursuing regional fiscal policy, it is necessary to provide the opportunity of equal access of the people who live on the territory of regions to obtaining social goods on the definite high quality level. Besides, it is necessary to support depressive and low developed territories, and to provide the population of subjects of the Russian Federation with an opportunity to self-govern. It is achieved through the system of smoothing social and economic polarization by using taxation instruments.

Regional fiscal policy fulfils a number of functions, including the following:

- Fiscal focused on meeting public interests, providing a sufficient level of tax return in regional revenues
- Economic that means the impact on the territorial public

production through taxes by improving social and economic indicators of regions, supporting top-priority areas, and sectors of economy

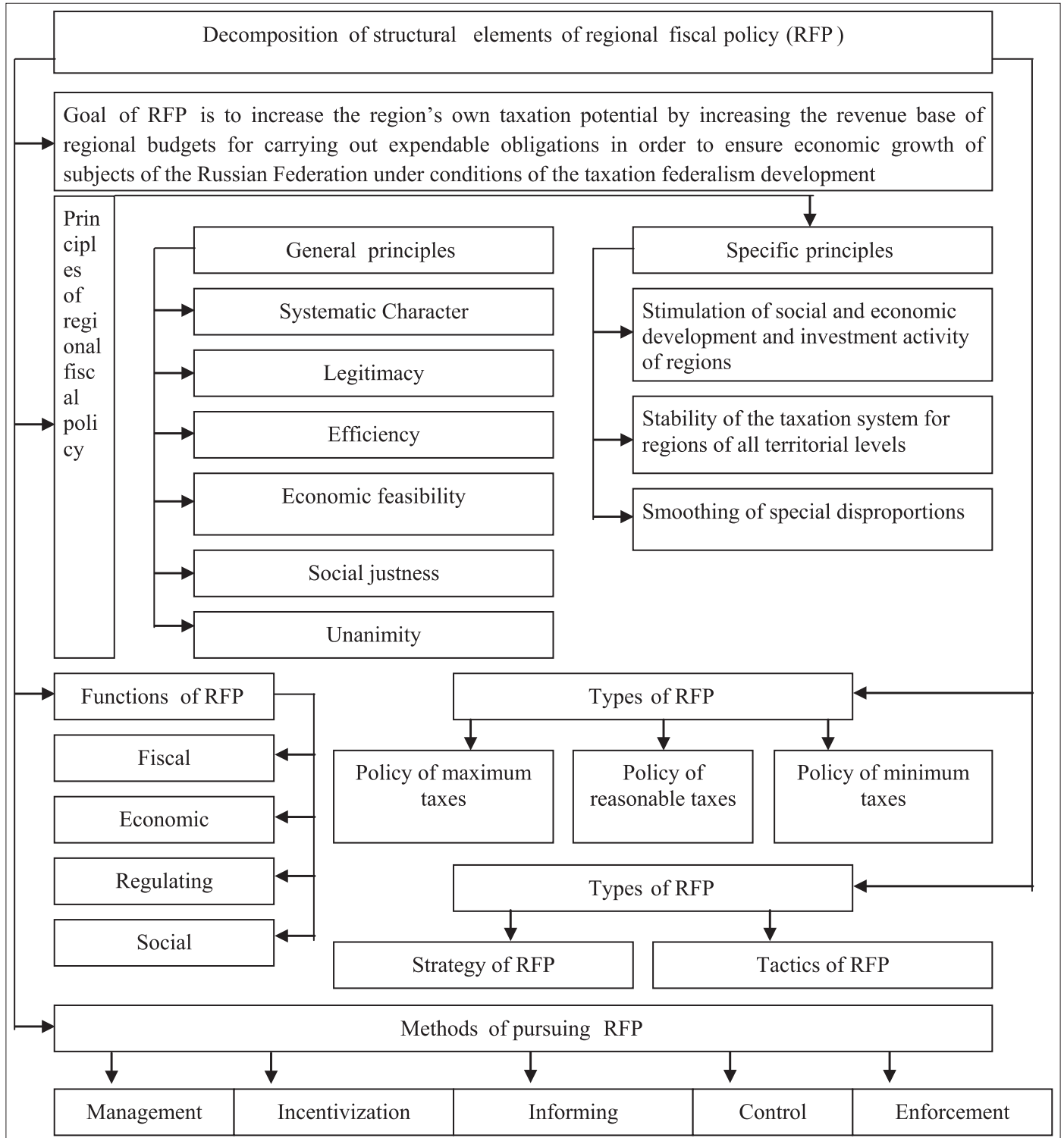
- Regulating that means smoothing and reallocating profits of economic entities, and limiting disproportions that arise when allocating revenues, and
- Social that lies in the re-allocation of social profits of the people who live on the territory of regions of the Russian Federation (funds are transferred in favor of weaker and unprotected

citizens at the expense of imposing the taxation burden on stronger categories of the population).

It is possible to distinguish management, incentivization, informing, control and enforcement among methods of pursuing regional fiscal policy.

Thus, the aggregate of elements of regional fiscal policy can be shown as follows (Figure 1).

**Figure 1:** Decomposition of structural elements of regional fiscal policy



Regional fiscal policy is determined by the process of fiscal decentralization. Fiscal decentralization is a process that strengthens the independence of territories, because regional and local taxes provide relevant governmental bodies with the reliable base for long-term budget planning and individual managing expenses, in particular (Treisman, 2004). Besides, fiscal decentralization contributes to the transparency of the pursued regional fiscal policy and simplifies control of the population over the feasibility of expenses financed at the expense of its own tax revenues. Decentralization can be efficient only if the structure of local finances provides bodies of local self-governance with the opportunity to develop and pursue the policy within their powers that complies with the wishes of the local population.

Firstly, one of the main tasks in the process of implementing the economic reform in Russian regions is to pursue efficient regional fiscal policy that ensures high quality economic growth.

Secondly, mechanisms of fiscal policy have a considerable impact on indicators of the social and economic development. Due to it, there is a necessity to optimally fulfill opportunities of fiscal policy.

Thirdly, the majority of the developed countries of the world show the tendency related to strengthening taxation regulation as a way to modernize economy.

Fourthly, based on the dualism of fiscal policy characterized not only by fiscal function but also the function of regulating regional economy, it is objectively necessary to research fiscal policy as a mechanism to manage regional economy (Brennan and Buchanan 2008). According to the analytical statement of the Federal Fiscal Service, in 2014 the consolidated budget of the Russian Federation earned RUB 12,670.02 bln. This is by 11.3% more than in 2013. In 2014 80% of the tax revenues were provided due to the return of federal taxes: Mineral extraction tax - 23%, tax on individual person’s income - 21%, income tax - 19%, and value added tax - 17%. In 2013 the aggregate share of the above taxes was 79%.

In 2014 the consolidated budgets of subjects of the Russian Federation generated tax revenues in the amount of RUB 6,455.6 bln., or by 8.3% more than in 2013. In 2104 85% of the tax revenues of the consolidated budgets of subjects of the Russian Federation were provided by return of federal taxes, including the

tax on individual person’s income - 42%, income tax - 30%, and duties on excise goods (products) produced on the territory of the Russian Federation - 7%. Property taxes related to regional and local taxes made up 15% of revenues.

The data of Table 1 shows the fact that over the recent years above 50% of all tax revenues have been accounted for by budgets of subjects of the Federation. At the same time, the volume of inter-budgetary transfers to budgets of subjects of the Russian Federation shows a considerable disruption between the revenues resources and expendable powers of the Federation subjects and municipal establishments (Oates, 1999). These indicators show that in spite of the reforms carried out in the Russian Federation in the area of regional fiscal policy, inefficient model related to allocating and differentiating tax revenues and powers between public and legal establishments of the Russian Federation is still maintained.

Compiled according to: The Russian Federal Tax Service Summed up Results of the Work for 2013 and Defined Tasks for 2014, 2014. Taxation Bulletin, 3: 10-12. Website of the Russian Tax Federal Service.

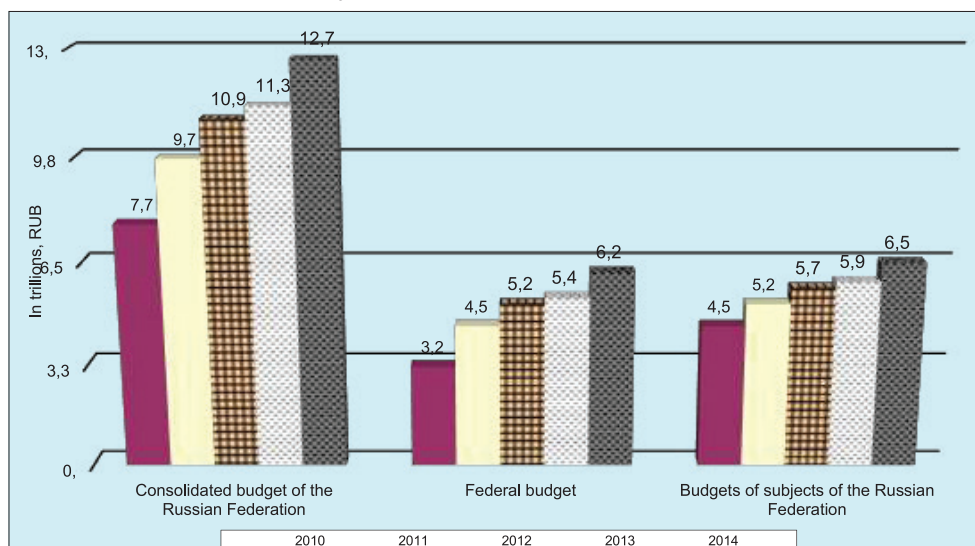
As Figure 2 shows, federal budget plays an important role in balancing the territories budgets. It shows that in case of any social system central authorities maintain a considerable part of “the social pie,” pursue the unified budgetary and fiscal policy, regulate territorial budgets due to establishing standards related to allocations from federal taxes, providing grants, subventions, transfers, and other financial aid (Aliev et al. 2015).

The state fiscal policy anticipates the use of various instruments that have an impact on the development of taxation system of subjects of the Russian Federation and conditions of transforming taxation resources into tax revenues of the budget. It is possible to designate such instruments as defining the composition of regional taxes, establishing marginal tax rates or their ranges, procedure and terms of payment, providing the possibility to introduce tax incentives on the territory of the region, etc. (Musaeva et al. 2015). Herewith, the fiscal policy of the state, as a rule, does not take into account differences in social and economic position of various regions, their current specialization and the level of the accumulated production potential. That is why its efficient implementation must be based on the mutually supportive principles: Equal intension of the federal taxation of subjects of

**Table 1: Volume of Taxation Revenues and their Allocation between the Federal Budget of the Russian Federation and consolidated budgets of subjects of the Federation for 2010-2014**

Years	GDP, trn, RUB	Consolidated budget of the Russian Federation			Including					
		trn, RUB	in % as to GDP	Federal budget			Budgets of subjects of the Russian Federation			
				trn, RUB	In percent as to		trn, RUB	In percent as to		
					GDP	Budget of the Russian Federation		GDP	Budget of the Russian Federation	
2010	44.9	7.7	17.1	3.2	7.1	41.6	4.5	10.0	58.4	
2011	54.6	9.7	17.7	4.5	8.2	46.4	5.2	9.5	53.6	
2012	62.6	10.9	17.4	5.2	8.3	47.7	5.7	9.1	52.3	
2013	66.5	11.3	17.0	5.4	8.1	47.8	5.9	8.9	52.2	
2014	70.9	12.7	17.9	6.2	8.7	49.0	6.5	9.2	51.0	

**Figure 2:** Volume of taxation revenues and their allocation between the federal budget of the Russian Federation and consolidated budgets of subjects of the federation for 2010-2014



the Russian Federation and formation of the regional component of the taxation system taking into account the territories specificity. In its turn, fiscal policy of regions must be based on the current federal legislation taking into account the volume of powers of regions in the area of taxation and peculiarities of the regional economic complex (Oates, 1972).

In terms of re-allocation, resources must be used for the provided goods to comply with the preferences of economic entities to the maximum possible extent. The problem of re-allocation is researched in the theory of federalism generally in relation to providing social goods. The task related to providing merely social goods that within only national economy can be equally used by everyone (for example, the defense area, federal court) is undoubtedly related to the central level (Laptev, 2010). Actually the range of users rarely includes the population as a whole. More often it is possible to observe social goods whose benefits for a separate subject are decreased to the extent they are remotored from its accommodation (parks, streets illumination, local bus lines, etc.). They are useful only for separate groups of population. The existence of local social goods introduces spatial dimension in the problem of resources re-allocation. Thus, the model developed by Tiebout must demonstrate that in the national economy with a great number of communities that adequately take a decision about their own combination of local social goods and taxes in compliance with the wishes of their citizens, it is possible to achieve optimal level of local social goods, and that citizens themselves are efficiently allocated within the national economy. In this case in order to finance local expenses, only such profits that internalize disbursements (local equivalence) are considered. Tiebout accepts the supposition about absolute (free) mobility and full information awareness of citizens about communities' features. There must be so many communities for citizens to be able to take a decision about a relatively wide range of social goods-taxes. There must be no limitations on the basis of various employment opportunities. Finally, interregional external impacts are not taken into account (Igonina, 2007). When taking decisions about providing local (regional) social goods, it is necessary to take into account only

preferences of citizens of that geographic area that is covered by benefits from these measures. It is possible to assume that information about individual preferences is more often available on lower levels and that is why it can be rather accepted as the basis.

Since every social good covers a separate geographical area, it is possible to introduce a spatially optimal allocation of functions that imposes responsibility for providing social goods subsequently on those levels of the state that represent only the covered citizens. According to this, local social goods are provided optimally with the aid of admissible forms of local regional corporations, national social goods are provided on the federal level, and other social goods are provided with the aid of intermediate regional corporations. According to Pareto, optimal centralization/decentralization is the one when the change of structural private collectives cannot any more lead to the improvement of the situation of separate citizens without additional disbursements. In extreme situations the same number of organizations as social goods is required. Herewith, in questionable cases the lowest levels (subsidiarity principle) must be chosen (Musaeva et al. 2015).

Actions of the central level that however is responsible for providing various state goods do not comply with (and cannot comply with) various preferences of citizens. They would rather be focused on "average preferences" that would cause the occurrence of tendencies related to providing all regions with an equal number of local (regional) social goods. The decrease in the welfare of the citizens that were not represented or represented incorrectly would be more in this case than under solutions related to decentralization. Herewith, the prerequisite lies in the fact that preferences in smaller collectives are more homogeneous than in larger ones.

A considerable disadvantage of the current model of the Russian taxation federalism lies in the fact that basic types of taxes of fiscal nature (value added tax, mineral extraction tax, excises, etc.) are referred to federal taxes when distinguishing taxes according to levels of the budgetary system. Taxes that are not considerably important in fiscally terms for relevant budgets are assigned to

regional and local budgets. Their ratio does not exceed 15-20% of all revenues of consolidated budgets of subjects of the federation. It causes the necessity to regulate budgets by standard deductions from federal regulating taxes. Centralization of funds increases on the regional level within subjects of the Russian Federation. Therefore, their own revenues base of budgets of local authorities is decreased, and their grant character increases. The low level of the assigned revenues of local budgets-within 5-8% causes troubles (budgetary message of the president of the Russian Federation about the budgetary policy in 2014-2016). That is why the current taxation system and taxation legislation, and the model of the taxation federalism require serious correction.

The main goal of reforming the taxation federalism in the Russian Federation is to transfer from such model when regions will strive for expanding their own taxation base. One of the efficient ways to stimulate regions to expand their own taxation basis is the change of proportions of tax deductions from regulating revenues in budgets of various levels in favor of subjects of the Russian Federation. As the practice shows, focus on larger taxation self-provision serves as a powerful stimulus of the activity of regional governmental bodies and local authorities on developing financial and economic potential of territories.

When making a regional budget, its revenues structure must be entirely (or at least considerably) controlled by the powers of the relevant level. Such focus of the fiscal policy enables to provide not only economic but also political independence of territorial budgets. This strategy widely used in foreign practice works well not only in economic but also social term because under such approach it is easier for citizens to understand that if additional social expenses are made at their will, it will be necessary to introduce additional taxes and rates that will be specifically covered at the expense of them or other citizens of the region.

The level of assigned tax resources of revenues and powers of regional governmental bodies has an important role in the development of the taxation potential of the region. In the modern context powers of subjects of the Russian Federation include their right to introduce or not to introduce on their territory regional taxes established by the Taxation Code of the Russian Federation, to additionally introduce incentives on regional taxes, to establish a rate for regional taxes within the rates determined by the Taxation Code of the Russian Federation, etc. Tax powers of local governmental bodies are formed similarly.

The limited independence of regions-subjects of the Russian Federation-defines special principles of pursuing fiscal policy: Regional taxation in accordance with the established competences; collection of taxes on the relevant territory and control over them; special regulatory base supplemented by the regional component and providing efficient functioning of the regional taxation system; and initiative on increasing the stimulating function of taxation and motivating the activity of taxation bodies.

As a whole, the conceptual approach to reforming regional fiscal policy must be formed on the basis of the system approach (Figure 3).

Personal income tax plays an important role in replenishing the revenue base of territories budgets. The basic problem related to administering the personal income tax is the problem on defeating the tax, and non-declaration of profits by individuals. Rent income makes up considerable reserves of the growth of revenues on this tax (Basic Directions of the Fiscal Policy of the Russian Federation for 2014 and for the Target Period of 2015 and 2016, n.d.). At the present time renters-owners of residential premises who rent them out-are the most numerous group of individuals who do not provide their tax declaration and do not pay tax on individual person's income. Besides, key elements of the reserves to increase the revenue base on the tax on individual person's income include the following:

1. Decrease in the level of unemployment and other negative factors that have an impact on the volume of the tax base according to the tax on individual person's income
2. Legalizing all kinds of profits of tax payers in their actual amount, and
3. Revealing organizations that do not conclude labor or civil law agreements with their employees, as well as organizations where official salary of employees is below the average sectoral level.

It is possible to single out the following basic reserves to increase the taxation potential of regional budget according to the tax on the profit of organizations:

1. General improvement of the business and investment climate, social and economic situation in the region, and increase in the investment activity of enterprises
2. Improvement of the financial situation of low-profitable enterprises
3. Revealing and preventing the use by tax payers of illegitimate mechanisms to decrease the revenues base and general increase in the tax discipline of organizations. The main method of illegal decrease in the revenues base on the income tax is artificial decrease of the enterprise profitability
4. Increase in the feasibility of the provided (planned to provide) tax incentives on income tax taking into account their economic, budgetary, and social efficiency, and
5. Optimization of the process of tax control that assumes quantitative and qualitative improvement of taxation inspections, improvement of the supervision over the activity of tax payers.

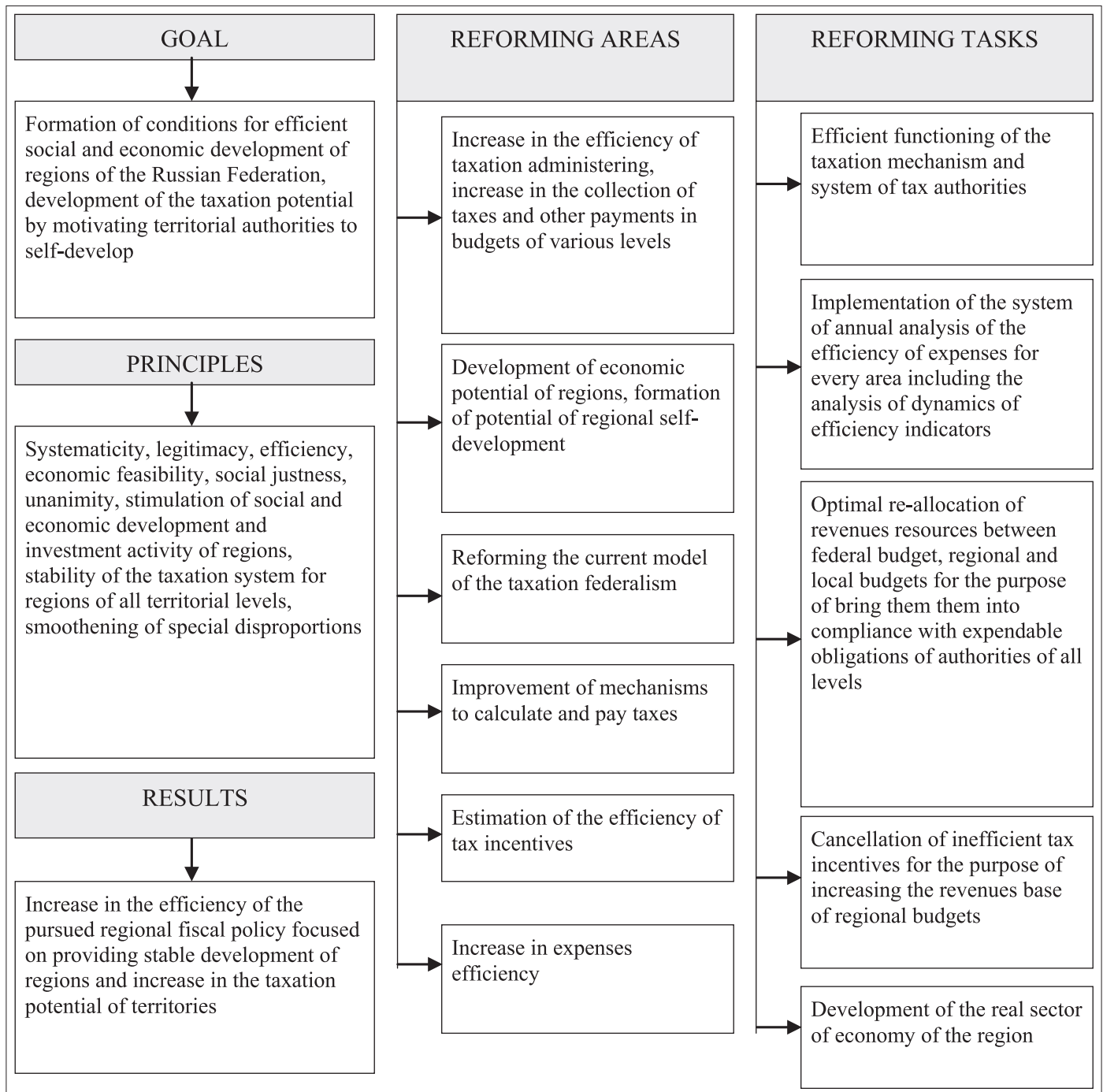
Reserves of the growth of the taxation potential on the organizations property tax include the following:

1. General improvement of the economic dynamics and increase in the investment activity of economic entities
2. Improvement of the legislative regulation of property relations
3. Decrease in the interest of organizations to minimize the property tax due to using illegal schemes of avoiding taxation (including revealing objects of fixed assets that were not registered), and
4. Making a full register of real estate, optimization of processes related to issuing technical passports for every object and attaching the right for the property to registering bodies (Budgetary Strategy for the Period up to 2023).

Reserves of the growth of land tax revenues include the following:

1. Improvement of the legislative regulation of land relations

**Figure 3:** Conceptual approach to reforming regional fiscal policy



2. Optimization of the provided (planned to provide) tax incentives on the land tax
3. Completion of works on describing and determining boundaries of municipal establishments, and
4. Formation of the complete informational base and preparing data required for deducting the land tax on the basis of the cadaster price of the land lot.

#### 4. DISCUSSION

The issue related to estimating the efficiency of regional fiscal policy is rather debatable in economic literature. The difference

of approaches to estimating the efficiency of regional fiscal policy is stipulated by various goals set during estimation.

Some authors of the methodology, when estimating the efficiency of regional fiscal policy, specify the indicator and do not give economic grounds of their choice (Ushvitskiy, 2005). Besides, to our mind, one of the disadvantages of the existing methodologies for estimating the efficiency of regional fiscal policy is the fact that researchers give a list of particular indicators that are both absolute and relative, and the methodology does not specify how they are taken into account when calculating the integral coefficient that generalizes particular indicators.



According to another approach, a considerable list of particular coefficients is given to calculate the integral index of the efficiency of regional fiscal policy. To our mind, this is also a disadvantage. A great number of indicators do not increase the precision and accuracy of the estimation. The essence of the methodology lies in the fact that the authors offer to range regions according to the integral index obtained by multiplying the particular index by the weight. Based on the estimated indicators of the indices, it is possible to calculate the composite index. In its turn, the latter is combined with various weights into an integral indicator. To our mind, the disadvantage of this methodology also lies in the fact that here weight coefficients defined by the expert method are assigned twice. It increases the subjectivity of the estimation.

In order to estimate regional fiscal policy, another methodology uses indicators of efficiency-indicators of final effects, indicators of direct results, and indicators of resources use. It was offered by Berezhdivina in her work "System of Indicators of Efficiency of Budgetary Planning Subject" (Berezhdivina). Some of these indicators do considerably reflect the state of regional fiscal policy directly related to finances, while others bear a more describable character. In order to calculate the third ones, statistical information collected from a perspective of subjects of the Russian Federation or in the whole state is required.

The detailed analysis of the represented methodological approaches shows that they focus only on separate aspects and do not entirely estimate the efficiency of regional fiscal policy. Each of them has its essential advantages resulting from clear and logical stipulation of the selected efficiency criterion. They also have disadvantages that arise due to the impossibility to cover the whole group of factors that have an impact on the efficiency of regional fiscal policy.

## 5. CONCLUSION

Summing it up, it is possible to make the following conclusions:

1. Problems related to improving regional fiscal policy and estimating its efficiency become more and more urgent under conditions of persisting stable negative tendencies in the budgetary area of Russian regions.
2. For the purpose of improving regional fiscal policy, it is necessary to perform scientifically grounded budgetary regulation in the region. It requires to estimate the following:
  - The level of sufficiency of financial resources of the region
  - The level of financial autonomy of regional and self-governing authorities
  - The quality and operational efficiency of budgetary planning, and
  - The efficiency of the fiscal equalization.
3. The development of the taxation potential requires essential reconsideration of approaches to distinguishing not only tax authorities between various levels of the budgetary system, but also a completely different approach to defining expendable functions of various budgets. Having reorganized the

mechanism of tax interrelations between budgets of various levels, it is possible to achieve a considerable increase in the share of the revenues assigned in and local budgets and thereby to raise their independence and real return from the taxation potential of the region.

## 6. ACKNOWLEDGMENTS

The article was published within state task of the Ministry of Education and Science of the Russian Federation No. 26.15.69.2014 to the research theme "Taxation Mechanism as a Tool to Regulate Inter-regional Social and Economic Differentiation at the Modern Stage." The authors express their gratitude to the Ministry of Education and Science of the Russian Federation for supporting the project.

## REFERENCES

- Aliev, B.H., Suleymanov, M.M. (2013). Regionalnaya nalogovaya politika v determinantah protsessov detsentralizatsii [Regional fiscal policy in determinants of decentralization processes]. *Economic Analysis: Theory and Practice*, 40, 47-52.
- Aliev, B.H., Suleymanov, M.M. (2013). Strategicheskie orientiry sovershenstvovaniya nalogovoy sistemy Rossii [Strategic focuses of improving the russian fiscal policy]. *Finances and Credit*, 42, 43-47.
- Aliev, B.K., Musaeva, K.M., Suleymanov, M.M. (2014). Methodological approaches towards assessing the efficacy of a Region's budgetary-taxation policy. *Asian Social Science*, 10(24), 35.
- Aliev, B.K., Igonina, L.L., Musaeva, K.M., Suleymanov, M.M., Alimirzoeva, M.G. (2015). Priority guidelines for strengthening regional taxable capacity as a factor of sustainable development of the territorial entities. *Mediterranean Journal of Social Sciences*, 6(5), 2.
- Basic Directions of the Fiscal Policy of the Russian Federation for 2014 and for the Target Period of 2015 and 2016. (N. D.), Available from: <http://www.base.consultant.ru>. [Last retrieved on 2016 Jul].
- Berezhdivina, E.V. (N. D.), Sistema pokazateley rezultativnosti subjekta budgetnogo planirovaniya [System of Indicators of Efficiency of Budgetary Planning Subject]. Available from: [http://www.politanaliz.ru/art\\_list\\_90.html](http://www.politanaliz.ru/art_list_90.html). [Last retrieved on 2016 May].
- Brennan, G., Buchanan, J. (2008), *The Power to Tax: Analytical Foundations of a Fiscal Constitution*. Cambridge: Cambridge University Press. p254.
- Budgetary Message of the President of the Russian Federation about the Budgetary Policy in 2014-2016 of 13.06.2013.
- Budgetary Strategy for the Period up to 2023. (N. D.), Available from: <http://www.minfin.ru>. [Last retrieved on 2016 Jul].
- Igonina, L.L. (2007), *Munitsipalnye finansy [Municipal Finances]*. Moscow: Economist. p63.
- Kravtsova, N.I., Magomedova, R.M., Suleymanov, M.M. (2014), Nalogovaya detsentralizatsiya kak osnova formirovaniya effektivnoy budgetno-nalogovoy politiki rehiona [Fiscal decentralization basis of forming efficient budgetary and fiscal policy of region]. *Regional Economy: Theory and Practice*, 10, 7-15.
- Krivososova, N.Y. (2007), Metodika otsenki regionalnoy budgetnoy politiki [Methodology of estimating Regional Budgetary Policy]. *Bulletin of the Irkutsk State Economic Academy*, 3, 20-23.
- Lapteva, S.V. (2010), *Osnovy teorii gosudarstvennykh finansov [Basics of State Finances Theory]*. Moscow: UNITY-DANA. p226.
- Merkushov, V.V. (N. D.), Integralnaya otsenka konkurentosposobnosti regionov [Integral estimation of regions competitiveness]. Available from: <http://sopssecretary.narod.ru>. [Last retrieved on 2015 May].

- Musaeva, K.M. (2013). Institutional aspects of tax planning in the conditions of reforming of tax system and improvement of tax management. *World Applied Sciences Journal*, 27(5), 643-648.
- Musaeva, K.M., Aliev, B.K., Suleymanov, M.M., Dyukina, T.O. (2015), Tax relieves: Costs of their application in taxation and issues of the efficiency evaluation. *Asian Social Science*, 11(5), 333-343.
- Musaeva, K.M., Suleymanov, M.M., Isaeva, S.M., Pinskaya, M.R. (2015), Improvement of the Efficiency of the Instruments of Tax Regulation in the Context of the Development of Fiscal Federalism and Strengthening of the Taxable Capacity of the Subject of the Russian Federation. *Ecology, Environment and Conservation Journal Papers*, 21, 71-80.
- Oates, W. (1999), An Essay on Fiscal Federalism. *Journal of Economic Literature*, 37, 1120-1149.
- Oates, W. (1972), *Fiscal Federalism*. New York: Harcourt, Brace, Jovanovich. p256.
- Suleymanov, M.M. (2013), Rezervy rosta nalogovogo potentsiala Respubliki Dagestan [Reserves of growth of the fiscal potential of the republic of Dagestan]. *Regional Economy: Theory and Practice*, 39, 9-13.
- Shipilova, E.V. (N. D.), Prioritety v otsenke effektivnosti rashodov budjeta pri provedenii vneshnego kontrolya regionalnogo budjeta [Priorities in estimating efficiency of budget expenses when carrying out external control regional budget]. Available from: <http://www.openbudget.karelia.ru>. [Last retrieved on 2016 May].
- Treisman, D. (2004), State corroding federalism. *Journal of Public Economics*, 88, 819-843.
- Ushvitskiy, L.I. (2005), Konkurentosposobnosti regiona kak novaya realiya: Sushchnost, metody otsenki, sovremennoe sostoyanie [Competitiveness of region as new reality: Essence, methods of estimation, and modern state]. North-Caucasian State Technical University, Series: Economics, 1, 1-20.