Reasonable organization of taxation of modern industrial enterprise allows it to manage profitability fully and efficiently, and, in the final analysis, to increase the activity effectiveness. Legislation plays the leading role in a system of enterprise expenses control.

In this article, one of the central taxes was considered and a conclusion about necessity of further oil and gas industry taxation system reformation was drawn.

Keywords: oil and gas producing industry, taxation, economic approach, consumer price index

We are a great nation not because of our wealth,
But because of how we use it.
Theodore Roosevelt

Oil and gas complex is the key sector of Russian economics when forming income of government budget and active trade balance of the country. Current taxation policy in industry allows to replenish budget but don’t take into account individual features of fiscal and controlling functions of individual taxes which aren’t implemented in full. As a result, tax system dissatisfies all members of production process: companies need flexibility, government requires maximum possible withdrawal of rent.

Taxes in petroleum production are one of the major tools of government policy, it must stimulate improvement of efficiency of subsoil usage, investment attractiveness and also minimization of rent withdrawal.

While expressing the industry structure of Russia it looks like more than 30 % industrial production represent nature exploit sectors (mineral mining, forestry, etc.).

Today the biggest and the most stable working industrial complex of Russian economics among other nature exploit sectors is oil and gas complex which is the part of the national fuel-energy complex. Research, exploration of carbohydrates, mining, transportation, slaughtering, sale of the products of they mining and processing are attributed to the oil and gas sector. According to the data of Ministry of Finance of Rus-
sia income of federal budget on a oil and gas sector is 2351,9 billion rubles or 5,9 % GDP [1].

It is impossible to find analogs in another sectors, after examination of the specific characteristics of mineral sector in complex.

The government regulation of oil and gas industry is very strong in every mining country in the world. It is explained by the major role of carbohydrates in energy and financial economic problems resolution. Support of this sector brings in valuable economic effect which shows up the additional budget in payments, maintenance of employment level and etc.

The main target of tax system in oil and gas sector is collection of rent for owned natural resource and distribution of income from its exploitation to stimulate stable economic growth and receipt of long-term return.

VAT is one of the most complicated and problem tax in modern Russian tax system. Fiscal and controlling functions of this tax are not implemented in full.

According to classification of Economic Cooperation Organization, VAT is included into the group of consumption taxes and under its economic substance, industrial, social and private consumption are liable to VAT. It can be possibly considered as multistage indirect tax incurred on sales and at all stages of industrial and distributive cycles. The convention of indirect character of the VAT follows from convention of classification of taxes on the basis of transposition of tax burden.

The theoretical substantiation of taxes division into direct and indirect is closely connected with a problem of their transposition. Scientific validity of classification of taxes into direct and indirect is important not only from theoretical positions, but also for development of practical recommendations of construction of tax systems and separate taxes.

Theoretical discussions about what taxes are direct and what are indirect and what of them are more significant for the country, are to be discussed for centuries.

Classification of taxes into "direct" and "indirect" has been entered for the first time by John Locke, who called un-transpose taxes direct and transpose - indirect. This sight was considered dominating in XVII – as XIX centuries. Later indirect taxes were opposed to direct by the determination of solvency. Income-property taxes were considered as direct and consumption taxes were considered as indirect. Income-expense
paradigm of tax classification was given preference in XX century. In addition indirect taxes were marked out in special group by the a way of taxation and collection (administrative-technical criteria) according to which direct taxes should be collected on the basis of a cadastre and in appointed terms, and indirect under tariffs. The first Russian economist N.I. Turgenev mentioned that indirect taxes «are understood as taxes which impose not directly to the person who pays its, but to the goods which price contains the tax, so that the person who buys the goods, pays price aggregated with tax. Indirect taxes are also called consumption taxes».

American economist Joseph Stiglitz fairly says that if the prices rise because of the profit tax rate, its burden is partially transposed on consumers [2]. If growth of the rate of the profit tax attracts reduction of employment and wages, its burden will affect working people instead of investors. The similar approach is considered to be applicable to indirect taxes too. It is not obligatory that the burden of the indirect taxation is transferred on the indirect consumer in any event. Full or partial transposition of an indirect tax on the manufacturer arises when he can’t equally increase the price of the owned goods after introduction of an indirect tax. Particularly it can occur on the assumption of limited production demand of this manufacturer or in case of presence of the fixed prices in his contracts.

More than thirty-year experience of application of the VAT in the developed European countries and more than the fifteen-year period of its functioning in Russia confirms the convention of rating the VAT as indirect taxes.

Let’s examine the situation that has developed in 2004 year after reduction of the VAT rate on 2 points (from 20 to 18 %) and cancellation of sales tax which agrees with the VAT under the economic maintenance and object of taxation. Let’s use the following data for this purpose (Table 1).

As we can see the VAT rate reduction and cancellation of the sales tax (5 % to revenue subject to VAT and retail excises without deductions) didn’t lead to the prices reduction on the consumer market, Consumer Price Index in 2004 year remained nearly at previous year level. Simultaneously the increase of profit has made 962,3 billion rubles, it has increased more than one and a half times (on 153 %) combined with the GDP growth on 7,3 %. This data proves that indirect taxes reduced profit of managing subjects but weren’t transposed on the consumer in relevant economic environment.
The profit has qualitatively increased considerable having left behind GDP after the burden of the indirect taxation reduction. Simultaneously, free profit did not remain in a national economy and has actually been exported. Qualitative growth of not returned export revenue and the half-received goods according import contracts testifies about it. The sum of not returned amounts in total for the year has grown from 15,4 billion to 25,9 billion dollars or 1,7 times. Let's notice that next year when position in the indirect taxation remains invariable the sum of not returned amounts has grown only 1,07 times.

Table 1

<table>
<thead>
<tr>
<th></th>
<th>2003 year</th>
<th>2004 year</th>
<th>2005 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT</td>
<td>882,1</td>
<td>1069,7</td>
<td>1472,3</td>
</tr>
<tr>
<td>Income</td>
<td>1816,2</td>
<td>2778,5</td>
<td>3674,0</td>
</tr>
<tr>
<td>Increase of income</td>
<td>-</td>
<td>962,3</td>
<td>895,5</td>
</tr>
<tr>
<td>Consumer Price Index</td>
<td>112,0</td>
<td>111,7</td>
<td>110,9</td>
</tr>
<tr>
<td>Increase of GDP (in % to previous year)</td>
<td>107,3</td>
<td>107,2</td>
<td>106,4</td>
</tr>
<tr>
<td>Export income that has not been received in time and goods and services that have not been received for paid import contracts (million USD)</td>
<td>-15435</td>
<td>-25903</td>
<td>27953</td>
</tr>
</tbody>
</table>


Performed analysis allows concluding that the prices first of all are guided by a consumer demand instead of VAT size in the goods price. In addition for the purpose of conservation of product markets or penetration to other markets which participants can't reduce the profit rates for competitiveness preservation the company can consciously not transpose the VAT to the consumer and deduct it after profit. But with the formal view to VAT payment the tax is seen to be transposed to the consumer whereas actually there is a decrease of norm and weight of profit.
Thus if demand is un-flexible, VAT corresponds to concept of an indirect tax and can be transposed to the consumer. In terms of elastic demand VAT inevitably promotes stagnation of economy as manufacturers have to transpose the indirect taxation burden on them. As a result of this process there is a reduction of profit rate and so the investment potential falls.

From the fiscal point of view, VAT is interesting consequently because of the operating technique of calculation of tax base: not only added value is subject for taxation.

\[
\begin{align*}
600 \text{ units} & \quad + \quad 800 \text{ units} \\
\text{material expenses} & \quad \text{labour expenses,}
\end{align*}
\]

\[
\begin{align*}
& \quad \text{UST, property taxes,} \\
= & \quad \text{profit, amortization}
\end{align*}
\]

\[
\begin{align*}
\text{600 units} & \quad , \quad 800 \text{ units} \\
\text{revenue} & \quad , \quad \text{600 units, 800 units}
\end{align*}
\]

Figure 1. Order of formation of the VAT tax base

Thus besides the added value (labor expenses and profit), material expenses, amortization, excises, custom duties, UST, property taxes are included in the tax base. Though the methodology of calculation of the tax obligation provides the right of the taxpayer for tax deductions under the VAT paid to suppliers of material resources nevertheless the material resources purchased without the tax, amortization and variety of the taxes mixed in expenses of the managing entity are subject to direct taxation. Thus any growth of a labor payment as well as UST has as a consequence additional receipts under the VAT. Growth of investments as well as amortization also results in VAT growth, and etc. It is possible to conclude that the tax title disguises its economic substance. Inherently the VAT represents the universal turnover tax raised at all stages of movement of production to the ultimate consumer, having specific features in the form of a tax deduction at defining of the final tax obligation.

VAT introduction as the basic tax in Russia has legalized two tax burdens: first - for those who works for the domestic consumer and second - for those who exports resources and works for the foreign consumer.

For the second group of companies registered in Russia and working for the foreign consumer, tax burden is the lowest in the world (less than 26 %). These companies are released from payment of VAT.
VAT introduction has led to the situation that the primary products mined in Russia became more favorable to sell abroad.

The oil mined in Russia costs more for our citizens than for citizens of the foreign country: 18% (VAT) minus an export duty. When primary products and equipment is imported to Russia, it is necessary to pay to the government tax equal to the rate of the VAT. Excessive taxes impose load on the companies working for domestic market of the country and established lowest taxes in the world for those who exports its resources from the country stimulates devastation of national wealth.

Characteristically a problem of VAT refund when 0% rate of the tax is being used is generated by the developed practice of evasion of individual taxpayers from VAT payment in domestic market.

The simplified scheme of VAT refund by pseudo-export presented the following. Export oil under documents moves on a chain of interdependent companies. The first link of a chain is the phony company, last link the pseudo-exporter. Thus real shipment of the goods either does not occur at all or the goods are exported on repeatedly overstated charges. Collection of the documents are prepared according to nonexistent goods confirming its export and the application for tax refund from the budget is applied to tax inspection for VAT what was exposed to the exporter by the nearest supplier.

Thus counter check of the supplier and the nearest suppliers demands essential expenses for tax administration and highly probable will not give any effect.
The tax control over correctness of the VAT refund to exporters meets with objective difficulties. In practice it is impossible to control the VAT payment by the supplier in full. It is because of the fact, that quantity of participants and complexity of internal structure of export chains are not limited by anything.

The problem of loss of budget funds because of great volumes of the VAT refund has especially become aggravated by export deliveries last years. The quantity of possible schemes allowing taxpayers to show the sum of the VAT refund from the budget grows. According to the Ministry of Interior data growth of quantity of the crimes connected with the export related VAT refund, demonstrates steady trend of growth.
Figure 2. Scheme of VAT refund by pseudo-export

Table 2

Export and import of Russia (billion US dollars)*

<table>
<thead>
<tr>
<th></th>
<th>2008 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export from Russia to EU countries according Federal Customs Service data</td>
<td>265,5</td>
</tr>
<tr>
<td>Import from Russia to EU countries according to EU data</td>
<td>177,87</td>
</tr>
<tr>
<td>Import to Russia from EU countries according Federal Customs Service data</td>
<td>105,01</td>
</tr>
<tr>
<td>Export to Russia from EU countries according EU data</td>
<td>116,5</td>
</tr>
</tbody>
</table>

* Prepared according to data provided by Federal Customs Service and Eurostat
As per data of the table above, export from Russia to the European Union countries according the accounting data of Federal Customs Service of the Russian Federation and according to the European Union data do not match. So in 2007 the volume of export according to Federal Customs Service data has made 265,5 billion dollars and according to the European Union data – import has made 177,87 billion dollars – in idea circumstances, these figures should coincide. Difference has made almost 88 billion dollars. It means that with a known share of an assumption it is possible to draw a conclusion that the VAT refund because of unreasonable overestimate of the price for considerable volumes of export production or pseudo-export unfair exporters have received from the federal budget the VAT refund of 13,4 billion dollars.

If in case of export exporter’s desire to overestimate volumes is obvious, in case of import it is vice versa: expensive goods are imported as cheap. According to Federal Customs Service of the Russia data in 2007 import to the Russian Federation has made 105,1 billion dollars whereas according to the European Union data the volume of export to the Russian Federation has made 116,5 billion dollars. Thus importers have underestimated cost of the imported goods by 11,4 billion dollars to lower customs duties and the customs VAT. Approximate VAT losses are 2 billion dollars.

The analysis above allows concluding that the major problem of tax administration under the VAT is struggle against illegal schemes of tax minimization.

During the crisis the real sector of economics needs governmental support most. However they will be ineffective if they are not supported by modification of tax laws.

By the most optimistic estimations, no more than 75 % of VAT is gathered in Russia due to the budget that negatively affects financial maintenance of social and economic problems faced by the government resolving. During the previous years, the problem of losses of budget funds due to great volumes of the VAT refund on internal and export operations have worsened. There is a growth of illegal schemes quantities allowing taxpayers to show the VAT refund sums from the budget. Last years growth of crimes quantity connected with the VAT refund at export is observed according to the data of Ministry of the Interior.

Questions of offset of the VAT on building and assembly jobs demand further evaluation. The decision of existing problems on VAT offset will allow to increase
Consecutive realization of the policy of tax loading decrease by the government should consider VAT in the next years. Task of decrease of the VAT rate at simultaneous cancellation of the reduced rate 10 % is defined. Many scientists warn that realization of the given step will lead to negative economic and social consequences. However there are no calculations of uniform VAT rate introduction negative consequences.

VAT is one of the major taxes for Russian economics demanding perfection of a technique and collection practice and offers development of VAT collection improvements taking into account maintenance of equation of interests of government and taxpayers that will allow to expand VAT tax base and will increase efficiency of the tax control.

References
