FEATURES OF TAX MECHANISM FUNCTIONING IN FISHING INDUSTRY

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ABSTRACT

The composition of fishery enterprises is diverse. The state actively supports the fishing industry, using a tax mechanism. The measures of tax regulation for various enterprises of the fisheries complex are different: the enterprises have a different set of tax breaks. Fish processing enterprises and aquaculture have the least opportunities for preferential taxation and insurance premiums. It is proposed to grant enterprises of the fish-processing complex the right to apply a single agricultural tax without limiting the average number of employees.

Keywords: fishery complex, tax mechanism, tax regulation, tax breaks and preferences.

1. INTRODUCTION

Fishery industry is a complex industry subject to active government intervention within market economy conditions. Taxation of the fishing industry is constantly changing. The insufficient use of tax mechanisms does not allow the tax system to fulfill its functions in the agricultural sector fully.

The aim of the study is to develop the trends improving the functioning of the fishery complex tax mechanism in order to combine the interests of the state and society optimally.

A significant contribution to the study of the research topic was made by Petraneva G.A., Kastronov N., Shapchikov Yu.A., Popov N.A., and Viktorova N.G.

In accordance with the typology of state regulation modern models concerning the economy of the agricultural sector of foreign countries and Russia, proposed by Klimova N.V., Russia belongs to the countries with a socially-oriented system of agricultural economy regulation (Klimova, 2013).

The main goals of state measures for the development of agriculture in the Russian Federation are the following ones: provision of food independence; Russian product competitiveness increase; sustainable development of rural areas; conservation, reproduction and increase of land efficiency and natural resource use, as well as the greening of production.

State support for agriculture in developed foreign countries is based on a combination of economic and administrative measures (Kotov & Litvintseva, 2012). Economic methods are represented by two groups: direct and indirect.

The measures of direct government influence include fiscal policy instruments, namely direct subsidies. Indirect measures of agriculture state regulation include:

1. Pricing policy instruments (including government procurement, monitoring the prices of production means, guaranteed purchase prices for the main types of agricultural products).
2. Tax policy instruments - preferential taxation (preferences).
3. Instruments of financial and credit policy (soft loans, compensation of agricultural producer costs in various fields).
4. Foreign trade policy instruments (import tariffs, duties).

Recently, tax methods have been most actively used through tax mechanisms as a tool for the agricultural economy management.

The interpretation of "tax mechanism" concept is ambiguous in the works of scientists and practitioners.

For example, according to Danchenko M.A., tax mechanism is a set of methods and rules of tax relations, by which the goals of tax policy are achieved (Danchenko, 2012). Barulin S.V. believes that the tax mechanism is a set of forms, methods and tools of state tax planning fixed by the norms of tax law, organization of tax budget execution, state tax regulation and tax control, implemented within the framework of the adopted concept, strategy and tactics of the state tax policy (Barulin et al., 2007). Murakhovskaya E.S. gives the following definition: "Tax mechanism is a set of means and methods of tax relation use in a specific space (territory), at specific time and for specific purposes (ensuring the needs of public purposes), which reflects the way of tax impact organization on socio-economic processes" (Tax burden in the fishing industry, 2017). According to Okuneva L.P. the tax mechanism is a combination of organizational and legal norms and methods of taxation management (Okuneva, 1996; Lee, 2019).

The internal structure of the tax mechanism, presented by T.F. Yutkina, includes three subsystems: tax planning, tax regulation and tax control (Yutkina, 1998).

A.A. Sokolov, I.T. Tarasov, A.A. Isaev represent tax mechanism as a system consisting of homogeneous elements grouped by target, forming subsystems, which in turn are the constituent parts of this system (Sokolov, 2008). According to the authors, the tax mechanism "consists of the following subsystems and blocks:

- a set of taxes and fees, forms and methods of their establishment;
- tax methods (tax planning (forecasting));

- tax regulation (optimal differentiation of taxes by budget system links);
- tax leverage and incentives (tax rates, benefits, sanctions, etc.);
- tax system management (rights, functions and responsibilities of the tax apparatus, tax control);
- tax law (legal support of tax policy)."

As you can see, the interpretation of "tax mechanism" concept is ambiguous and the effective implementation of tax policy demands to adopt an optimal tax mechanism. The set composition of tax benefits, the possibilities of their application, the system of sanctions that apply to tax violations are important here. The main method of an effective tax mechanism development in government policy is to improve the mechanism tools: the structure of taxes in the current tax system and, regulated tax elements as a tool. Also, in order to adopt an effective tax mechanism, it is important to take into account the specifics of the industry.

The specifics of the fishery industry enterprises related to the agricultural sector of the economy are the following:

- lower capital turnover than in other sectors of the economy;
- availability of quotas for catch (lack of a free market for raw materials);
- high wear of fishing gear, which are expensive means of labor;
- incomplete loading of production capacities;
- increased entrepreneurial risk, as the industry is associated with the influence of weather conditions;
- seasonality of production in fisheries, which forms deferred demand and predetermines increased investment costs for the restoration of production capacities.

These factors determine the need to take into account the specifics of the industry by tax mechanism elements (Fig. 1).
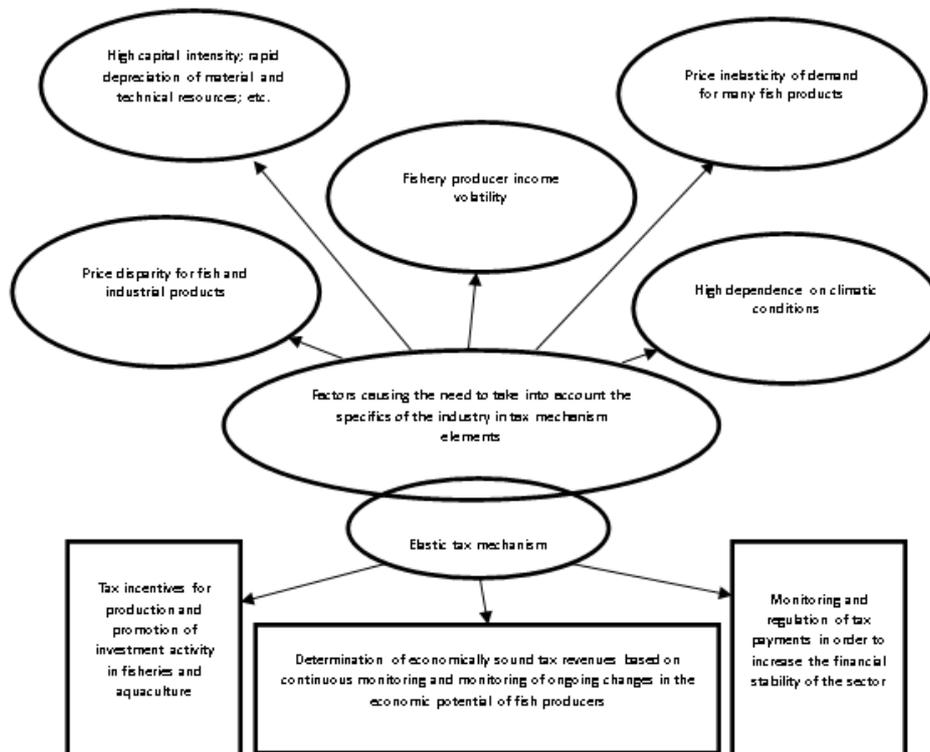
Figure 1 Factors conditioning the need to take into account the specifics of fishing industry

Thus, due to the above-mentioned features and the importance of the fishing industry for the state, the stimulating function of taxes (i.e., the use of taxation methods as the tools for indirect state regulation) in fisheries and fish farming can significantly prevail over the fiscal function responsible for the state budget filling.

The mechanisms of tax regulation in the fishery complex should be aimed at the following goals and objective solution:

- the provision of tax benefits and preferences for certain groups of taxpayers;
- the creation of economic incentives that encourage taxpayers to invest in fixed assets;
- Reduced tax administration costs by simplifying the tax collection process.

In this case, a business entity seeks to reduce tax payments, and the state strives to increase such payments. The opposition of interests generated by tax payments can be settled only by the state through a specific tax policy and the formation of a tax mechanism for the distribution of financial resources.

Foreign countries successfully use direct and indirect taxation. The enterprises specializing in agriculture pay federal and local taxes, which vary significantly and are adjusted depending on the goals set for the regions. The subjects of tax relations are taxpayers - agricultural organizations (legal entities) and farms (individuals). The main taxes that are levied on agricultural organizations are income, land and social taxes. Nearly most countries have a single tax system.

The tax systems of most foreign countries are characterized by preferential taxation of agricultural enterprises (Klimova, 2013; Melo, et al, 2017; Razavi, et al, 2015).

- They use a simplified procedure to calculate tax payable and accounting reporting. But in France and Germany, low-income farmers do not keep any records. The tax amount for them is calculated on the basis of the cadastral or total income;
- a non-taxable minimum is applied (Italy). AMong the organizations with a minimum taxable income for agricultural cooperatives and cooperatives for agricultural product processing taxation is 2.5 times higher than for other cooperatives. The taxable minimum and maximum are reviewed, that is, indexed to price increases;
- The establishment and use of tax deduction system. For example, in Germany, in addition to deductions that apply to all citizens of the country, a special deduction is established for the persons who have received income from agriculture and forestry;
- tax base reduction (payments to the social insurance fund, expenses for vocational education, proceeds from the sale of land, equipment or livestock);
- the possibility of tax period configuration. In France, farmers with a special level of earnings have the right to establish a production cycle that is not similar to the calendar year, and in the United States they have the opportunity to pay tax every three years from average earnings;
- Almost all countries have an accelerated procedure for fixed asset depreciation.

Based on Russian and foreign experience, taking into account the specifics of agriculture, which includes fishing and fish farming, the following features of agricultural organization taxation can be distinguished: tax incentives for investment attraction in industry enterprises; environmental taxation; special (preferential) procedure for levying taxes and payments; a special procedure for land taxation as a strategically important production resource; use of a single tax that simplifies the accounting and reporting of agricultural enterprises.

The list of tax incentives used for agriculture in foreign countries can be classified in the following areas:

- tax burden reduction;
- agricultural sector structure improvement;
- stimulation of investments and innovations.

Moreover, the implementation forms of these incentive measures in certain types of taxes are diverse. It can be noted that tax policy in agriculture seeks to use the entire list of tax instruments applied in other sectors of the economy.

Russia belongs to the countries with a mixed tax system, which is characterized by centralized tax authorities; moderate fiscal load; the emphasis on indirect taxes. The established taxation regimes that can be used in the fishing industry of the Russian Federation are presented in Figure 2.

In accordance with the requirements of the current tax legislation for tax benefit obtaining, all enterprises of the fishery complex can be divided into certain groups according to certain criteria of the RF Tax Code (Table 1).
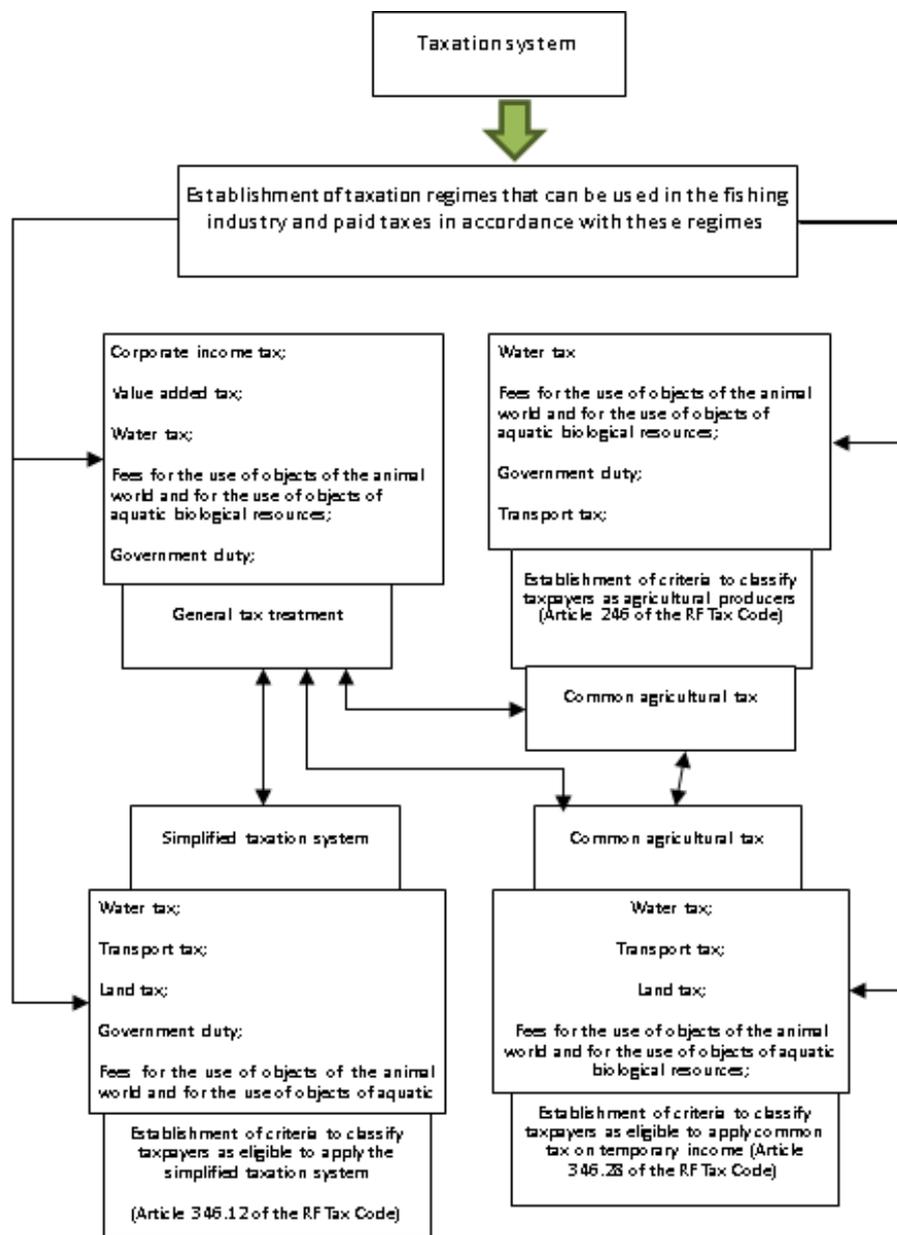
Figure 2 Tax system of the RF fishery complex

Taking into account the results of the abovementioned classification, we will systematize the existing taxation and benefit modes for the enterprises of different activity areas (Table 2).

Table 1 Grouping of fishing enterprises eligible for benefits according to the criteria of the RF Tax Code

Groups of enterprises	Criteria established by the RF Tax Code (Chapter 26.1, Article 346.2 of the RF Tax Code)		
	Number of employees	Revenue from product (work, service) sale	Affiliation of fishing vessels
Town and village-forming Russian fishery management organizations	At least half the population of the respective settlement	The share of income from the sale of aquatic biological resources extracted (caught) by them and (or) other products from aquatic biological resources produced from aquatic biological resources extracted (caught) by them is at least 70% per calendar year	Fishing vessels are operated on the basis of ownership or are used on the basis of charter agreements (bareboat charter and time charter)
Fishing collective farms and artels	5 people minimum		
Agricultural producers, except for those included in the 1st and 2nd group	300 people maximum		

Table 2 Taxation regimes and incentives for RF fishing industry enterprises

Tax / tax treatment	Conditions for tax regime application	Type of fishing enterprise activity			
		Fishing companies (ocean fishing)	Fishing companies (coastal fishing)	Fish processing enterprises	Aquaculture and commercial fish farming
Simplified taxation system with taxable "income" item at the rate of 6% "income reduced by the amount of expenses" at the rate of 15%	It is possible to use SST with up to 10 people, the average annual value of fixed assets up to 150 million rubles, and revenue up to 120 million rubles. The maximum revenue of legal entities for 9 months of the year in which an application for transfer to the simplified tax system is submitted makes 90 million rubles.	Can be applied	Can be applied	Can be applied	Can be applied
Common agricultural	The number of employees is 30	Can be applied	Can be applied	Can't be applied	Can be applied

Tax / tax treatment	Conditions for tax regime application	Type of fishing enterprise activity			
		Fishing companies (ocean fishing)	Fishing companies (coastal fishing)	Fish processing enterprises	Aquaculture and commercial fish farming
tax of 6% from the difference between income and expenses	people and the proceeds from the sale of catches makes 70% or more				
Fee for the use of aquatic biological resources	Benefit - payment of tax in the amount of 15% from the established amounts by the RF Tax Code	Can be used if revenues from catch sales makes 70% or more	Can be used if revenues from catch sales makes 70% or more	Free of charge	Free of charge
Income tax	Benefit - tax at the rate of 0%	Can be used if revenues from catch sales makes 70% or more	Can be used if revenues from catch sales makes 70% or more	Can't be applied	Can be used if revenues from catch sales makes 70% or more
Property tax	Not paid or 0% rate	The rate of 0% in respect of movable property, adopted since 01.01.2013, and registered as fixed assets. The tax is not paid in respect of ships registered in the Russian Register of Ships.			

Attention should also be paid to benefits in respect of payments to extrabudgetary funds. Due to the fact that these payments are compulsory, they can be considered on a par with tax payments, which is also confirmed by some tax burden calculation methods, which include the inclusion of payments in off-budget funds as the part of payments taken into account during enterprise tax burden calculation.

In accordance with the current legislation, a preferential rate of insurance premiums (0%) is established for payments and other remunerations transferred to crew members of vessels registered in the Russian International Register of Courts for the performance of labor duties.

Besides, there are some privileges for the payment of contributions to extrabudgetary funds for the enterprises using the simplified system and carrying out the activities in the field of food production. They pay only to the Pension Fund of the Russian Federation in the amount of 20%. The companies operating in the field of aquaculture and commercial fish farming under the general regime of taxation do not have benefits and pay insurance premiums at the rate of 30%.

Also, since October 12, 2015, the city of Vladivostok received the status of a free port for 70 years. Within the boundaries of the Free Port, special measures have been introduced to support entrepreneurship, a number of taxation benefits under the RF Tax Code were introduced, namely (RF Tax Code, Part 2, 2017):

- income tax and land tax at 0% rate for 5 tax periods;
- A simplified procedure for VAT refunds within 10 days.

Besides, in accordance with the paragraph 1 of the Art. 58.2 of No. 212-FL, contributions to extrabudgetary funds are reduced from 30% to 7.6% over 10 years.

The analysis shows that the enterprises of the fish processing complex have the least number of opportunities for preferential taxation of contributions, while aquaculture enterprises generally have no benefits in this area. Besides, the enterprises of different directions have a different set of benefits (Mishurovskaya, 2016).

In this regard, it is necessary to improve the mechanism of tax incentives for fishing industry enterprises, since tax incentives are the most effective instrument of the tax mechanism by which the tax policy of the state is implemented.

It is also proposed to amend tax legislation and provide fishing organizations, and primarily coastal processing enterprises with the right to apply a single agricultural tax without limiting the average number of employees (according to expert estimates (Tax burden in the fishing industry, 2017), fishing enterprises ready to switch to a single agricultural tax without limitation the average number - about 1200).

The implementation of these measures will improve the efficiency of the domestic fishery complex in modern conditions.

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