The background of the cover is a blurred photograph of a large crowd of people. Overlaid on this image is a white network diagram consisting of numerous circular nodes connected by thin lines, creating a web-like structure across the entire page.

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THE YOUNGER GENERATION IN THE NAME OF DARING ACHIEVEMENTS

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Analysis of Revenues and Expenditures of the Budget of a Constituent Entity of the Russian Federation Using the Example of St. Petersburg in 2023 ^[1]

Abstract: The relevance of this study's topic is essential since all countries rely on income and expenses. Income refers to funds or tangible assets that the state receives from any activity over time. The study object is the financial system of the Russian Federation. The study subject is the analysis of income and expenses of the Russian Federation and the St. Petersburg budget. The study aims to analyse the financial revenues and expenditures of the Russian Federation's budget. Statistical, logical, comparative and deductive methods were used to achieve the research goal. The study used regulatory legal acts of the Russian Federation, methodological materials and verified Internet sources. The author concludes that the implementation of the budget of St. Petersburg in 2023 is characterised by independence, sustainability and social orientation. The budget shows the size of the financial resources needed by the state and the actual reserves available. When fixing specific spending directions, the percentage of expenditures by industry and territory expresses the state's economic policy.

Keywords: the budget of St. Petersburg, budget revenues and expenditures, budget powers, funds.

Introduction

The relevance of this study's topic is important since absolutely all countries of the world rely on income and expenses. Income refers to funds or tangible assets received by the State as a result of any activity over a certain period of time.

The study object is the financial system of the Russian Federation.

The study subject is the analysis of the income and expenses of the Russian Federation and the St. Petersburg budget.

The study aims to analyse the financial revenues and expenditures of the Russian Federation's budget.

To achieve this goal, it is necessary to solve the following tasks:

- distinguish the general provisions on the analysis of budget formation;
- define the concepts of budget revenues and expenditures;
- analyse the formation of income and expenses on the example of the subject—St. Petersburg.

Statistical, logical, comparative and deductive methods were used to achieve the research goal.

The study used regulatory legal acts of the Russian Federation, methodological materials and verified Internet sources.

Results

The Main Provisions, the Theoretical Foundations of Budget Formation

General Provisions on the Budget

In modern legal and economic literature, the concept of “budget” is considered in various aspects. The budget as an economic category is a set of social relations that arise in creating,

distributing and using centralised funds that the state and municipalities need to fulfil their tasks and functions. The budget is the financial basis of the functioning of the state and municipalities, the central link of society's financial system, with all its links being connected. As a legal category, the budget is the leading financial plan of a state or municipality, a list of its income and expenses. Regarding material content, the budget is a centralised fund of state or municipal funds.

The budget is divided into several categories

(1) Legal category

- the main financial plan of the state or municipality, a list of its income and expenses;

(2) Economic category

- the material aspect is the centralised monetary fund of the state or municipalities;
- the social aspect is a system of economic relations that arises when creating, distributing, and using centralised funds, the state and municipalities need to fulfil their tasks and functions.

There is a definition of budget in the Russian Federation's legislation. According to Article 6 of the Budget Code of the Russian Federation, the budget (*The Budget Code ..., 1998*) is a form of formation and expenditure of funds intended to financially support the tasks and functions of the state and local government (*Gracheva & Sokolova, 2023*).

The federal budget is under the jurisdiction of Russia (Art. 71 of The Constitution of the Russian Federation) (*The Constitution ..., 1993*). It is approved by federal law and also has the highest legal force. Federal budget funds must comply with the norms of the Budget Code of the Russian Federation and the federal law that approved it for a certain period. Since 2008, the Budget Code of the Russian Federation has provided for the transition to budget approval not for one fiscal year, as before, but for a more extended period: for 3 years—the next fiscal year and the planning period.

The main directions of expenditures (their classification) are defined in Article 21 of the Budget Code of the Russian Federation. They are implemented in federal laws approving the federal budget for a certain period of our country's development, as well as in the laws of the constituent entities of the Russian Federation and regulations of representative bodies of local self-government on the relevant budgets. Thus, the expenses are uniform for the budgets of the budgetary system of the Russian Federation:

- national issues, including the provision of financial, tax, customs and financial supervisory authorities; elections and referendums; international relations and international cooperation; fundamental and applied research in the field of national issues;
- national defense;
- national security and law enforcement activities;
- national economy, including fuel and energy complex, agriculture and fisheries, water management, forestry, transport, forestry, communications and computer science;
- housing and communal services;
- environmental protection and natural resources: hydrometeorology, cartography and geodesy;
- education;

- culture, television and radio broadcasting, cinematography, mass media;
- healthcare, physical education and sports;
- social policy;
- inter-budget transfers (*Gracheva & Sokolova, 2023*).

Budget law is the main sub-branch of financial law, which includes financial and legal norms that establish the structure of the budgetary system of the Russian Federation, the list of budget revenues and expenditures, the procedure for their distribution among different types of budgets, the budgetary rights of the Russian Federation, subjects of the Russian Federation, municipalities, regulating the budgetary process, regulating the formation and use of state extra-budgetary funds for financial ensuring the socio-economic development of the country and other needs of society, as well as establishing liability for violations of the budget legislation of the Russian Federation (*Gracheva & Sokolova, 2023*).

The norms of budget law are divided into substantive and procedural in their content. Budgetary material norms fix the structure of the budget system of the Russian Federation, the list of budget revenues and expenditures, and their distribution among different budgets. Procedural norms include norms regulating the procedure for drawing up, reviewing, approving and executing state and local budgets, the procedure for drawing up and approving a budget execution report, and the implementation of state and municipal financial control in budgetary activities. The norms of budgetary law establish the authority or competence of various subjects of budgetary and legal relations, expressed in the right to receive some budget revenues, allocate budget funds at their discretion, and independently execute the budget using the appropriations provided for by it.

The most important norms of budget law are enshrined in the Budget Code of the Russian Federation (*The Budget Code..., 1998*). These include the norms delimiting the competence of state authorities and local governments in the legal regulation of budgetary relations.

According to Article 7 of the Budget Code of the Russian Federation, the budgetary powers of the Russian Federation include matters of general fundamental importance for the functioning of the Russian budget system as a whole such as

- establishment of general principles of the organisation and functioning of the budget system of the Russian Federation, the basics of the budget process and inter-budgetary relations;
- defining the basics of drafting and reviewing draft budgets of the budgetary system of the Russian Federation, approving and executing them, conducting an external audit, reviewing and approving reports on their execution and monitoring their execution;
- establishment of the basics of budget classification and the general procedure for its application.

The budgetary powers of the Russian Federation also include the establishment of grounds, types of responsibility and the procedure for bringing to justice for violations of the budget legislation of the Russian Federation.

According to Article 8 of the Budget Code of the Russian Federation, the budgetary powers of the Russian Federation are issues of relations between subjects of the Russian Federation and other subjects of budgetary law. The budgetary powers of the subjects of the Russian Federation

also include issues directly related to the preparation and consideration of draft budgets of the subjects of the Russian Federation, their approval, execution, and provision of inter-budgetary transfers from the budget of the subjects of the Russian Federation.

According to Article 9 of the Budget Code of the Russian Federation, the budgetary powers of municipalities include

- establishing the procedure for drafting and reviewing local budget drafts, approving and executing local budgets, approving and executing local budgets, monitoring their execution, and approving reports on the execution of local budgets;
- drafting and reviewing local budget drafts, approving and executing local budgets, monitoring their execution, and approving reports on the execution of local budgets;
- determining the procedure for providing inter-budget transfers from local budgets.

The Russian Federation's budgetary powers are exercised by state authorities: the Federal Assembly, the President, the Government, and federal executive authorities.

The relevant state authorities implement the budgetary powers of the Russian Federation's subjects.

The relevant local government bodies implement the budgetary powers of municipalities.

According to Article 1 of the Budget Code of the Russian Federation, budgetary relations are

- arising between subjects of budgetary, legal relations in the process of income generation and expenditure implementation of budgets of the budgetary system of the Russian Federation, implementation of state and municipal borrowings, regulation of state and municipal debt;
- preparation and review of draft budgets of the budgetary system of the Russian Federation, approval and execution of budgets of the budgetary system of the Russian Federation, control of their execution, implementation of budget accounting, preparation, review and approval of budget reports (*Gracheva & Sokolova, 2023*).

Regardless of its level in the budget system, each budget consists of income and expenses. As noted in the legal literature, the primary source of budget revenues is society's national income, and budget expenditures, being closely related to revenues, are determined by the goals and objectives facing the state and municipalities (local governments) at the present stage of their development.

Budget Revenue Generation

Paragraph 1 of Article 41 of the Budget Code states that budget revenues include tax, non-tax, and gratuitous receipts (*The Budget Code ..., 1998*).

Budget revenues in the literature are classified according to socio-economic criteria.

All budget revenues provided for by legislation are divided into several groups according to socio-economic criteria in the literature

- income from enterprises and other organisations of various forms of ownership;
- income from the use of state and municipal property;
- income from state foreign economic activity;
- income received from citizens.

- organisational and legal basis;

Incomes are divided into fixed regulatory and legal forms of income.

For tax and non-tax, gratuitous receipts (grants, subventions, subsidies).

Modern budget legislation preferably regulates budget revenues and expenditures. The Russian Federation's budget code includes many provisions developed by the science of financial law.

Also, the problems of forming the revenue side of the state budget are being studied more carefully, along with cost optimisation, which is receiving increasing attention. Budget revenues mainly depend on the budgetary structure of the state, is determined by the form of government, namely the internal structure of the state and the system of relations between individual administrative-territorial units based on the distribution of authority.

Other important factors determine the specifics of the formation of the revenue side of the state budget, which can be classified into internal and external. The first ones include

- the scale of the state: the larger the area and population of a country, the more revenue is expected to flow into the budget, which is valid for those states that are approximately at the same level of economic development;
- natural resource potential of the state: revenues from the use of natural resources are a significant source of replenishment of state budget revenues, which allows not only to reduce the cost of acquiring them for domestic consumption but also to generate income from their export;
- the state of the real sector of the economy: the higher the level of profitability of business entities, the more taxes go to the budget due to the positive dynamics of the increase in the tax base, which, in addition to a direct contribution to the state budget, also leads to a reduction in government spending on maintaining unprofitable sectors of the economy;
- The country's tax system: implementing a simple and effective tax policy that does not create excessive pressure on business entities and the population while maintaining its stimulating function increases tax revenues for the state budget.

The external ones include

- the level of integration of the state into the global financial system indicates the country's ability to adapt quickly and without significant losses to adverse changes in the global economy and reduce their impact both on the overall economic situation in the country and on budget revenue generation;
- the state of the country's balance of payments: a negative balance of payments contributes to the outflow of capital from the country, leading to problems servicing public debt and increasing budget revenue deficits.

Thus, implementing measures to strengthen the budget revenue base by considering both internal and external factors influencing its formation will contribute to creating favourable macroeconomic conditions and improving the ratings of countries within the framework of regional integration formations and in the international arena.

The Budget Code of the Russian Federation establishes not only general provisions on the formation of budget revenues, regardless of their level in the budget system, but also regulates the revenues of certain types of budgets

- (1) the federal budget;
- (2) budgets of the subjects of the Russian Federation;
- (3) local budgets.

Budget revenues provided for in Article 41 of the Budget Code of the Russian Federation are divided into types

- (1) Tax types of income include

- federal taxes and fees;
- taxes provided for by special tax regimes;
- regional taxes;
- local taxes;
- fines, penalties on taxes and fees.

- (2) Non-tax types of income include

- income from the use of state-owned or municipal property;
- income from the sale of state-owned or municipal property;
- income from paid services provided by budget institutions;
- Compulsory withdrawal amounts (fines);
- means of self-taxation of citizens;
- other income.

- (3) Gratuitous transfers are divided into

- inter-budget transfers from other budgets of the budgetary system (grants, subventions, subsidies);
- gratuitous receipts from individuals, legal entities, international organisations, and foreign governments, including donations.

Budget revenues are generated according to the budget and tax laws of the Russian Federation.

The non-tax revenues of the Russian Federation's Budget Code include incomes that, according to previously existing budget legislation, were considered "extra-budgetary funds."

Non-tax income includes

- income from the use of state-owned or municipal property after payment of taxes and fees provided for by the legislation on taxes and fees, except for property of autonomous institutions, as well as property of state and municipal unitary enterprises, including state-owned;
- income from the sale of property (other than shares and other forms of equity participation, state reserves of precious metals and precious stones) owned by the state or municipal authorities, after payment of taxes and fees provided for by the legislation on taxes and fees, except for property of autonomous institutions, as well as property of state and municipal unitary enterprises, including state-owned ones;
- from paid services provided by budgetary institutions after payment of taxes and fees stipulated by the legislation on taxes and fees;
- funds received as a result of the application of measures of civil, administrative and criminal liability, including fines, confiscations, and compensations, as well as funds received in

compensation for damage caused to the Russian Federation, subjects of the Russian Federation, municipalities, and other amounts of compulsory withdrawal; means of self-taxation of citizens;

- other non-tax income.

According to Article 42 of The Budget Code of the Russian Federation (*The Budget Code...*, 1998), the following funds received from the use of state or municipal property are taken into account in revenue budgets:

- funds received in the form of rent or other payments for the transfer of state or municipal property for paid use;
- funds received in the form of interest on budget balances in accounts with the Central Bank of the Russian Federation and credit institutions;
- payment for the use of budget loans;
- funds received from the transfer of property in state or municipal ownership as collateral in trust management;
- income in the form of profits attributable to shares in the established (pooled) capitals of business partnerships and companies or dividends on shares owned by the Russian Federation, subjects of the Russian Federation or municipalities;
- a portion of the profits of state or municipal unitary enterprises remaining after taxes and other mandatory payments;
- other income provided by the legislation of the Russian Federation is from the use of state or municipal property, except for property of autonomous institutions, as well as property of state and municipal unitary enterprises, including state-owned ones.

The Budget Code of the Russian Federation establishes the concept of “own budget revenues,” previously known as budget legislation. Based on Article 47 of the Budget Code of the Russian Federation, the budget’s revenues include

- tax revenues credited to budgets according to the budget legislation of the Russian Federation and legislation on taxes and fees;
- non-tax revenues credited to budgets according to the legislation of the Russian Federation, the laws of the subjects of the Russian Federation and municipal legal acts of representative bodies of municipalities;
- revenue received by budgets in the form of gratuitous receipts, except for subventions.

The Budget Code of the Russian Federation establishes general provisions for forming budget revenues, regardless of their level in the budget system. It also regulates in detail the tax and non-tax revenues of certain types of budgets:

- The Federal Budget (Art. 50, 51);
- budgets of the subjects of the Russian Federation (Art. 56, 57);
- local budgets (Art. 61, 62).

According to Article 53 of the Budget Code of the Russian Federation, the powers of the Russian Federation to generate budget revenues include the establishment of new types of taxes and their abolition or amendment, which is possible only according to the legislation of the Russian Federation on taxes and fees (*Gracheva & Sokolova, 2023*).

Formation of Budget Expenditures

The definition of an “expenditure obligation” is contained in Article 6 of The Budget Code of the Russian Federation (*The Budget Code ...*, 1998), according to which it is the obligation of a public legal entity (subject of the Russian Federation, municipal entity) or a state-owned institution acting on its behalf to provide an individual or legal entity with to a person, another public legal entity, or a subject of international law, funds from the relevant budget.

Budget expenditures are the funds the government or other governing bodies spend on implementing their programmes and projects in various fields.

They consist of two parts: mandatory expenses and discretionary expenses. The government is obliged to pay mandatory expenses according to the law, such as pensions or unemployment benefits. Discretionary expenses are expenses that the government can freely allocate to various programmes and projects.

Budget expenditure items are separate categories that help classify expenditures provided for in the state budget. Each expenditure item reflects a specific purpose for spending money from the budget and is determined based on the functions that it must perform.

The amount and structure of budget expenditures depend on many factors.

With a high level of economic growth, budget expenditures may increase as demand for public services such as healthcare, education, and transport increases. The population’s social needs affect healthcare costs, social security, education and other social programs. The geopolitical situation and the level of military threat dictate defence spending, while political instability and crises require high costs for law enforcement and law enforcement agencies.

Budget expenditure levels are

- (1) federal: expenses incurred at the expense of the government;
- (2) regional: at the regional and state level;
- (3) municipal: at the municipal level, such as cities and rural areas;
- (4) international level of expenditure: the cost of financing international organisations and programs in which a country participates.

Expenses can also be divided into groups when entered into the accounting system. These groups usually correspond to different branches of the economy or sectors of public life, such as social policy, healthcare, education, culture, science and technology, and economic policy.

The cost items are described in more detail, and each group’s specific types of expenses are explained. For example, within the “Healthcare” group, expenditures may include “Medical care,” “Disease prevention,” and “Development of medical technologies.”

Budget expenditure structure is

- mandatory expenses: the government must pay based on laws and regulations. Pensions, unemployment benefits, medical insurance and other social benefits usually go here;
- salaries and administration: these are expenses related to the remuneration of civil servants, as well as the maintenance of government institutions and organisations related to the administration of the country;
- capital: investments in economic development, such as the construction and renovation of infrastructure, the development of industry, agriculture and transport;

- social spending: everything related to protection, healthcare, education, culture, sports, and other social needs;
- defence and security expenditures: the defence of the country, the maintenance of the army, armed forces and national security;
- other: expenses that do not fall into the above categories, such as paying interest on government debt or financing programmes and projects.

The process of accounting for budget expenditures is

- (1) planning, that is, determining the volume based on the tasks and priorities defined in the budget for the year;
- (2) implementation, i.e., monitoring the implementation of the plan, monitoring the receipt and use of funds;
- (3) control and analysis, that is, tracking the correctness of cost accounting, as well as analysing the effectiveness of using funds;
- (4) reporting.

There are specific methods and tools for practical cost accounting.

Accounting includes recording financial transactions, preparing accounting reports, and preparing accounting statements according to accepted standards.

Management accounting is used to manage budget resources at the level of individual programs, projects, and activities; it includes planning, budgeting, monitoring, and analysing budget resources.

Computer modeling is used to predict budget expenditures and determine the impact of political and economic environment changes on expenditure structure.

Audit is the process of evaluating the effectiveness of budgetary resource use. It is performed to identify unnecessary expenses and violations in budgetary resource management.

This concept, as applied to the next financial year, during which it is subject to execution, is specified by the concept of “budget obligation” (Art. 6) (*The Budget Code...*, 1998). The budget expenditures of the budgetary system are performed by certain subjects of budgetary law – the principal administrators, administrators, and recipients of budgetary funds.

Budget legislation regulates budget expenditures in detail. The Russian Budget Code establishes general provisions on budget expenditures, regardless of their level in the Russian budget system, and expenditures of some types of budgets: the federal budget, budgets of constituent entities of the Russian Federation, and local budgets.

The main directions of expenditures of the budgets of the budgetary system of the Russian Federation are

- maintenance of public authorities and local self-government bodies;
- ensuring national defence;
- ensuring national security and law enforcement activities;
- maintaining the national economy;
- environmental protection;
- education;
- healthcare, sports;
- socio-cultural sphere;

- inter-budget transfers (*Gracheva & Sokolova, 2023*).

Subventions and subsidies are also forms of budget expenditures provided by the Russian Federation's Budget Code. A subvention is a form of budget expenditures and financial assistance used in the Russian budget system to finance certain targeted expenditures.

One of the most important forms of budget expenditures provided for by the Budget Code of the Russian Federation is the cost of financing investments in state and municipal property.

Analysis of Budget Formation on the Example of St. Petersburg, the Subject of the Russian Federation

General Characteristics

St. Petersburg is a city of federal significance in the Russian Federation, a subject of the Russian Federation, the administrative centre of the North-Western Federal District, and the seat of the highest authorities of the Leningrad Region. It is located in the north-west of the Russian Federation. The city's area is 1,439 sq. km.

According to the Legislation of St. Petersburg No. 411-68 dated July 25, 2005 (*On the Territorial Structure...*, 2005), St. Petersburg is divided into territorial units, which include administrative-territorial units and municipalities. St. Petersburg includes 18 districts, which are divided into 111 municipalities, including 81 municipal districts.

St. Petersburg is Russia's important economic, scientific and cultural centre and a central transport hub. The city's historical centre and its associated monument complexes are included in the UNESCO World Heritage List; it is one of the most important tourism centres in the country. Among the most significant cultural and tourist sites are the Hermitage, the Kunstkammer, the Mariinsky Theater, the Russian National Library, the Russian Museum, the Peter and Paul Fortress, St. Isaac's Cathedral, and Nevsky Prospekt. Among other things, the program for the preservation and development of the historical centre of St. Petersburg is aimed at preserving cultural heritage sites. The population as of 2023 is 5.6 million people.

St. Petersburg is a constituent entity of the Russian Federation; it is the most important industrial centre and a central transport hub with a developed infrastructure. The city has an international airport, three sea and three river ports, 12 railways, and five main highways approach the city. St. Petersburg's economy is based on mechanical engineering, metalworking, electrical engineering, nuclear energy, chemical, petroleum, pulp and paper, light industry, food and other industries, shipbuilding, and instrument engineering. The production of structures made of metal, reinforced concrete and wood, wagon building, production of agricultural, road and construction machinery, garages, and fire-fighting equipment has been mastered. About 8 thousand economic facilities are operating in St. Petersburg.

In 2023, upon completion of the implementation of the budget law:

- actual revenues amounted to 1,142.72 billion rubles;
- planned revenues amounted to 1,048.55 billion rubles;
- actual expenses amounted to 1,174.06 billion rubles;
- planned expenses amounted to 1,199.28 billion rubles;
- the planned deficit amounted to 150.74 billion rubles;
- the actual surplus amounted to 92.16 billion rubles.

Revenue Generation in St. Petersburg

Budget revenues are funds the budget receives, except for funds that are sources of financing budget deficits according to the Budget Code. Budget revenues include tax, non-tax, and gratuitous receipts to the regional budget.

According to the Law of St. Petersburg No. 666-104 dated November 29, 2022 (*On the Budget of St. Petersburg..., 2022*), the total revenue of St. Petersburg amounted to 1.148 trillion rubles, which is 4.6% more than the annual plan. The budget's revenues amounted to 1.109 trillion rubles.

Almost three-quarters of the revenues (820 billion rubles) were provided by taxes on personal income and corporate profits.

Personal income tax receipts increased (111%, 77 billion rubles), as did revenues from special tax regimes for small businesses (106%, 76 billion rubles) and excise taxes (105%, 37.4 billion rubles).

Non-tax revenues amounted to 96 billion rubles, which is 26% more than the results 2022 and 2.3 times higher than the results 2021. The city earned 34 billion rubles on managing temporarily free budget funds, 24 billion on the lease and sale of city property, 11.5 billion on paid parking and traffic violations fines, and 10 billion on passenger travel and baggage transportation:

- net interest income amounted to 50.7 billion rubles (+27.3% when compared with the results of 2022);
- net fee and commission income amounted to 12.7 billion rubles (–11.1% compared to 2022);
- net income from operations in financial markets amounted to 13.2 billion rubles (down 67% from 2022).

Formation of Expenses in St. Petersburg

Budget expenditures are funds paid from the budget, except for funds that are sources of financing budget deficits according to the Budget Code. Budget expenditures are formed from expenditures according to three types of classification: by sections and subsections of the classification of expenditures, by state programs and non-programme areas, and by departments.

According to the Law of St. Petersburg No. 666-104 dated November 29, 2022 (*On the Budget of St. Petersburg..., 2022*), the total expenditure of St. Petersburg amounted to 1.195 trillion rubles.

Budget expenditures reached 1.174 trillion rubles, which is higher than the previous year's results in absolute (131 billion) and relative terms (98% vs. 97.7) (*St. Petersburg's budget..., 2024*).

Operating expenses amounted to 22.5 billion rubles (–2.9 compared to 2022). The cost-to-income ratio was 29.7 billion rubles (24.5 billion rubles by the end of 2022).

The key areas where the funds will be distributed are 18 government programmes. Most of the funds will be allocated to the transport system (about 23% of all expenses), education (about 20%), healthcare (about 13%) and social support for the population (10%). It plans to invest in housing construction for citizens and improve the housing and communal services system. In

general, the 2023 St. Petersburg's budget is planned to focus more on economic and social development than consumption.

The transport system cost 270 billion rubles in 2023. The subway was enriched with 10 eight-car trains; ground transport increased by 87 trolleybuses (2.7 billion rubles), 163 trams (15.9 billion rubles), and 25 buses (815 million rubles). The authorities believe the city's development cost in 2023-2024 is worth increasing to 26% of the budget.

Also, a significant part of the expenses were tuition fees. 240.1 billion rubles were reserved, which were spent on all levels of education, from schools to universities. The grant support to the scientific and production associations cost 2 billion rubles, and 1.1 billion rubles were planned to re-equip and repair vocational schools.

Education almost always makes up a significant part of municipal and regional budgets. All the money is spent on the salaries of employees of such institutions, which is why it is impossible to "optimise" these items.

160.1 billion rubles were allocated for developing healthcare and sports. Polyclinics, hospitals and other facilities of a similar type, were reconstructed and built. However, it is sad to consider that the main healthcare costs are based on the compulsory medical insurance system, and the city helps maintain the medical institutions themselves as their balance sheet holder.

A billion rubles were spent on equipping and repairing 123 school stadiums.

The cost of social support for St. Petersburg residents has reached 120 billion rubles. 10,535 billion rubles were spent on monthly child allowances; one and a half billion rubles were spent on monthly payments for the birth of a 3rd child and subsequent children. Also, more funds are allocated for pensions: 3.65 billion rubles for regional social surcharges and 5,136 billion rubles for veterans of labour and equivalents.

Social facilities were repaired for 20.9 billion rubles and equipped for 18.5 billion rubles. Almost half a billion rubles were allocated to renovate the House of Nationalities in the Northern capital.

Conclusion

Based on the research conducted, it can be concluded that the implementation of 2023 St. Petersburg's budget is characterised by independence, sustainability, and social orientation.

Net profit amounted to 48.7 billion rubles (+2.2% compared to 2022), corresponding to a return on equity of 30.8% (38.9% by the end of 2022).

By the end of 2023, the bank's assets exceeded 1 trillion rubles for the first time and amounted to 1,056.6 billion rubles (+26.3% compared to January 1, 2023).

As of January 1, 2024, loans and advances to customers before deduction of reserves amounted to 677.1 billion rubles (+22.7 billion compared to January 1, 2023). The corporate credit profile has grown by 26.7% since the beginning of the year, amounting to 519.3 billion rubles. The retail loan portfolio has grown by 11.1% since the beginning of the year and amounted to 157.8 billion rubles.

The budget shows the size of the financial resources needed by the state and the actual reserves available. When fixing specific spending directions, the percentage of expenditures by industry and territory expresses the state's economic policy.

In summarising this work, it is worth noting that the budget combines the main financial categories (taxes, government revenues, and expenditures).

It is also worth noting that St. Petersburg is a developed region with a rapid pace of development, a reasonably large budget, and large expenditures, which are fully covered by at least significant revenues, resulting in a budget surplus. St. Petersburg has excellent potential for cultural and industrial development and strengthening economic ties with other regions of the Russian Federation.

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The Main Problems of Establishing and Applying Administrative Responsibility for Traffic Violations ^[2]

Abstract: According to the traffic police, 133.3 thousand road accidents occurred in the Russian Federation in 2021 alone. As a result, 14,874 people died, and another 167,856 were injured. At the same time, in recent years, we have seen a steady decline in all three indicators: for example, in 2020, more than 16 thousand people lost their lives on the roads. Thus, every year the population of a small city dies on streets, avenues, alleys, highways, highways, overpasses, driveways, and overpasses. The study's relevance lies in the fact that solving the problem of high traffic accidents is an absolutely real, as well as an essential and urgent task for the state. It requires an integrated, multi-vector approach that includes information, technical, regulatory, organisational, managerial and other methods. The study object is the administrative legal relations arising in traffic. The study subject is the regulatory problems of traffic regulation. The study aims to identify similar main issues, analyse their significance, and recommend corrections. The theoretical basis was formed by the normative legal acts of the Russian Federation regulating administrative legal relations in traffic. The author identifies the main directions of government actions in the field of rulemaking in the context of the Traffic Rules and the Code of Administrative Offenses.

Keywords: traffic regulations, traffic accidents, Russian Federation, regulatory legal acts.

Abbreviations:

SRSI is State Road Safety Inspectorate,

TA is a traffic accident,

TR is traffic regulation.

Introduction

According to the SRSI, 133.3 thousand road accidents occurred in the Russian Federation in 2021 alone (*Road safety indicators, 2007*). As a result, 14,874 people died, and another 167,856 were injured. At the same time, in recent years, we have seen a steady decline in all three indicators: for example, in 2020, more than 16 thousand people lost their lives on the roads. Thus, every year on the streets, avenues, alleys, highways, overpasses, driveways, and other surfaces, the population of a small town, Shlisselburg. One and a half Suzdal, two Lahdenpohja, four and a half Gdov or ten Kurilsk—fewer people live in more than 300 Russian cities out of 1,117 (*The permanent population..., 2021*) than die in a TA in just 12 months.

At the same time, each of the victims, had it not been for this tragic accident, could have spent many more years developing their resources to benefit the economy and other spheres of public life. Traffic is a permanent, quiet, unnoticeable war that takes away a unit of human capital from the country every half hour.

However, this problem is not insurmountable. For example, you can take a country with similar weather conditions, low population density, and not very remote geographical location—Sweden. In 2021, 192 people died in TAs in the country of 10 million, or 1.85 per 100,000

inhabitants (*Transportstyrelsen, 2015*). In Russia, this figure is almost six times higher—10.22 per 100,000.

Thus, the study's relevance lies in the fact that solving the problem of high traffic accidents is an absolutely real and urgent task for the state. It requires an integrated, multi-vector approach that includes information, technical, regulatory, organisational, managerial, and other methods.

The study object is the administrative legal relations arising in traffic.

The study subject is the regulatory problems of TRs.

The purpose is to identify similar main problems, analyse their significance, and form recommendations for their correction.

Based on the purpose, it is appropriate to highlight the following objectives of the coursework:

- consider the main directions of modernisation of the TRs over the past 3 years, i.e., for the period 2019-2021,
- highlight the main provisions of the current Road Safety Strategy in the Russian Federation for 2018-2024 related to the regulation of this area,
- formulate the main regulatory problems of TRs and classify them,
- consider the essence, meaning and context of each of the formulated problems,
- create recommendations to fix these issues.

The theoretical basis of the course was the normative legal acts of the Russian Federation regulating administrative legal relations in traffic, namely the traffic regulations (TRs), the Code of Administrative Offenses, several federal laws, resolutions of the Government of the Russian Federation, and decisions of the courts of the Russian Federation. In addition, statistical data on traffic in the Russian Federation and foreign countries were reviewed.

Results

The Regulatory Framework for Modernising Administrative Legislation in Traffic

1. Overview of the Main Changes in the Traffic Regulations for 2019-2021

Over the past three years, namely for 2019-2021, several changes have been made to the TR, concluded in six normative legal acts (*Traffic Regulations..., 1993*):

1. On Amendments to the Traffic Regulations of the Russian Federation, Decree of the Government of the Russian Federation No. 1733 dated December 20, 2019.
2. On Amendments to Certain Acts of the Government of the Russian Federation on the admission of citizens to driving vehicles, Decree of the Government of the Russian Federation No. 1734 dated December 20, 2019.
3. On Amendments to the Traffic Regulations of the Russian Federation, Decree of the Government of the Russian Federation No. 1747 dated December 21, 2019.
4. On Amendments to Certain Acts of the Government of the Russian Federation on Issues Related to the Movement of heavy and (or) Bulky vehicles, as well as vehicles carrying dangerous Goods, Decree of the Government of the Russian Federation No. 341 dated March 26, 2020.

5. On Approval of the Rules for the Carriage of Goods by Road and Amendments to paragraph 2.1.1 of the Rules of the Road of the Russian Federation, Decree of the Government of the Russian Federation No. 2200 dated December 21, 2020.
6. On Amendments to Appendix 1 to the Traffic Regulations of the Russian Federation and Invalidation of Certain Provisions of Certain Acts of the Government of the Russian Federation, Decree of the Government of the Russian Federation No. 2441 dated December 31, 2020.

The most significant and general provisions of these resolutions are as follows:

1. The norms of driving and rest time have been established (sec. 26 TA).
2. The rules of training driving have been specified and clarified (paragraphs 21.1-21.4 of the TA).
3. The list of documents that the driver of a mechanical vehicle must have with him and, at the request of police officers, hand over to them for verification (paragraph 2.1.1 of the TA).
4. The sign 6.22 “Photo-Video Recording” has been added.

As you can see, all these changes, except for those indicated under paragraph 1, are cosmetic and very local in nature. Only the establishment of norms for driving and rest time is designed to solve a qualitatively enormous task—to monitor the physical condition of the driver while driving and, through regulatory regulation, prevent him from falling into a critical state of fatigue, inattention, etc., which can become a factor in a potentially dangerous situation on the road and, as a result, lead to a traffic accident.

Thus, we conclude that in recent years, the state authorities of the Russian Federation have not paid sufficient attention to modernising the regulation of road traffic in its most general, fundamental aspects, limiting themselves to partial corrections of individual provisions.

2. Road Safety Strategy in the Russian Federation for 2018-2024

Nevertheless, there is a regulatory framework for such modernisation. Thus, on January 8, 2018, Decree of the Government of the Russian Federation No. 1-r approved the Road Safety Strategy in the Russian Federation for 2018-2024, which calls improving road safety “one of the priorities of state policy and an important factor in ensuring sustainable socio-economic and demographic development of the country.”

The ultimate goal of this Strategy is “striving for zero deaths in road accidents by 2030,” and “a social risk indicator of no more than 4 deaths per 100,000 population is set as a target for 2024.” At the same time, one task is defined as “the development of legislation to bring norms and rules into line with real processes in road traffic, including ensuring the proportionality of punishment to the severity of the offense committed.”

Thus, the indicators and the ways to achieve them are defined. According to the Strategy, the planned measures, including those of a regulatory nature, should be implemented in 2021-2024. After a third of this period, there are no results.

The Main Regulatory Problems of Traffic Regulation

1. Classification of the Main Regulatory Problems of Traffic Regulation

When considering the Traffic Rules and the related Chapter 12 of the Code of Administrative Offences, several regulatory issues can be identified. To organise them, creating a general classification of the main legislative misunderstandings seems necessary. It contains only those problems that will be directly addressed in this paper—the structure is universal and does not exclude the possibility of being filled in with new items ([Table 1](#)).

As an explanation to the presented table, it can be noted that objective problems are those that can be directly solved by organisational and managerial methods (in this case, by revising regulatory legal acts), subjective problems are those related to public opinion, therefore their solution will require the involvement of a broad information and technical base and ample labour resources. Moreover, time resources, while being indirect; related to hypothesis and disposition are those that can be found directly in the TRs, related to sanctions are those found in the Code of Administrative Offences and some related acts regulating issues of administrative responsibility; under general—those that are characteristic of the regulatory system itself, under particular—those that its individual elements are striking. Subjective problems are not divided into general and particular ones, since, on the one hand, they are characteristic of society as a whole. On the other hand, each individual road user has a different set of worldviews.

Due to the topic's wording, this paper will cover only objective problems in detail since subjective problems have a rather indirect relationship to the normative side of the issue and relate to building a system of public PR and information policy.

Now it is necessary to consider each of the stated objective problems separately.

2. The Main Regulatory Problems of Traffic Regulation

Frequent Change of Legal Norms

The rules of the road, which in their spirit should give pedestrians and drivers confidence on the roads, are unlikely to be able to do this due to their incredible variability, e.g., in 2020 alone, three modifying regulatory legal acts were issued. In just the last five years (2017–2022), 17 of them have accumulated ([Traffic Regulations..., 1993](#)). At the same time, it should be noted that new editions may come into force with a wide range of deadlines: for example, specific paragraphs of the Decree of the Government of the Russian Federation No. 832 dated December 7, 2017, “On Amendments to the Decree of the Council of Ministers—Government of the Russian Federation No. 1090 dated October 23, 1993,” entered into force, according to paragraph 2, only after almost four months in a year—July 1, 2021.

Speaking of the Administrative Code (even if we are only interested in one chapter), we can see even more significant figures: nine changes in less than four months of 2022, and 231 in the last 5 years ([The Code of Administrative Offenses..., 2001](#)).

It is perhaps difficult for a professional lawyer to keep track of such a large number of revisions. What can we say about ordinary citizens who easily get lost in a pile of laws and regulations?

Incompleteness of the Conceptual Framework

It is no secret that the TR uses many terms, the meaning of which can be interpreted in different ways. To prevent such liberties, paragraph 1.2 of the TR lists these terms and defines them. However, the completeness of this list raises significant questions.

For example, signs 5.21 and 5.22, “Residential Area” and “End of Residential Area.” However, there is no “residential area” in clause 1.2. Unexpectedly, we find it in clause 17.1: “In a residential area, that is, in a territory whose entrances and exits are marked with signs 5.21 and 5.22...” It turns out that the definition closes in on itself, and de jure, we can organise a residential area even on a busy highway.

Another example: from paragraph 1.2, the rather important and frequent concept of “dark time of day.” The TR define it as “the time interval from the end of evening twilight to the beginning of morning twilight.” However, we will not find the terms “evening twilight” and “morning twilight” in the traffic regulations. In the explanatory dictionaries, we will get only a rather vague wording, “semi-darkness between sunset and nightfall, as well as (outdated) morning predawn semi-darkness” (*Ozhegov & Shvedova, 1997*), which does not fit into a clear definition of the construction of regulations.

Thus, the lack of elaboration of the conceptual framework can negatively affect law enforcement and cause legal conflicts, which in turn can lead to a TA.

Overload of the Conceptual Apparatus

It seems that the problem’s very name contradicts the previous paragraph. However, it is not that simple. The other side of the coin is the lack of elaboration of TR’s terminology base.

It is necessary to return to one of the previous examples—the “Residential Area.” Paragraphs 17.1–17.3 describe how to move correctly in this mysterious area. However, paragraph 17.4 gives a very unexpected definition: “The requirements of this section also apply to courtyard areas.” That is, a residential area and a courtyard area are de jure the same thing, while there are two concepts for some reason.

The definitions themselves leave much to be desired: their conciseness cannot be overestimated. It is necessary to say the term “parking” is explained in 80 words, and the term “motorcycle”—82.

These legal pleonasms make it very difficult to understand the TRs, reducing citizens’ legal culture and increasing the likelihood of road accidents.

Irrational speed limit

After a brief overview of the TRs, let us focus on this document’s particular problems. To avoid overloading the work with information, we must look at one example—perhaps the most striking and revealing.

In the Russian Federation, as a general rule, the maximum speed limit in populated areas is 60 km/h, outside populated areas (for cars and trucks with a maximum permissible weight of not more than 3.5 tons)—110 km/h on motorways and 90 km/h on other roads (de facto due to the non-fined threshold each of these figures increases by another 20 km/h, but this issue will be covered later).

However, numerous studies and international practice have shown that driving at more than 15 meters per second in urban conditions is unacceptable (*Speed limit..., 2021*). So, the stopping distance (time to assess the situation plus the braking distance) of a passenger car in this situation will be about 34 meters (*Typical stopping distances, 2017*)—the exact values depend on the type and condition of the road surface, the technical characteristics of the car, the

characteristics of the driver, and so on. Moreover, the speed of a car at the time of a possible collision with a pedestrian has a decisive impact on human survival, because, as we remember from the school physics course, there is a quadratic relationship between speed and kinetic energy. The example of France can serve as a practical confirmation of this fact: in 2018, the maximum speed allowed on secondary country roads there was reduced from 90 km/h to 80 km/h, which allowed 349 lives to be saved in 20 months (*Bilan final...*, 2020).

Regulatory Procedure for Registration of Offenses

Establishing a legal norm and a certain measure of responsibility for its violation is only half the battle. It is also necessary to monitor compliance with the rules to use the available methods of coercion most effectively, reduce the frequency of offenses, and, as a result, the number of potentially dangerous situations in traffic.

This control can be provided in two groups: human (e.g., a traffic police inspector can record the intersection of a double solid) and technical (mainly with the help of special traffic cameras).

With the latter, we usually have several regulatory problems. The clearest example: fixing the average speed. Since 2013, there has been such a practice on many Russian highways: at the beginning and the end of a particular section of the highway, cameras are installed that record the time of entry and exit from this section, and after that, by simple calculations, determine the average speed of a given car (*Popova, 2023*). Suppose it turns out to be higher than the maximum permissible. In that case, the driver is fined according to the logic of regular speeding: for example, if the average speed was 115 km/h at the limit of 90 km/h, 500 rubles will have to be given to the treasury, according to Part 2 of Article 12.9 of the Administrative Code.

On the one hand, everything is perfectly fair. On the other hand, there is no concept of “average speed” in the traffic regulations (we return to the problem of incompleteness of the conceptual apparatus), and the specified offense does not have a precise time and place of commission (mandatory characteristic according to par. 26 of the Resolution of the Plenum of the Supreme Court of the Russian Federation No. 20 dated June 25, 2019, “On certain issues arising in judicial practice when considering cases of administrative offenses provided for in Chapter 12 of the Code of Administrative Offenses of the Russian Federation”), therefore lawyers, human rights defenders and drivers had legitimate doubts about the legality of this practice, which resulted in its suspension in 2021 this year (*Popova, 2023*), although judicial precedents determining its illegality appeared in 2019 (*Resolution of the Supreme Court...*, 2019).

Thus, the introduction of useful technical innovations related to controlling the implementation of legal norms is faced with the imperfection of these very norms. A few edits to the TRs and the Administrative Code, and the number of deaths and injuries in road accidents due to just one initiative may fall by two times (*Popova, 2023*).

Fixed Amount of Administrative Fines

The Code of Administrative Offences establishes administrative fines, among other measures of administrative responsibility for traffic violations. This is a fixed amount or a fixed range of amounts in all cases. With rare exceptions (e.g., Art. 12.28), there is no differentiation even across the subjects of the Russian Federation.

Meanwhile, the economic stratification of citizens in our country cannot be called zero—it turns out that people with different income levels will feel the degree of punishment differently. This leads to the fact that the powerful of this world can ignore all safety rules with minimal damage to themselves and endanger the lives of other road users, e.g., in 2018, there was a sensational story with Leonid Slutsky, a deputy of the State Duma of the Russian Federation, who was found to have committed 835 traffic violations in just 9 months with a total amount of fines in 1,405,500 rubles (March 8, 2018).

In this sense, the example of Finland is indicative, where there is a system of relative fines, that is, their amount depends on the offender's daily income, as well as on some other factors. In this regard, e.g., speeding on the part of a non-poor driver can seriously impact the budget. So, on May 3, 2019, Finnish hockey player Rasmus Ristolainen accelerated to 81 km/h in a 40 km/h zone, for which he was sentenced to pay 40-day fines (i.e., half-day salaries), which amounted to 120,680 euros—more than 10 million rubles (*Naakka, 2019*). Needless to say, in this country, the death rate as a result of TAs is 2.5 times lower than in Russia—four people per 100,000 population (*Liikenneturva, n.d.*).

Relative fines can help equalise conditions for road users and thus make the degree of administrative responsibility for certain categories of citizens more significant. They will act as a measure to prevent traffic violations on their part, which means they will reduce the number of potentially dangerous situations on the roads.

An Irrelevant Measure of Responsibility for Certain Types of Offenses

Finally, it is logical to highlight some of the most striking particular issues related to the amount of punishment for certain offenses.

For example, speeding, the danger of which has already been mentioned in this paper. Article 12.9 of the Administrative Code not only sets a non-penalised threshold of 20 km/h, but also suggests fining 500 rubles for exceeding 20–40 km/h, 1000–1500 rubles for 40–60 km/h, 2000–2500 rubles for 60–80 km/h, and 5000 rubles for more than 80 km/h. Moreover, in all these cases, if the violator pays this fine within 20 days, he must fork out only half of the specified amounts (according to Part 1.3 of Article 32.2 of the Administrative Code). This means, for example, that a negligent driver can drive under 100 km/h on city streets for only 250 rubles.

Unbuckled seat belt—1000 rubles (Art. 12.6 of the Administrative Code), red light—1000 rubles (Art. 12.12 of the Administrative Code)... There are many such examples. The most dangerous violations, which can lead to situations dangerous to the life and health of citizens, are like a cheap lunch.

The main problem is that these fines were established quite a long time ago: mainly in 2012–2013, and since then, they have not been indexed, despite inflation and other factors (*On Amendments to Certain Legislative Acts..., 2011; On Amendments to the Code..., 2013*).

At the same time, even top government officials (e.g., Prime Minister Mikhail Mishustin) believe that to increase fines, “we have not yet achieved such an increase in salaries” (*Mishustin..., 2020*). In other words, administrative punishment is perceived not as a measure to prevent offenses, but as a price drivers can pay for their illegal actions.

To make it more relevant, a qualitatively different approach to determining the size of responsibility is required. Which one? We return to the previous point.

Conclusion

Based on the seven problems considered, we will try to identify the main directions of government action in the field of rulemaking in the context of Traffic Regulations and the Code of Administrative Offenses:

1. Revision and codification of normative legal acts, conducting their legal examination to identify incorrect provisions, shortcomings, pleonasm, etc., and creating the most universal and stable legal system.
2. Moving away from the concept of “lawmaking for the sake of lawmaking,” making changes to regulatory legal acts only when there is a real need, as well as making such changes complex: considering them in the context of existing norms and organically integrating them into the system so that the edited provisions do not become alien elements.
3. Revision of the system of administrative responsibility for traffic violations; moving away from fixed penalties, moving away from understanding fines as payment for violations in favor of their essence as a measure to prevent offenses.
4. Assessing foreign experience in traffic and adapting the best regulatory practices to Russian realities.
5. Involving experts from related fields of knowledge, representatives of social movements, specialised commercial and non-profit organisations, and citizens’ initiative groups in discussing traffic-related issues.
6. Moving away from a car-centric traffic system, prioritising pedestrians, cyclists, and public transport through, among other things, updating traffic and administrative regulations.
7. Official implementation of the principles of the Vision Zero strategy in the regulatory framework of road traffic.

Based on the above, we can again note the fundamental importance of qualitative changes in the regulatory framework of traffic. People’s need for geographical mobility should not become a source of constant danger and one of the most significant anthropogenic factors of death among citizens.

The coursework highlights the main problems and pain points that public authorities should address, suggests ways to solve them, and discusses prospects for the development of legal support for road traffic. It considers both national and foreign experience and illustrates the most typical situations. The gravity of the shortcomings is proven, and the need for their correction is justified. The insufficiency of organisational and managerial measures currently applied in this area is noted.

This work can be a fundamental analysis of the main normative problems and become the basis for a deeper substantive consideration of each manifestation.

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Appendix

Table 1. Classification of the main regulatory issues of traffic regulations and Article 12 of the Administrative Code

	The main regulatory problems of traffic regulations and Article 12 of the Administrative Code		
	Objective		Subjective
	Related to hypothesis and disposition	Related to the sanction	
General	frequent change of legal norms; incompleteness of the conceptual framework; the overload of the conceptual apparatus, etc.	frequent change of legal norms; regulatory procedure for registration of offenses; fixed amount of administrative fines, etc.	the degree of awareness of citizens and officials about TRs; the attitude of citizens towards TRs, administrative responsibility, officials, etc., etc.
Specific	irrational speed limit, etc.	an irrelevant measure of responsibility for certain types of offenses (seat belts, speeding, driving at a forbidding signal, etc.), etc.	

The Essence of Corporate Income Tax ^[3]

Abstract: Taxes are one of the main sources of financing for government activities, as well as an economic tool that serves to implement the priorities of the state. Taxes perform two functions: fiscal and regulatory. Both functions are interconnected and interdependent, and neither should be developed at the expense of the other. As a category of the economy, a tax is a mandatory payment that the state collects from both individuals and legal entities. The importance of profit has increased with the transition of the Russian Federation's economy to a market economy. Profit is a generalized indicator of the financial results of economic activity, determined by the difference between the revenue from the activities of the firm and the losses incurred. The study's relevance is due, on the one hand, to the great interest in the topic of corporate income tax in modern science, and on the other hand, to its insufficient elaboration. Consideration of issues related to this topic has both theoretical and practical significance. The study object is the income tax. The study subject is the taxation of corporate profits. The study aims to examine the content and role of income tax in the tax system of the Russian Federation. The methodological basis of the study is scientific, general scientific methods such as analysis, synthesis, etc. The study's theoretical basis was Russian scientists' works on taxation. The author concludes that the main task of the tax authorities is to monitor compliance with tax legislation, the correctness and completeness of tax calculations and mandatory payments, and timely payments to budgets of various levels of the Russian Federation.

Keywords: income tax, value added tax, tax code.

Abbreviations:

MET is a mineral extraction tax,

R&D is research and development,

SEZ is a special economic zone,

UTII is a unified tax on imputed income,

VAT is value-added tax.

Introduction

Taxes are one of the main sources of financing for government activities, and they are an economic tool that serves to implement the priorities of the state. Taxes perform two functions: fiscal and regulatory. Both functions are interconnected and interdependent, and neither should be developed at the expense of the other. As a category of the economy, a tax is a mandatory payment that the state collects from both individuals and legal entities. The importance of profit has increased with the transition of the Russian Federation's economy to a market economy. Profit is a generalised indicator of the financial results of economic activity, determined by the difference between the revenue from the activities of the firm and the losses incurred.

Taxes have always been important for government activities. Today, taxes are a revenue part of the state budget and a tool for regulating the economy and the social sphere. By using taxes, the state influences the distribution of income. The developing non-governmental sector

of the economy and the reduction of the sphere, directly regulated by the state itself, influenced the increasing role of taxation in the Russian Federation as a tool for regulating economic policy.

Having emerged together with the state, the tax system develops along with it. Taxes are one of the necessary links in economic relations in society. The state uses the tax mechanism to effectively influence public production, the dynamics of development and activity, the structure, and the state of scientific and technological progress. When the form of the state structure changes, the tax system is transformed along with it. History has long known that when taxes were too high, the total amount of revenue to the treasury fell sharply, and when taxes were low, the collection amount increased. Both effects are the result of a certain state taxation policy and conditions.

Combining all the categories mentioned above into one will yield one of the types of taxes with, which the state tax system performs peculiar functions—it is the corporate income tax.

The study's relevance is due, on the one hand, to the great interest in corporate income tax in modern science and, on the other hand, to its insufficient elaboration. Consideration of issues related to this topic has both theoretical and practical significance.

The study object is the income tax.

The study subject is the taxation of corporate profits.

The study aims to examine the content and role of income tax in the Russian Federation's tax system.

To achieve the purpose, it is necessary to solve the following tasks:

- study the economic content and significance of income tax;
- investigate the role of income tax in budget revenues at different levels of the Russian Federation;
- consider the characteristics of the main elements of income tax;
- investigate the specifics of calculating and collecting income taxes.

The methodological basis of the research is scientific, general scientific methods such as analysis, synthesis, etc.

The study's theoretical basis was Russian scientists' works on taxation.

Results

The Theoretical Foundations of Income Tax in the Russian Federation's Tax System

Economic Content and Significance of Income Tax

Taxes are one of the many ways the government influences the economy.

In market relations, the tax system is one of the most important economic levers of influence; it is the basis of the financial and credit mechanisms the state uses to regulate the economy. The state widely uses tax policy to regulate negative market phenomena.

Income tax is a direct tax, the amount of which directly depends on the final financial results of the organisation. This tax is charged on the difference between income and expenses. It is also a federal tax. The base rate is 20%. Of this amount, 3% is allocated to the federal budget, and the remaining 17% is allocated to the regional budget. Companies make payments

in advance every year and submit corporate income tax returns. Companies that have switched to a special regime do not pay income tax.

For further study and clarification of income tax, you should know that there is a “tax” in the broadest sense of the word. A tax is a mandatory, gratuitous individual payment levied by state authorities from legal entities and individuals in order to financially support the activities of the state or subjects of the Russian Federation (*Bondareva et al., 2023*).

In the period from 1984 to 1990, Russia underwent a change in distribution from discretionary, in which officials distributed profits between enterprises and the country’s budget, to the tax system. The current system was becoming what it is now, acquiring its characteristic features and clear, unchangeable rules for the distribution of funds. In 1990, corporate revenues allocated to the budget were replaced by a single income tax rate for all. At that time, the base rate was set at 45%, of which 23% was allocated to the federal budget, and the remaining 22% to local budgets.

The income tax, introduced in 1991, was calculated from the actual results of the organisation’s activities over the past quarter. There was also an advance payment, which helped to balance tax revenues to the budget over time and partly manipulated possible inflation, which is a depreciation of the funds received by the tax for the period between the payment of the tax and its receipt into the budget.

In 1991, the income tax had a progressive scale, depending on product profitability. This approach to taxation artificially reduced investment in many sectors of the economy, distorting decision-making about investing in industries. In practice, this type of taxation was little used (*Semenova, 2024*).

In addition to the progressive tax scale, the legislation provided for manipulating the tax pricing process. The introduced maximum profitability level for some types of products was used to prevent price increases for industrial and technical goods due to the transition from administratively controlled prices to negotiated prices.

Profits received above this level is worth withdrawing, but accountants’ methods allowed organisations to quickly eliminate unexpected differentiation in the profitability of specific products they produce.

By the end of 1991, Russia had passed an income tax law setting the income tax rate at 32%. Most of the provisions did not differ much from those in force earlier. The main difference was the progressive nature of the scale and the taxation procedure, due to the profitability above the norm.

The main feature of income tax in Russia is that a large number of types of expenses were not included in the cost list due to restrictions, such as current and capital expenditures. In this regard, only a part of the company’s costs were taxed. The result of such taxation was the adjustment of decisions on the size of the company’s output and the amount of investment.

Technically, it is impossible to eliminate all economic costs from the tax base. At the same time, restrictions were introduced in the Russian Federation, and even when estimating the costs was difficult, the withdrawal of one’s benefits remained unlimited.

Taxes differ from duties in that the collection of the latter is not gratuitous, but is a condition for certain actions to be performed against their payers.

The Russian Federation's Tax Code regulates tax collection. The state's tax system is formed by a set of established taxes and the principles, forms, and methods of their establishment.

A tax is understood as the forced withdrawal by state tax structures of funds from individuals and legal entities necessary for the state or subjects to perform their functions.

Federal taxes include income tax, the leading direct tax for legal entities. The taxable object is an organisation's gross profit, reduced or increased according to regulations.

Gross profit is the amount of profit or loss from the sale of products, work or services provided, fixed assets, other assets of the enterprise and income from non-operating operations, reduced by the amount of lost funds for these operations. Profit or loss from the sale of products, works or services provided by an organisation is calculated as the difference from revenue minus the sale of products, works or services provided by the organisation, except VAT and excise taxes, as well as production and sales expenses included in the cost of products, works or services provided by the organisation.

A full calendar year is a tax period for income taxes. The first quarter, the first half, and the first nine months of the calendar year will be the reporting periods. For taxpayers who make advance payments every month, the accounting periods will be one month, two, three, and so on until the end of the calendar year.

Based on the results of the reporting period, the taxpayer determines the amount of tax corresponding to the tax rate and the percentage of the tax base. Payers calculate the amount of the advance payment at the end of the reporting or tax period, based on the rate and taxable profit, calculated on an accrual basis from the beginning of the period to the end.

Currently, income tax in the Russian Federation provides large profits to the federal budget and the budget of the constituent entities of the Russian Federation, being one of the most significant taxes. It also allows you to regulate macroeconomics and redistribute income, making it an effective tool. There is a huge potential in income tax, which can influence the distribution of resources between regions. The issues arising from it, due to the fact that it is one of the largest payments, have significant weight for enterprises and the state (*Advokatova et al., 2024*).

The legislation dealing with taxes is notable for its frequent changes and mobility. Due to the large number of adopted legislative acts, instructions, and other documents related to the calculation of income tax, there is a need for improvement. Due to their huge number and the differences between them, the number of violations in the calculation and payment of income tax is increasing.

The Role of Income Tax in the Revenues of Budgets of Different Levels of the Russian Federation

Corporate income tax is the most important source of revenue for regional budgets, and the effectiveness of government fiscal measures on economic activity in the country depends on the effectiveness of its collection mechanism. Since the income tax is budget-forming, its fiscal nature and purpose as a means of financial support for the activities of the state are indisputable. The role of corporate income tax in the revenues of the budget system of the Russian Federation is quite significant: it ranks third after VAT and MET. Its role in the

formation of the revenue base of the budgets of the constituent entities of the Russian Federation is also high.

The corporate income tax is a tax on the financial result, formed in accounting upon the fact that the organisation has performed all economically significant actions in the past period. At present, profit occupies one of the important places in the market economy's general system of value instruments. It ensures the company's economic stability and guarantees its financial independence and completeness. In the traditional sense, profit is the most significant and practically the only indicator of the success of an enterprise and its good management. The analysis of scientific views on the nature of profit made it possible to summarize its main characteristics, reveal the content of its functions (stimulating, reproductive and control) and formulate a position on the place and role of profit in the modern market economy.

In particular, Professor B.H. Aliyev, noting the role of corporate income tax, indicates its leading fiscal importance in the formation of budget income, both federal (40%) and regional budgets (45%).

Professor G.B. Polyak notes the important role of corporate income tax in forming territorial budgets. During the study period, the share of income tax in regional budget revenues was about 30%.

In many works presented in economics, the main focus is on the dual nature of profit (the source of reproduction and the purpose of entrepreneurial activity), as well as the fact that in modern conditions profit has begun to act as a link in the mechanism of coordinating the interests of individual entrepreneurs and the state as a whole. In addition, the social role of profit is increasing in a market economy, as it becomes the most important source of meeting the social needs of society and the enterprise. The place of profit in the modern economy is presented in the Appendix ([Table 1](#)).

Income tax is one of the main modern forms of tax exemption. It occupies a special place in tax systems, as it directly reduces exactly what, by definition, is the purpose of entrepreneurial activity. The corporate income tax is the tax with which the state can most actively influence the development of the economy. The income tax has the most significant regulatory impact on the activities of business entities compared to other taxes. Through the use of differentiated tax rates for individual taxpayers and types of income, the provision of targeted benefits (for developing R&D, capital construction, technical re-equipment, employment of disabled people, charity), the use of accelerated depreciation methods, income tax can quickly affect the activities of organisations, stimulate investment and innovation processes in the economy. By distributing the tax rate between the levels of the budget system, regional aspects of the state's economic policy are implemented ([Nikitin, 2022](#)).

Income tax belongs to the group of direct and proportional taxes. It occupies a leading place among the revenue sources of regional budgets and is used in the Russian practice of regulating inter-budgetary relations. The mechanism of distribution of income from corporate income tax between budgets of different levels of the budget system is contained in the system of rates of this tax. According to Article 284 of the Tax Code of the Russian Federation, the corporate income tax rate is set at 20%.

At the same time:

- (1) the amount of tax calculated at the tax rate of 3% is credited to the federal budget.;

- (2) the amount of tax calculated at the tax rate of 17% is credited to the budgets of the subjects of the Russian Federation.

The fiscal value of corporate income tax remains relatively high in the revenue structure of the Russian Federation's consolidated budget. According to Professor L.L. Igonina, despite the general trend of strengthening Russian enterprises' financial condition, a high proportion of unprofitable organisations remains in the country's economy.

In contrast to developed economies, where companies finance 70-80% of the investment resource needs from their sources, Russia's total share of its financial sources is significantly lower. The share of profit and depreciation charges in the structure of sources of financing investments in fixed assets is 39-42%.

Despite its significant role in forming regional budget revenues, the mechanism of corporate profit taxation needs to be improved in order to increase its fiscal component and stimulate the investment activity of enterprises and organisations.

The main objectives of income tax reform are to expand the tax base by legalizing a significant portion of the income of entrepreneurs in the shadow economy, attracted by low-income tax rates. And ultimately, this should lead to an increase in budget tax revenues, i.e., to maximise this tax's fiscal function.

The main reserves for increasing the income base for corporate income tax are the following:

- (1) overall improvement of the business and investment climate, the socio-economic situation in the region, and an increase in the investment activity of organisations;
- (2) improving the financial situation of low-profit enterprises;
- (3) to identify and prevent the use by taxpayers of illegitimate mechanisms for reducing the tax base and generally increasing the tax discipline of organisations. The primary way to illegally reduce the income tax base is to artificially underestimate an enterprise's profitability;
- (4) increasing the validity of income tax benefits provided (planned to be provided), considering their economic, budgetary and social effectiveness;
- (5) optimisation of the tax control process, involving quantitative and qualitative improvement of tax audits and improvement of taxpayers' activity supervision.

According to I.V. Karavaeva, "assessing the overall situation in the Russian tax system with the change in the procedure for collecting income tax, it is worth noting that the decision taken carries both positive and negative potential for the domestic economy. On the one hand, minimizing the tax rate is in line with a promising direction for developing global tax practice, and is an attempt to stimulate the process of legalising significant amounts of profits in the shadow economy. On the other hand, the elimination of tax benefits means nothing more than the deprivation of the regulatory function of Russian tax policy in the investment sphere, the rejection of tax methods to stimulate and regulate investment entrepreneurial activity."

With the help of taxes, the state can create favorable and attractive conditions for certain business areas. At the same time, tax suppression of other sectors of the economy should not be allowed. In this regard, underestimation and overestimation by the state of the social importance of certain industries is unacceptable, since otherwise, freedom of competition and the principle of fairness are inevitably violated. Income tax, as a tax that reduces the profits remaining at the disposal of enterprises, is one of the most complex instruments for regulating

the activities of enterprises. Therefore, the study of various opinions on the role of benefits and income tax rates as the main elements of regulating the activities of enterprises is of great importance for further assessing the prospects of tax in the Russian taxation system ([Maksurov, 2024](#)).

The existing Russian system of approaches to taxation of profits and calculations of a specific income tax has acquired specific features: the complexity of calculating the tax base, the presence of a number of broad-based inaccuracies in legislation that provoke a negative financial effect; an extensive tax base, respectively, is taxed not on the profit received by the enterprise, but on a certain “conditional income,” since the enterprise According to the current Russian legislation, it cannot deduct from taxation all expenses related to the extraction of income. The most significant goal of improving the fiscal mechanism of income tax is to ensure the budget’s socially and economically necessary tax revenues.

Expenses related to the acquisition, creation, reconstruction, modernisation, and technical re-equipment of depreciable property related to mobilisation capacities will be considered when forming the corporate income tax base through the depreciation mechanism. Other expenses (of a non-capital nature), including the cost of maintaining facilities and facilities necessary for the implementation of the mobilisation plan, are subject to one-time accounting as part of non-operating expenses. At the same time, the regulation on the procedure for applying the increasing coefficient to the basic depreciation rate for facilities used in an aggressive environment and/or increased shift capacity has been clarified. For this purpose, an amendment was made to the Code, according to which a special coefficient, but not higher than two, can be applied to fixed assets used for work in an aggressive environment and/or increased shifts, only if these facilities were registered before January 1, 2014.

At the same time, further improvement in corporate profit taxation is necessary. One significant goal in this direction is to replenish the budget with the necessary tax revenues to solve social and economic problems. The tax rate is the main tool for influencing the increase in income from income taxes.

Russia’s income tax rate of 20% is one of the lowest in the world compared with other countries. This tax is progressive in many countries, and its rate depends on profitability. It serves as an effective tool to stimulate small businesses and allows them to withdraw sufficient budget revenues from the excess profits of large corporations.

When improving corporate income tax, analysing the validity and effectiveness of established tax benefits and taking measures to optimise them is necessary. Budgets of different levels receive less revenue due to the tax benefits and exemptions established by federal law. If the reasons for the insufficient or low economic or social effect of granting tax exemptions are not analysed, canceling tax preferences will continue. This is how the fate of the tax benefits granted to small businesses in the early years of the Russian tax system was decided, when they received preferential income tax rates in the first four years of their operation. Perhaps it would be more expedient not to cancel this benefit altogether, but to prescribe specific conditions for its receipt and use? For example, the percentage of released profits established by law is allocated to innovations, capital investments, R&D, etc.

The expansion of the economic rights of the subjects of the Federation urgently requires the formation of an active regional tax policy aimed at optimally combining the interests of the

Federation and its subjects. The federal authorities of the Russian Federation have wide opportunities to influence the regional economy and the investment sphere by regulating tax conditions, introducing additional tax incentives to attract investment in priority areas of the region's economy, providing an investment tax credit, initiating the creation of free economic zones or the most-favored-nation regime in the region, etc. Regional authorities should have similar rights and opportunities in forming genuine economic and tax federalism in the Russian Federation (*Vasyutin, 2023*).

Implementing the entire range of proposed measures will make it possible to solve most of the key problems of the corporate profit taxation mechanism, and will increase the revenue base of regional budgets. In modern conditions, as you know, the tax system is designed to solve not only fiscal problems, but it should also contribute to developing entrepreneurship, solving investment, economic, socio-cultural, environmental and other tasks.

Analysis of the Current Procedure for Calculating Corporate Income Tax

Characteristics of the Main Elements of the Tax

Organisations have applied the income tax since January 1, 1992, which is valid everywhere in Russia. Tax payments on it go to the country's budget at various levels: to the federal budget and to the budgets of the constituent entities of the Russian Federation.

It is necessary to consider the main elements of this tax and give a description.

Taxpayers of income tax, according to Article 246 of the Tax Code of the Russian Federation, "are Russian organisations and foreign organisations operating in the Russian Federation through permanent representative offices and (or) receiving income from sources in the Russian Federation." (*The Tax Code..., 2000*)

"The object of corporate income tax is the profit earned by the taxpayer." (*Ilyin, 2021*) Profits can be obtained from the sale of products, the sale of goods, the performance of works, the provision of services, and income from non-sales operations, reduced by the expenses for these operations.

At the same time, profits for different categories of taxpayers may vary, respectively, and the object of taxation (income) will be different. There are rules for attributing income to a taxpayer's profit for income tax purposes (*Table 1*).

The Tax Code regulates the procedure for recognising income and expenses for tax accounting purposes, which often differs from the procedure adopted in accounting. Therefore, enterprises usually keep both accounting and tax records.

It is necessary to define tax accounting. "Tax accounting is a system of summarising information for determining the tax base based on data from primary documents grouped according to the procedure provided for by the Tax Code of the Russian Federation." (*The Tax Code..., 2000*)

Tax accounting at the enterprise must be conducted in accordance with the accounting policy of the organisation for taxation, which must be specifically approved for these purposes.

The object of taxation must have cost, quantitative, or physical characteristics. The tax base is determined on an accrual basis from the beginning of the year.

Taxpayers' organisations calculate the tax base based on the results of each tax period, based on data from accounting registers.

A taxpayer has the right not to pay tax based on the results of the tax period when a loss is received during this period, resulting in a negative difference between income and expenses. In this case, the tax base is considered to be zero.

"Taxpayers who suffered a loss in the previous tax period have the right to reduce the tax base of the current tax period by the entire amount of the loss they received or by a part of such amount, that is, to transfer the loss to the future." (*The Tax Code...*, 2000)

It is also worth noting that previously, organisations could only advance losses for 10 years. From January 1, 2017, the amount of the loss can be advanced for all subsequent years, not just for ten years. Losses can now be written off until they are fully repaid. Only losses incurred in more than one tax period are advanced in the order in which they were incurred. As a confirmation of the fact of receiving a loss, the taxpayer must keep the relevant supporting documents for the entire period during which they reduce the tax base.

The tax base is calculated by the organisation independently and must contain the following data:

- the period for which the tax base is determined (from the beginning of the tax period on an accrual basis);
- the amount of sales income received in the reporting (tax) period;
- the amount of expenses incurred in the reporting (tax) period, reducing the amount of income from sales;
- profit (loss) from sales;
- the amount of non-operating income;
- the amount of non-operating expenses;
- profit (loss) from non-operating operations;
- total tax base for the reporting (tax) period;
- the amount of the loss transferred from previous tax periods, and reducing the tax base;
- the total tax base for the reporting (tax) period, minus the corresponding amount of loss. (*The Tax Code...*, 2000).

Thus, based on tax accounting data, organisations determine the tax base independently for each accounting and tax period.

The tax period is the period after which the tax base and the amount of tax to be paid are calculated. The tax is defined as the percentage of the tax base corresponding to the tax rate. The tax period for all groups of taxpayers is one calendar year.

The accounting period is the period after which advance payments are made. It is either a quarter (three calendar months) for taxpayers, or "taxpayers have the right to switch to calculating monthly advance payments based on the actual profit to be calculated." (*The Tax Code...*, 2000)

The accounting periods for taxpayers who calculate monthly advance payments based on the actual profit received are one month, two months, three months, etc., until the end of the calendar year.

It is important to emphasize that when switching to the mode of making advance payments based on actual profit, this is fixed in the organisation's accounting policy for the next tax period.

According to Article 284 of the Tax Code of the Russian Federation, the income tax rate is 20%, except for some exceptions. At the same time, 3% of accrued corporate income tax is paid to the Federal Budget, and 17% is transferred to local budgets of the Russian Federation.

The legislation establishes that the tax rate that goes to the budget of the subjects of the Russian Federation may be set lower for certain categories of taxpayers by the laws of these subjects of the Russian Federation.

In addition, there is a preferential rate of zero percent. This rate can be used by medical and educational institutions (if these institutions comply with Russian Federation legislation) (*Bushinskaya, 2022*).

For tax purposes, the income of an organisation can be divided into two groups:

- (a) income that is considered when taxing profits:
 - income from the sale of products (goods, works, services),
 - non-operating income.
- (b) income that is not accepted for tax purposes.

Income is considered an economic benefit in monetary or physical terms, but not every economic benefit will be recognised as income. To do this, according to Chapter 25 of the Tax Code of the Russian Federation, the following conditions must be met: it was received in monetary terms or other property, its size can be estimated, and other rules of Chapter 25 of the Tax Code of the Russian Federation are observed.

The taxpayer has the right to reduce the income received by the amount of expenses incurred. Expenses are justified and documented expenses that relate to the organisation's ongoing activities.

By analogy with income, expenses in tax accounting are also divided into expenses related to production and sales and non-operating expenses. There are also expenses that the organisation does not consider when taxing profits.

Expenses related to production and sales are classified as follows: material costs are the type of costs that form the cost of production, such as materials, raw materials, fuel and other resources.

Labour costs include all types of remuneration in cash and/or kind. These include incentive charges and allowances, compensation charges, bonuses, one-time incentives, and other expenses.

Depreciation charges are the taxpayer's expenses on depreciable property. Depreciable property is defined as property owned by the entity, used by the entity to generate income, and for which the cost is recovered through depreciation.

Non-operating costs include expenses related to the production process, which the groups listed above do not recognise.

“There are two income and expense recognition methods—the accrual method and the cash method, each of which has advantages and disadvantages. With the accrual method, the organisation considers income and expenses in the period they occur, regardless of the actual cash flow in the account or the cash register. With the cash method, income and expenses are accounted for on the date of receipt or withdrawal of funds. However, the cash method can

only be used by those organisations whose sales revenue, excluding VAT, for the previous four quarters did not exceed one million rubles on average for each quarter.”

Article 287 of the Tax Code of the Russian Federation describes in detail how and in what order to pay income tax. It also indicates the exact dates for transferring the amount of tax and advance payments to the budget.

Thus, the year-end tax should be paid no later than filing the tax return, no later than March 28 next year.

However, the deadline for making advance payments based on the results of the reporting periods depends on how the organisation calculates the advance payments. If a quarter is recognised as an organisation’s reporting period, then the quarterly advance must be transferred by the 28th day of the following month.

Sometimes, the company pays monthly payments in addition to the quarterly advance. The organisation will then pay more monthly advance payments within the quarter until the 28th of the following month.

At the same time, monthly advances paid are credited to the quarterly advance, and quarterly advances are credited to the tax for the year. The same organisations that pay advances based on actual profits transfer them no later than the 28th day of the month following the one on which the tax is calculated.

Taxpayers must submit tax returns after each reporting and tax period ([Maksuron, 2024](#)).

Quarterly reports are submitted to the tax authority at the place of registration of the enterprise no later than the 28th day of the month following the reporting one, and the annual declaration is submitted no later than April 28.

The Specifics of Calculating and Collecting Taxes

Income tax is calculated according to the following basic formula:

$$T_i = T_b \times T_r,$$

where

T_b is income tax base, ruble;

T_r is income tax rate, ruble.

The monetary value of profit is called the tax base. As a general rule, profit is income earned minus expenses incurred. Profit is determined on an accrual basis from the beginning of the tax period. The base is determined at a total rate of 20%.

If the rate is different, then the tax base is calculated differently. According to them, the taxpayer keeps separate records of income and expenses. Accounting for income and expenses, as well as calculating the financial result of transactions that are accounted for in a special manner, are performed separately. For example, special features are provided for banks, insurance companies, and professional securities market participants to determine the tax base. These features are prescribed in Articles 290-299 of the Tax Code.

Taxpayers who use special tax regimes do not consider income and expenses related to such regimes when calculating the tax base. Gambling business organisations and organisations that have switched to the Unified Tax System keep separate records of income and expenses.

The calculation of the tax base is performed by the organisation independently based on tax accounting data on an accrual basis from the beginning of the tax period and must contain

the following data:

- (1) the period for which the tax base is determined (from the beginning of the tax period);
- (2) the total amount of sales revenue that was received in the reporting (tax) period;
- (3) a set of expenses that reduce the amount of revenue from sales;
- (4) profit (loss) from sales;
- (5) the amount of non-operating income;
- (6) the amount of non-operating expenses;
- (7) profit (loss) from non-sales operations (*Nikitin, 2022*).

The tax base is formed in two well-known ways: the accrual method and the cash method. According to the cash method, revenue is recognised as goods are shipped, unlike the accrual method, recognising revenue as goods are paid for.

When a taxpayer chooses an accrual method, income and expenses are recognised strictly following the procedure in Articles 271 and 272 of the Tax Code. The procedure for determining income and expenses using the cash method is defined in Article 273 of the Code.

All organisations should use the first one as their main one. The cash method is used by organisations where the revenue from the sale of goods (works, services), excluding VAT, does not exceed the limit established by law.

The tax base is formed during the tax period, which is equal to a calendar year. In addition, there are accounting periods. They are recognised as the first quarter, half-year, nine months, and year. Accordingly, income tax is paid based on the calendar year's results.

The organisation may incur a loss based on the reporting or tax period results. In this case, the tax base is recognised as zero. According to Article 283 of the Tax Code of the Russian Federation, a legal entity may transfer to the current accounting (tax) period the amount of losses received in previous tax periods. A loss that has not been advanced to the next year may be advanced in whole or in part to the following years.

An important element of the tax is its rate. For most organisations, the tax rate is 20%, including the federal part (2.0%), and the regional part (18.0%). For the period 2017-2020, the tax distribution between the budgets of these two levels has been changed and amounts to 3% and 17%, respectively.

For certain categories of taxpayers, the tax rate to be credited to the budgets of the subjects of the federation may be lowered by the laws of these subjects to 13.5%. Concerning organisations that are residents of the SEZ, provided that they keep separate records of income and expenses from activities performed on the zone's territory and beyond, the regional authorities set a tax rate not higher than 13.5%.

The ultra-low rate (up to zero percent) is set by the Tax Code of the Russian Federation, subject to a number of conditions for organisations engaged in educational or medical activities; residents of the technical and innovation SEZ, agricultural producers, participants in regional investment projects, and other legal entities. The tax rates on income of foreign organisations that are not related to activities in Russia through a permanent representative office are set at the following amounts: 10%—from the use, maintenance or rental of vehicles in connection with international transportation; 20%—for the rest of the income of these organisations. Rates of 0, 13 or 15% are provided for dividends, depending on the situation, and for income from securities, 0, 9, 15, 30%.

There are several ways to calculate and pay income tax:

1. Based on the first quarter's results, six months, nine months and a year, plus monthly advance payments within each quarter.

That is, the organisation calculates an advance payment based on the results of each reporting period, based on the tax rate and taxable profit calculated on an accrual basis from the beginning of the tax period to the end of the reporting (tax) period. During the reporting period, it determines the amount of the monthly advance payment, assumed to be equal to

- the first quarter, the amount of the monthly advance payment that was due in the last quarter of the previous tax period;
- the second quarter, one-third of the amount of the advance payment, which was calculated for the first reporting period of the current year;
- the third quarter, one-third of the difference between the amounts of advance payments, which are calculated based on the results of the six months and the first quarter;
- the fourth quarter, there was a one-third difference between the amounts of advance payments calculated based on the results for nine months and six months.

2. Quarterly payments based on the results of the tax period, without paying monthly advance payments.

This method applies to organisations whose sales revenue for the previous four quarters did not exceed an average of 15 million rubles per quarter. The tax is also paid quarterly by budgetary and autonomous institutions (with some exceptions), foreign organisations operating in the Russian Federation through a permanent mission, and non-profit organisations that do not have income from the sale of goods and services.

3. Monthly advance payments based on the actual profit received.

In this case, the calculation is based on the tax rate and the actual profit received, calculated on an accrual basis from the beginning of the tax period until the end of the corresponding month. The amount of advance payments to be paid to the budget is determined considering the previously accrued amounts of advance payments. When switching to this payment method from the next tax period, the organisation notifies the tax authority no later than December 31 of the current year. At the same time, the payment system cannot change during the tax period. The method adopted by a legal entity should be worth fixing in its accounting policy ([Kameneva, 2024](#)).

Thus, corporate income tax is a special type of tax in the Russian Federation's tax system because it is the only one calculated according to accounting and tax accounting.

Conclusion

Thus, in the modern world, tax revenues are mandatory deductions and form the majority of budget revenues at various levels; they are the main source of funds for any state. Timely payment of taxes and fees affects the economic security of the country and the quality of life of society as a whole.

Any state, including the Russian Federation, must develop and create a tax system that meets all the requirements.

The main task of the tax authorities is to monitor compliance with tax legislation, the

correctness and completeness of tax calculations and mandatory payments, and timely payments to budgets of various levels of the Russian Federation.

The first part of the study examines the theoretical foundations of income tax in the Russian Federation's tax system. All organisations and enterprises registered in the Russian Federation must pay a direct tax to the state budget. Income tax, along with VAT, is the leading tax that performs a fiscal function, that is, fills the state treasury.

Income tax is a federal tax. During the year, companies pay advance payments and submit corporate income tax returns. Note that some categories of organisations do not pay income tax. These are the companies that have switched to a special mode. It has been revealed that, as for most taxes, the calendar year acts as the income tax period. After it is completed, the final annual payment is paid, considering the advance payments made during the year, and the tax return is submitted.

Income tax, like other taxes in force in the Russian Federation, makes a significant contribution to the country's budget. This is especially true of the structure of revenues to the consolidated budgets of the Russian Federation's constituent entities, where the share of income tax in the last year was about 31%.

The second part analyses the current procedure for calculating corporate income tax. Income tax is one of the most important sources of revenue for the State budget. The object of taxation is the profit received by the organisation. Income is an economic benefit in kind or in cash. The tax period is a calendar year. Reporting periods: 1st quarter, half-year, and nine months of the calendar year. The tax base is the monetary value of the profit that is taxable. If expenses exceed income by the end of the calendar year, the tax base is assigned a zero value.

According to Article 284 of the Tax Code of the Russian Federation, the income tax rate is 20%, except for some exceptions: 3% of the accrued corporate income tax goes to the Federal Budget, and 17% is transferred to local budgets of the Russian Federation. Local governments can reduce this tax rate for certain categories of taxpayers, but only to 13.5%.

In the course of further tax reform, it is necessary to improve the corporate income tax to increase not the tax burden on each specific enterprise but the number of taxpayers who have made a profit based on the results of their activities and have shown real income in their declarations. At the same time, it is necessary to ensure that medium and small businesses can quickly pay off their tax obligations without prejudice to their financial condition and invest the net profit for expanded reproduction.

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Appendix

Table 1. Rules for attributing income to a taxpayer's profit

The taxpayer	Profit for tax purposes
Russian organisation	Income received, reduced by the amount of expenses incurred
A foreign organisation operating in the Russian Federation through permanent representative offices	Income received through permanent representative offices, reduced by the amount of expenses incurred by these representative offices
A foreign organisation	Income received from sources in the Russian Federation

The legal status of the Federal Treasury in the Russian Federation ^[4]

Abstract: The Federal Treasury is a body of state executive power responsible for ensuring the execution of the federal budget, cash services for the execution of budgets of the Russian Federation's budgetary system, and preliminary and ongoing control over the conduct of transactions with federal budget funds by the chief administrators and recipients of federal budget funds. The Federal Treasury plays a significant role in Russia: it is under the jurisdiction of the Ministry of Finance of the Russian Federation. It is part of a single centralised system organised by this department to implement the state's budget policy. The study object is the tasks and functions of the Federal Treasury of the Russian Federation, and the subject consists of the results of the activities of the Federal Treasury of the Russian Federation. The study aims to examine the role of the federal Treasury in the financial authorities' system in Russia and determine the prospects for improving the current treasury system. The study's theoretical basis was a relatively wide range of scientific developments and research. I mainly used regulatory legal acts and available articles that reveal my chosen topic of work. During the writing of this study, the regulatory framework was such as The Budget Code of the Russian Federation, Federal Law No. 104-FZ dated May 7, 2013, Decree of the Government of the Russian Federation No. 703 dated December 1, 2004, Decree of the President of the Russian Federation No. 1556 dated December 8, 1992, Order of the Treasury of Russia No. 121 dated June 28, 2013, Order of the Ministry of Finance of Russia No. 61 dated April 8, 2020. The author concludes that the peculiarity of the functions assigned to the General Directorate is determined by the fact that it directs the work of all treasury bodies and organises through them the budgetary and financial execution of the federal budget and extra-budgetary funds, as well as performs other functions.

Keywords: Russian Federation, federal treasury, federal budget, extra-budgetary funds, budget execution.

Abbreviations:

COFT is the central office of the Federal Treasury,

MDFT is the Main Directorate of the Federal Treasury,

TDFT is the territorial department of the Federal Treasury,

TOFT is the territorial office of the Federal Treasury.

Introduction

The Federal Treasury is a body of state executive power responsible for ensuring the execution of the federal budget, cash services for the execution of budgets of the Russian Federation's budgetary system, and preliminary and ongoing control over the conduct of transactions with federal budget funds by the chief administrators and recipients of federal budget funds.

The Federal Treasury plays a significant role in Russia. It is under the jurisdiction of the Ministry of Finance of the Russian Federation. It is part of a single centralised system organised by this department to implement the state budget policy.

The study object is the tasks and functions of the Federal Treasury of the Russian Federation, and the subject consists of the results of the activities of the Federal Treasury of the Russian Federation.

The study aims to examine the role of the federal Treasury in Russia's financial authorities system and determine the prospects for improving the current treasury system.

To achieve this goal, it is necessary to solve the following tasks:

- consider the stages of the formation of the Federal Treasury;
- explore the essence and functions of the Federal Treasury;
- consider the organisational and legal bases of the treasury budget execution system;
- identify the role of the Federal Treasury in the system of financial authorities in Russia;
- analyse the state and prospects of improving the Federal Treasury in managing the budget process.

The study's theoretical basis was a relatively wide range of scientific developments and research. I mainly used regulatory legal acts and available articles that reveal my chosen topic of work.

During the writing of this study, the regulatory framework was such as The Budget Code of the Russian Federation, Federal Law No. 104-FZ dated May 7, 2013, Decree of the Government of the Russian Federation No. 703 dated December 1, 2004, Decree of the President of the Russian Federation No. 1556 dated December 8, 1992, Order of the Treasury of Russia No. 121 dated June 28, 2013, Order of the Ministry of Finance of Russia No. 61 dated April 8, 2020.

This work will be useful for those who wish to learn more about the Institute of the Federal Treasury and can serve as a good basis for a more in-depth study of the above topic.

Results

The Theoretical Basis of the Federal Treasury in the Russian Federation

The Concept and History of Developing the Federal Treasury of the Russian Federation

To fully immerse myself in my chosen topic, I would first like to turn to historical sources and focus on the theoretical basis of this financial institution. At the moment, the most complete concept of the Federal Treasury can be found in the Decree of the Government of the Russian Federation "On the Federal Treasury" (2004), clarifying that the Treasury of Russia is a federal executive authority that, according to the legislation of the Russian Federation, performs law enforcement functions to ensure the execution of the federal budget, exercise the powers of the operator of the treasury payments system, treasury services, treasury support, budget monitoring in the treasury payments system, cash services for executing the budget of the Union State, management of balances on the unified treasury account and the unified federal budget account, control and supervision in the financial and budgetary sphere, control (analysis) of economic and business operations of state corporations (companies), publicly-owned companies and business entities, etc.

The issue of the beginning of developing this institution is very controversial; some sources mention Ancient Russia, during which a position such as treasurer arose (Kostyuchenko, 2005), whose main job was to record and store princely valuables. Subsequently, as the treasury

increased, the treasurer position became more valued and required additional control. Thus, during the reign of Ivan the Third, the first government yards appeared. Their main activities involved producing and storing royal treasury valuables, trading operations for royal needs, and financing state-important projects (*Zaitsev, 2023*).

An important leap in developing the Federal Treasury was the emergence of Accounting and Treasury offices at the beginning of the 18th century, which monitored the receipt of taxes. Also, during the reign of Peter the Great, three important financial boards appeared: the chamber board, which was in charge of state revenues and property; the staff office board, which was in charge of state expenditures; and the audit board, which oversaw the spending of funds by government agencies.

Under Catherine the Second, the government and finance continued to evolve. Many financial functions were transferred to places in the province, and in St. Petersburg, the chamber and revision boards were merged into the Treasury Chamber. The Treasury Chamber was entrusted with financial and control matters in the broadest sense. Locally, the Treasury Chamber was responsible for the county treasuries in the counties. At the end of the reign of Catherine the Second and then Paul the First, all state financial management was concentrated in the hands of the Prosecutor General, who was also the Chief Treasurer.

In 1796, Emperor Paul I (1796–1801) introduced the post of State treasurer to strengthen the centralisation of the treasury service. Count A.I. Vasiliev occupied this post. Since then, the state's financial management has become independent and centralised.

In 1802, Emperor Alexander I (1801–1825) performed another public administration reform, establishing the Ministry of Finance, which included the Treasury. The same Count A.I. Vasiliev was appointed to the post of head of the department. Under his leadership, in 1804, the state budget was drawn up for the first time, reflecting both the revenues of the treasury and its expenses. The system created by A.I. Vasiliev, in fact, existed until 1918 without undergoing significant changes.

It is necessary to note the events of October 1917, which became a fatal milestone for the well-established treasury system. In November 1918, by decree of the Council of People's Commissars of the RSFSR, the Treasury and its local bodies were abolished and annexed to the institutions of the National Bank. The centuries-old history of treasury development stopped for 70 years.

With the collapse of the USSR and the reform of the banking system in the Russian Federation, budgetary funds ended up in non-governmental commercial banks, for which budget execution was no longer a priority area of activity, and they considered public finance as a credit resource. The lack of proper accounting of budget funds led to a weakening of control over their spending, and there were constant delays in budget calculations. The situation was aggravated by massive bankruptcies of credit institutions and the widespread transition to non-monetary settlements with budgets (tax exemptions, offsets, etc.).

The issue of creating a new financial authority capable of executing the budget has become acute. By Decree of the President of the Russian Federation B.N. Yeltsin No. 1556 "On the Federal Treasury" (*1992*), the treasury system of budget execution in Russia was revived. The Main Directorate of the Federal Treasury was established as part of the Ministry of Finance of the Russian Federation with territorial bodies in all regions of the country.

When recreating the treasury system, the goal was to preserve the continuity of traditions, experience and the role of the treasury institutions of the Russian state, to endow it with the functions and powers of not only the state cashier and controller, but also the manager of public finances.

A.V. Smirnov, Deputy Minister of Finance of the Russian Federation, founded and was the first head of the Main Directorate of the Federal Treasury. During the first years of the Treasury's work, a network of territorial bodies was organised, initial regulatory documents and principles of interaction with other participants in the budget process were developed, and the execution of the federal revenue budget was organised.

In 1998, the Treasury Department was headed by T.G. Nesterenko, a statesman, a first-class economist, and an experimenter who completed the formation of the treasury system. During her leadership, the maximum coverage of federal budget funds by treasury procedures was achieved, the necessary set of regulatory documents regulating procedures for the execution and accounting of transactions with federal budget funds was developed and implemented, and conceptual documents were prepared and approved that establish a strategy for the full-scale development of the treasury system in Russia.

In 1995, the Treasury began executing the federal budget in terms of expenditures, from the moment the Federal Treasury opened the balance accounts "Federal Budget Funds." Accounts were opened mainly in the cash settlement centers of the Bank of Russia, and their absence in other credit institutions.

An important step in developing the treasury system was the transition in 1996 to servicing recipients of federal budget funds through personal accounts opened by them in the Federal Treasury.

2001 marked the beginning of a new stage in the transformation of the treasury system. To improve the efficiency of public finance management and centralise the accounting of federal budget funds, a concept for the operation of a Single Treasury Account was developed. Later, unified treasury accounts of state extra-budgetary funds and budgets of constituent entities of the Russian Federation and municipalities were created. All of them are opened and maintained in the Bank of Russia, and the Federal Treasury successfully manages the liquidity of a single treasury account, which ensures the mobilisation of additional revenues to the treasury.

During the administrative reform in 2005, by Decree of the President of Russia, the Federal Treasury was separated from the Ministry of Finance of Russia and transformed into a separate federal service.

Legal status of the Federal Treasury of the Russian Federation

The Russian treasury system is constantly in the process of development and modernisation. Work is continuously underway to improve the operational procedures for treasury and budget execution accounting. Special attention is paid to improving the payment processing process and monitoring the implementation of expenditures by budget recipients.

The Federal Treasury performs preliminary and ongoing control over the movement of funds of all participants in the budget process. Previously, control over the targeted use of budget funds was performed after they were spent, but now, at the stages of making payments, the compliance of expenses with the submitted documents is checked, the non-excess of clients'

cash costs over the limits of financing brought to them, and confirmation of the proper implementation of government contracts concluded by them. From this, it can be concluded that the emphasis is on preventing the misuse of budget funds.

The Federal Treasury of the Russian Federation is guided by the Constitution of the Russian Federation and the laws of the Russian Federation, decrees and orders of the President of the Russian Federation, resolutions and orders of the Government of the Russian Federation, Regulations on the Federal Treasury of the Russian Federation approved by the Government of the Russian Federation, as well as orders and orders of the Minister of Finance of the Russian Federation.

The Federal Treasury includes

- (a) The Main Directorate of the Federal Treasury of the Ministry of Finance of the Russian Federation;
- (b) territorial bodies of the Federal Treasury for the subjects of the Russian Federation, cities (except for cities of regional subordination), districts and districts in cities.

Tasks, Goals and Powers of the Federal Treasury

The main tasks of the Federal Treasury bodies include

- management of federal budget revenues and expenditures, organisation, implementation and control of its execution;
- regulation of financial relations between the budgets of state extra-budgetary funds and the federal budget, their execution, control of the receipt and use of financial resources of these funds;
- short-term forecasting of public financial resources and their operational management;
- collection, processing and analysis of data on the state of state finances, reporting to legislative and executive bodies on financial transactions performed by the Government of the Russian Federation on the federal budget and the state of the budget system as a whole;
- management and servicing of the state internal and external debt of the Russian Federation jointly with the Bank of Russia and other banks with such powers;
- development of methods and instructions on the procedure for accounting transactions within the competence of the Treasury, preparation of a draft budget classification, and accounting of the state treasury of the Russian Federation.

The main tasks and functions of the Federal Treasury are fixed in the Budget Code of the Russian Federation (*The Budget Code ..., 1998*), introduced in early 2000, as well as in the Order of the Treasury of Russia “On Approval of the Procedure for Maintaining the List of Functions of the Federal Treasury” (2013). According to the above regulatory documents, the following functions are distinguished:

- ensuring the execution of the Federal Budget;
- cash register service;
- Revenue accounting;
- budget accounting;
- formation of budget reports;

- management and maintenance of government information systems;
The Federal Treasury has the following budgetary powers:
- distributes income from taxes, fees and other receipts, considering transfers of unduly distributed amounts and refunds (offsets, clarifications) of overpaid or overpaid amounts, as well as interest amounts for late implementation of such refunds and interest accrued on unduly collected amounts, between the budgets of the budgetary system of the Russian Federation according to the standards in force in the Russian Federation. in the current financial year, and their transfer to the unified accounts of the respective budgets according to the procedure established by the Ministry of Finance of the Russian Federation.;
- transfers unduly distributed amounts, funds necessary to make refunds (offsets, clarifications) of overpaid or overpaid amounts of taxes, fees and other payments, as well as interest amounts for late repayment of such refunds and interest accrued on unduly collected amounts from the unified accounts of the relevant budgets to the Treasury account for implementation and reflection accounting and distribution of receipts according to the procedure established by the Ministry of Finance of the Russian Federation;
- opens accounts with the Central Bank of the Russian Federation and credit institutions and establishes the regime of these accounts;
- suspends operations on personal accounts opened by the chief administrators, managers and recipients of federal budget funds in the bodies of the Federal Treasury in cases stipulated by the budget legislation of the Russian Federation, according to the procedure established by the Ministry of Finance of the Russian Federation;
- performs undisputed recovery of the amount of funds provided from one budget of the budgetary system of the Russian Federation to another budget of the budgetary system of the Russian Federation, and (or) the amount of fees for the use of these funds and penalties for their late repayment in the following cases;
- performs operations to manage the balance of funds in a single treasury account;
- establishes the procedure for treasury services;
- provides treasury support;
- conducts budget monitoring in the treasury payments system;
- performs the opening and maintenance of personal accounts according to the procedure established by him;
- systems of the Russian Federation (register of final recipients);
- maintains a register of state (municipal) support measures according to the procedure established by the Government of the Russian Federation;
- maintains a register of investment projects with state (municipal) support in the form of an investment tax deduction according to the procedure established by him in coordination with the Ministry of Economic Development of the Russian Federation and the Ministry of Finance of the Russian Federation;

- communicates with the chief administrators of the federal budget funds, the budget appropriations, and limits of budget obligations received from the Ministry of Finance of the Russian Federation;
- performs the preparation and maintenance of the cash plan for the execution of the federal budget;
- submits orders on the transfer of funds for operations on the bank accounts of the Federal Treasury, which are part of the unified Treasury account, and also predicts the movement of funds in the unified Treasury account according to the procedure established by it;
- informs the chief administrators of the sources of financing the federal budget deficit of the budget appropriations submitted by the Ministry of Finance of the Russian Federation;
- communicates to the administrators and recipients of federal budget funds the budget allocations and limits of budget obligations allocated by the chief administrators of federal budget funds;
- communicates to the administrators of the sources of financing the federal budget deficit, the budgetary allocations allocated by the Chief Administrator of the sources of financing the federal budget deficit;
- maintains treasury records of operations related to the execution of the federal budget, prepares and submits treasury reports, as well as reports on the execution of the federal budget, to the Ministry of Finance of the Russian Federation;
- receives from the chief administrators of federal budget funds, chief administrators of sources of financing the federal budget deficit, and chief administrators of federal budget revenues the materials necessary for the preparation of budget reports on the execution of the federal budget;
- prepares, based on budget reports submitted by the chief administrators of federal budget funds, the chief administrators of federal budget revenues, and the chief administrators of sources of financing the federal budget deficit, budget reports on the execution of the federal budget and submits them to the Ministry of Finance of the Russian Federation;
- prepares and submits to the Ministry of Finance of the Russian Federation a report on the execution of the consolidated budget of the Russian Federation and the budgets of state extra-budgetary funds based on the report on the execution of the federal budget, reports and materials provided by the management bodies of state extra-budgetary funds of the Russian Federation, the financial authorities of the subjects of the Russian Federation, as well as information on public finance statistics;
- ensures, within the limits of the funds remaining in the unified budget accounts, transfers from budgets on behalf of and on behalf of administrators of budget revenues, administrators of sources of financing budget deficits, financial authorities (management bodies of state extra-budgetary funds) or recipients of budget funds whose personal accounts are open with the Federal Treasury;
- authorises the payment of monetary obligations of recipients of federal budget funds and administrators of sources of financing the federal budget deficit, whose personal accounts are opened in the Federal Treasury;

- establishes the procedure for providing the Federal Treasury with cash and funds intended for settlements on transactions performed using payment cards to participants in the treasury payment system;
- performs operations to manage fund balances on a single budget account;
- establishes the forms of documents within the framework of procedures approved by the Federal Treasury;
- maintains the unified portal of the Russian Federation's budget system;
- allocates funds from insurance contributions to finance an accumulative pension, additional insurance contributions to an accumulative pension, employer contributions to the insured person paid to the Pension and Social Insurance Fund of the Russian Federation during the financial year, and funds from the reserve Fund of the Pension and Social Insurance Fund of the Russian Federation for compulsory pension insurance for balance management operations funds in a single federal budget account;
- maintains, develops and maintains the State Information System on State and Municipal Payments;
- establishes, in agreement with the Central Bank of the Russian Federation, the procedure for maintaining the State Information System on State and Municipal Payments;
- allocates a reserve of funds for the implementation of compulsory social insurance against industrial accidents and occupational diseases to perform operations to manage the balance of funds on a single account of the federal budget;
- exercises other budgetary powers.

The objectives of the activity are

1. Provide cash services to the subjects of the public administration sector. The strategic task is to provide cash services for executing budgets of the Russian Federation's budgetary system, accounting for transactions with funds of persons who do not participate in the budget process, and forming budget reports.
2. To form a unified information space for the financial activities of public legal entities of the Russian Federation. The tasks are to ensure transparency and accessibility of information about the public sector and public finances; creation and development of the state integrated information system for public finance management "Electronic Budget"; participation of the Federal Treasury in the contract system and creation of conditions to ensure the centralisation of accounting for the execution of budgets of public entities in the bodies of the Federal Treasury.
3. Improve the system of budget payments. The task at the same time is to reform this system.
4. To ensure the effective management of the state's financial resources, he needs to improve the efficiency of financial resource management processes in the Russian Federation.
5. Improve the enforceability of judicial acts and tax authorities' decisions. The task is to ensure the decisions of the tax authorities, the organisation of the execution of judicial acts, and the pilot implementation of the organisation of the execution of an electronic

executive document in the formats approved by the decree of the Government of the Russian Federation.

6. Provide treasury support for government contracts and agreements. This task involves providing treasury support for government contracts and agreements, and contracts concluded as part of their execution.
7. Form a unified information environment in the Russian Federation. The strategic objective is to systematise economic and social information in the relevant field.

Thus, the Federal Treasury has gone through quite a long development path and now performs many important functions. The activities of the Federal Treasury bodies are related to all financial flows of the state and municipal finance sector, on which the state of the budget and the quality of its execution depend.

Organisation of Activities and Structure of the Federal Treasury of the Russian Federation

The System of Bodies of the Federal Treasury

The Federal Treasury bodies are single centralised systems based on the principle of a multi-level and hierarchical organisation, where each level has its own tasks, functions, and specifics.

The first level is federal. The MDFT is the governing body of the entire treasury system, and all subordinate territorial bodies of the Treasury are subordinate to it. The head of the MDFT is appointed and dismissed by the Russian Federation's government on the recommendation of the Minister of Finance.

The second level is regional, i.e., TDFTs for republics, territories, regions, autonomous okrugs, and the cities of Moscow and St. Petersburg. The Minister of Finance appoints and dismisses the heads of TDFTs on the recommendation of the head of the MDFT.

The third level is local, i.e., TOFTs for cities, districts, etc. TOFT heads are appointed and dismissed by the heads of higher authorities in the constituent entities of the Russian Federation.

As of November 17, 2023, the COFT includes 22 structural divisions (departments).

The territorial bodies are: There are six interregional departments located in Moscow, as well as 89 Federal Treasury departments for the constituent entities of the Russian Federation located in the administrative centers of the constituent entities of the Russian Federation.

Organisation of the Federal Treasury's Activities

The Federal Treasury is headed by a head appointed and dismissed by the Government of the Russian Federation on the recommendation of the Minister of Finance of the Russian Federation (*On the Federal Treasury, 2004*).

The Federal Treasury's head is personally responsible for exercising the powers assigned to the Federal Treasury.

The Head of the Federal Treasury has deputies appointed and dismissed by the Russian Federation's government on the recommendation of the Russian Federation's Minister of Finance.

The Government of the Russian Federation sets the number of deputy heads of the Federal Treasury.

Powers of the head of the Federal Treasury:

- (1) distributes duties among his deputies;
- (2) submits to the Minister of Finance of the Russian Federation:
 - draft regulations on the Federal Treasury;
 - proposals on the maximum number and remuneration fund of employees of the COFT and TOFTs;
 - proposals for the appointment and dismissal of deputy heads of the Federal Treasury;
 - proposals for the appointment and dismissal of heads of TOFTs;
 - draft annual plan and forecast performance indicators of the Federal Treasury, as well as a report on their implementation;
 - proposals for the formation of a draft federal budget in terms of financial support for the activities of the Federal Treasury;
 - draft regulations on the TOFTs;
- (3) appoints and dismisses employees of the COFT and deputy heads of TOFTs, heads of subordinate federal government institutions;
- (4) resolves, according to the legislation of the Russian Federation on civil service, issues related to federal public service in the Federal Treasury;
- (5) approves the regulations on the structural divisions of the COFTs;
- (6) approves the structure and staffing table of the COFT within the limits of the wage fund and the number of employees established by the Government of the Russian Federation, and the cost estimates for the maintenance of the COFT within the limits of the appropriations provided for in the federal budget approved for the relevant period;
- (7) approves the number and remuneration fund of employees of the TOFTs within the limits of the indicators established by the Government of the Russian Federation, as well as the cost estimates for their maintenance within the limits of the appropriations approved for the relevant period provided for in the federal budget;
- (8) approves, according to the established procedure, the regulations on departmental awards of the Federal Treasury and the description of these awards;
- (9) based on and in pursuance of the Constitution of the Russian Federation, federal constitutional laws, federal laws, acts of the President of the Russian Federation, the Government of the Russian Federation and the Ministry of Finance of the Russian Federation, issues orders on matters falling within the competence of the Federal Treasury.

The costs of maintaining the COFT and TOFTs are financed from funds provided for in the federal budget.

The Federal Treasury is a legal entity. Its seal features the image of the State Emblem of the Russian Federation and its name. Other seals, stamps, and letterheads follow the established pattern. Accounts are opened according to the Russian Federation legislation.

The Federal Treasury has the right to a heraldic badge—an emblem, flag, and pennant—established by the Ministry of Finance of the Russian Federation in coordination with the Heraldic Council under the President of the Russian Federation.

Conclusion

The Treasury has gone through a long and challenging development path. Its history is inseparable from the history of developing the Russian state as a whole.

The Federal Treasury performs many different functions. All functions performed by the Treasury are considered in the context of its hierarchical structure. This is because the functions of the treasury system at the federal, regional, and local levels are different and have their specifics. The peculiarity of the functions assigned to the Main Directorate is determined by the fact that it directs the work of all treasury bodies, organises through them the budgetary and financial execution of the federal budget and extra-budgetary funds, and performs other functions.

The role of the Federal Treasury in the budgetary process is quite significant since it is responsible for budget execution, managing federal budget revenues and expenditures and other centralised financial resources under the government's jurisdiction, and managing funds held in relevant bank accounts.

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The Legal Basis of the Russian Monetary System ^[5]

Abstract: The monetary system is one of the main factors regulating the impact of the state on the economy, determining the methods and possibilities of stabilizing inflation and negative trends. The modern monetary system is a collection of credit money and the institutions that issue, distribute, circulate, and coordinate it. The main institution of the monetary system is the banking system. The process of globalization unfolding in the world is leading to the elimination of borders between national monetary circulation systems. As a result, a single financial space and a global capital market are being created. The Russian economy cannot stay away from the process of global integration. Isolation has a negative impact on domestic market reforms. The study object is social, economic and financial relations in the sphere of functioning of the monetary system. The study subject is the fundamentals of the monetary system of the Russian Federation. The purpose aims to examine the monetary system of the Russian Federation. The study used methods such as analysis, synthesis, generalisation, as well as statistical, graphical and comparative methods. The author concludes that monetary systems are subsystems of the general formation of the economic system. The monetary system operates within the framework of general and special monetary legislation and is subject to the general legal norms of the company. One of the special indicators is the monetary base, which includes cash in circulation, including cash at the cash desks of commercial banks, funds in the Reserve Fund of Claims and funds on correspondent accounts of the Bank of Russia in commercial banks. The analysis of the dynamics of the money supply did not reveal significant trends. Aggregate demand is unlikely to put upward pressure on inflation. It is established that the regulation of monetary circulation, entrusted to the Bank of Russia, is performed in accordance with the main directions of monetary policy, is formed and approved in accordance with the procedure established by the Law on Banks.

Keywords: Bank of Russia, banking system, monetary system, Russian economy.

Abbreviations:

CBR is the Central Bank of Russia,

CSC is cash settlement center,

IPS is International Payment System,

SWIFT is the Society for Worldwide Interbank Telecommunications.

Introduction

The monetary system is one of the main factors regulating the impact of the state on the economy, determining the methods and possibilities of stabilising inflation and negative trends. The modern monetary system is the result of a long historical development and the adaptation of credit institutions to the needs of a market economy. The modern monetary system is a collection of credit money and the institutions that issue, distribute, circulate, and coordinate it. The main institution of the monetary system is the banking system. Banks are the only producers and suppliers of credit money in economic circulation. If non-bank credit organisations raise funds and issue loans, then banks generate new funds and collect them to issue loans. The separation of cash flows and capital flows in the form of money requires an independent form

of regulation by the state. The movement of funds is regulated by the central bank, and the movement of loan capital is regulated by administrative and legal acts of the state.

Coordination of economic activity in a market system is carried out through markets by setting prices according to supply and demand. The market has two distinct types of economic decision makers—sellers and buyers. The main role in market decision-making is played by the prices that manufacturers and consumers rely on.

The main factor in the relative stability of the monetary system is its close relationship and interaction with the real sector of the economy. Flexibility is provided by the availability of various forms and functions of money and the self-regulation of the money market.

The modern Russian monetary system does not meet the needs of a market economy. It is not only far from a developed state, but also does not have all the necessary structural connections. The latter is the reason to assert that the Russian monetary system continues to be in the process of formation. In this regard, the scientific development of the objective logic of the formation of the Russian market monetary system and practical recommendations on its organization remain relevant.

The process of globalisation unfolding in the world is leading to the elimination of borders between national monetary circulation systems. As a result, a single financial space and a global capital market are being created. The Russian economy cannot stay away from the process of global integration. Isolation has a negative impact on domestic market reforms. However, the complete openness of the economy in the conditions of an immature monetary system and a weak national currency turns Russia into a conduit for solving the internal problems of developed countries.

The study object is social, economic and financial relations in the sphere of functioning of the monetary system.

The study subject is the fundamentals of the monetary system of the Russian Federation.

The purpose aims to examine the monetary system of the Russian Federation.

Base on the purpose, the tasks are following:

- consider the concept and structure of the monetary system;
- characterise the modern monetary system of the Russian Federation;
- analyse the indicators of the monetary system in the Russian Federation;
- identify ways of developing the monetary system in the Russian Federation.

The research used methods such as analysis, synthesis, generalisation, as well as statistical, graphical and comparative methods.

Results

Theoretical and Legal Foundations of the Organisation of the Monetary System of the Russian Federation

The Concept and Structure of the Monetary System

In present days, it is the definition of the national monetary system from the viewpoint of the first approach that is most often reflected in the relevant laws. This may be a law on the

monetary system of a country or a law regulating the activities of the central bank of that country as the main entity determining economic relations within the monetary system. Thus, in accordance with the expired Federal Law “On the Monetary System of the Russian Federation” (1992), the main provisions of which were almost completely transferred to the Federal Law “On the Central Bank of the Russian Federation (Bank of Russia)” (2002), the monetary system of the Russian Federation includes the following elements such as the official monetary unit, the organization of monetary circulation and its regulation, and the procedure for issuing cash (Abolikhina et al., 2024).

The monetary system is a form of organisation of monetary circulation, which has a historical character and changes in accordance with the essence of the economic system and the fundamentals of monetary policy. Its integral part is the national monetary system, which at the same time is relatively independent.

The monetary system is a form of organisation of monetary circulation in a country, i.e., the movement of money in cash and non-cash forms. It includes the following elements:

- monetary unit (the measure of money accepted in a country as a unit (ruble, dollar, etc.);
- price scale (the weight amount of monetary metal accepted in a country as a monetary unit and its constituent parts);
- types of money in the country, the order of their issue and circulation;
- the state apparatus responsible for regulating money circulation.

A monetary unit is a legally established monetary sign that serves to measure and express the price of any product. Monetary units are usually divided into smaller proportional parts. Most countries today use the decimal system of division.

The price scale is a means of expressing value in monetary units and a technical function of money. Currently, price scales are formed spontaneously and serve to measure the value of goods using prices.

Currently, there is no metal circulation system in any country. The main types of money are credit notes (banknotes), national banknotes (treasury notes) and change coins, which are the legal tender of the country.

Any monetary system consists of a number of elements. In our country, it is customary to distinguish between the following elements of monetary circulation:

- a monetary unit is a legally established monetary sign that is a means of measuring and comparing prices for goods, works, and services;
- types of money that are a legal means of payment (this includes credit money, as well as paper banknotes and coins);
- the country’s emission system is the procedure established at the legislative level for issuing money into circulation and withdrawing it;
- money circulation regulation is the process of monitoring the state of money circulation in a country and measures to stabilise and normalize it applied by the relevant authorities.

Since the money supply is one of the main elements of any monetary system, it is advisable to conduct a statistical analysis of monetary circulation in the Russian Federation.

The money supply is a set of money used to pay for goods and services and intended for accumulation by organizations, non-financial enterprises and the population.

The Russian monetary system belongs to the bimetallic type. The basis of Russia's modern monetary system is money that is not denominated in gold. The official monetary unit of the Russian Federation is the Russian ruble, equal to 100 kopecks. At the same time, according to the legislation, the official ratio between the monetary unit (ruble) and the precious metal (mainly gold) is not regulated. The authority to withdraw and issue cash belongs to the Bank of Russia, which is fully responsible for the circulation of cash in the economy.

When developing economic policy and setting quantitative benchmarks for macroeconomic proportions, governments use various aggregated indicators of the structure and volume of the money supply—monetary aggregates.

Metallic money circulation is inherently heterogeneous, since in different historical periods different metals and on different grounds could be used in monetary circulation. Silver and gold have traditionally been recognised as the main monetary metals, while in some periods copper money could also be used as exchange coins (*Yanova et al., 2024*).

Monetary aggregates are used in Russian financial statistics to analyse the changes in the money supply:

- unit M0 is cash in circulation;
- unit M1 is unit M0 + funds of enterprises in various bank accounts, demand deposits of the population, funds of insurance companies;
- unit M2 is unit M1 + term deposits of the population in savings banks, including compensation;
- Unit M3 is unit M2 + certificates and government loan bonds.

There are factors that affect the volume and structure of the money supply:

- the size of the official discount rate;
- transactions with securities on the open financial market.

An increase in the official exchange rate stimulates the inflow of foreign short-term capital into the country, stimulating the balance of payments and increasing the supply of foreign currency, which leads to a decrease in the exchange rate of foreign currency and an increase in the exchange rate of the national currency. A decrease in the official exchange rate has the opposite effect.

Financial regulation is a set of government measures to ensure that the amount of money meets the objective needs of economic development.

The main purpose of monetary regulation in the monetary system of the Russian Federation is to develop and legally consolidate a system of measures to ensure economic growth, curb inflation, ensure employment and balance of payments, and reduce structural economic imbalances in a market economy. It is the norms of financial law that regulate in detail the organization of the monetary system of the Russian Federation.

In addition, through financial and legal norms on the signs of the solvency of banknotes, on ensuring the order of cash circulation, the basics of organising settlements, determining the procedure for conducting cash transactions, etc., its effective functioning is achieved.

However, in practice, the legal regulation of the monetary system of the Russian Federation is performed primarily by the norms of financial law, as well as the norms of civil and criminal law. As for the rules of financial law, they are contained in a number of federal laws. These are

Federal Laws of the Russian Federation “On the Central Bank of the Russian Federation (Bank of Russia)” (2002), “On Banks and Banking Activities” (1990) and “On Currency Regulation and Currency Control.”

Many issues related to the activities of the CBR that ensure the functioning of the monetary system and require their detail (manufacture of banknotes, their transportation to the regions of the country, storage and collection, creation of reserve funds for banknotes, their withdrawal from circulation, destruction and replacement of obsolete and damaged banknotes) are regulated by the rules of financial law contained in departmental regulations acts of the CBR.

Characteristics of the Modern Monetary System of Russia

The Russian monetary system operates according to the Federal Law “On the Central Bank of the Russian Federation (Bank of Russia)” (2002), which defines its legal framework. The official monetary unit (currency) of our country is the ruble. The introduction of other monetary units on the territory of the Russian Federation is prohibited. The ratio between the ruble and gold or other precious metals is not legally defined. The official exchange rate of the ruble against foreign currency units is determined by the CBR and published in newspapers.

The CBR has the exclusive right to issue, circulate and withdraw cash on the territory of the Russian Federation. The CBR is responsible for the state of money circulation in order to maintain normal economic activity in the country.

The types of money that have the force of legal tender are banknotes and metal coins, which are backed by all assets of the CBR, including gold reserves, government securities and reserves of credit institutions with accounts in the CBR. The design of banknotes and coins is approved by the Bank of Russia. Information about the issue of new banknotes and coins and their descriptions are published in the mass media. New banknotes and coins are accepted throughout the country at their face value for all types of payments, as well as for crediting to accounts, deposits and money transfers. The withdrawal period for old banknotes is from one to five years. There are no restrictions on the amount or object of exchange. Banknotes and coins may be invalidated by law (invalidate legal tender). Counterfeiting and manufacturing of illegal coins are punishable by law.

In Russia, there is cash (banknotes and coins) and non-cash money (funds in the accounts of credit institutions). All issues related to the organisation and regulation of non-cash payments are established by the CBR according to current legislation. It defines the rules, forms, conditions and criteria for making non-cash payments. The Bank is responsible for the authorisation of payment systems of credit institutions.

The Russian currency—the ruble—is not legally linked to the monetary metal (gold), so its price does not have a fixed measure. The official price of the ruble is determined by the government. The regulation of monetary circulation, entrusted to the CBR, performs out in accordance with the main directions of monetary policy, formulated and approved according to the procedure established by the Law on Banks. The CBR has the exclusive right to issue money and is responsible, among other things, for maintaining a balanced monetary circulation.

Cash settlement centers are being established in the main offices of the CBR on the territory of the Russian Federation to provide cash services to credit institutions and other legal entities in the Russian Federation. Reserve funds are a stock of banknotes and coins in circulation in

the vaults of the CBR, and are important for the organisation and centralised regulation of cash resources. Cash is put into circulation on the basis of an issue permit. This document gives the CBR the right to replenish the circulating cash register from the reserve fund of banknotes and coins. The document is issued by the Board of Directors of the CBR within the limits of the emission directive established by the Government of the Russian Federation, that is, the maximum volume of money in circulation (*Zhivalov, 2015*).

Thus, the coins that have the force of legal tender on the territory of the Russian Federation are banknotes (banknotes) and metal coins, the samples of which are approved by the CBR. They are required to be accepted at face value for all types of payments, deposits, letters of credit, and money transfers throughout the Russian Federation.

Payments on the territory of the Russian Federation are made in the form of cash and non-cash payments. The CBR also approves samples of payment documents used for non-cash payments, such as payment orders, bills of exchange and checks. The CBR is responsible for planning the production of banknotes and coins, creating a reserve fund for banknotes and coins, defining rules for storing, transporting and collecting cash, establishing signs of banknote solvency and approving rules for conducting cash transactions.

The CBR carries out its monetary policy activities jointly with the Government of the Russian Federation. The CBR regulates the issuance of cash into circulation, performed on the basis of issuance permits, which give the right to increase the money supply at the expense of reserve funds. The Reserve Fund of money and coins is a reserve of money and coins that have not been released into circulation in the vaults of the CBR. In addition, commercial banks do not create such funds. Commercial banks have operational cash desks, and the maximum balance of money in them is determined in agreement with the CBR or its departments.

The main directions of the unified state monetary policy for the coming year are determined by the CBR. The main directions of the unified state monetary policy analyse the state of the Russian economy for the coming year, predict the development of events, determine the goals and objectives of the unified state monetary policy and the growth targets of one or more indicators of the money supply.

A properly functioning monetary system gives vitality to the cycle of income and expenses, which embodies the entire economy. A well-functioning monetary system promotes both the full use of productive potential and full employment. Conversely, a poorly functioning monetary system is the main cause of sharp fluctuations in the level of production, employment and prices in the economy, as well as the main source of distortions in the allocation of resources.

The monetary system is formed and operates depending on monetary policy. The impact on the financial system is a hierarchy of goals applied for daily operations on the open market or long-term impacts on parameters such as the amount of money in circulation.

The main objective of the CBR's monetary policy is to ensure price stability in the country, that is, to achieve and maintain stable and low inflation for several years in a row. Therefore, the correctness of the chosen monetary policy, of course, depends on a critical assessment of the situation in the country and following the "golden rules" of economic theory. This is important because, in accordance with the general trend of modernity, the role of the state in regulating the national economy through the financial system is increasing.

The Concept of Settlement Legal Relations

The Essence of Settlement Legal Relations

In modern conditions of market formation, most property relations are of a reimbursable nature, which implies the need to make settlements (payments) for valuables received, services rendered, and work performed. Settlements, being an element of compensated property relations (purchase and sale, construction contract, lease, etc.), may occur simultaneously with the receipt of any benefits, but may be distant in time from this moment. Settlements are carried out either directly between the parties to a paid property relationship, or with the participation of an additional entity—a credit institution. In this case, a new settlement relationship arises on the basis of the relevant property relationship. These property relations are mediated by the norms of law and take the form of a settlement legal relationship. The legal relations that arise when making payments to budgets of all levels and to state extra-budgetary funds are also settlement legal relations.

Thus, settlement legal relations are compensated property relations based on the norms of law and related to settlements between the parties with the participation of the bank.

It is necessary to consider the structure of settlement legal relations. The subjects of settlement relations are the financial sector and the non-financial sector. The financial sector consists of banks and other credit institutions that perform interbank settlements. The non-financial sector includes enterprises, firms, budget-funded, and public organisations that perform inter-farm settlements. This also includes calculations of the population—the personal sector. The objects of settlement relationships are payments for commodity transactions—for goods and services, and payments for non-commodity transactions—contributions to the budget, extra-budgetary funds, payments on loans and other financial and credit documents. Settlement relations are regulated by the norms of various branches of law, primarily the norms of financial and civil law, which together form a comprehensive institute of law. The most important normative acts regulating this sphere of public relations are the Civil Code of the Russian Federation (art. 861-885) (1994), the Federal Law “On the Central Bank of the Russian Federation (Bank of Russia)” (2022) and the Federal Law “On Banks and Banking Activities of the Russian Federation” (1996).

Settlement relations are also regulated by resolutions of the Government of the Russian Federation, regulatory acts of the CBR, such as “Regulations on Non-Cash Payments in the Russian Federation,” “Regulations on Non-Cash Payments by Credit Institutions of the Russian Federation” and other regulatory acts of the CBR. The CBR is the body coordinating, regulating and licensing the organisation of settlement, including clearing systems in the Russian Federation. The establishment of rules, forms, deadlines and standards for non-cash payments is the responsibility of the Bank of Russia. The tasks assigned to the Bank of Russia also include ensuring the efficient and uninterrupted functioning of the settlement system.

Currently, Russia has a two-tier banking system. At the first level is the CBR performing non-cash money turnover between banks of the second level of the Russian banking system. The second level consists of commercial banks of various forms of ownership, performing operations directly with the clientele—legal entities and individuals.

In Russia, there is a continuous process of evolution of settlement legal relations in order to increase the speed, reliability, and cost-effectiveness of payments. The following basic principles are observed in the organization of settlement relations:

- (1) the legal regime for settlements and payments;
- (2) settlement of bank accounts;
- (3) maintaining liquidity at a level that ensures the smooth execution of payments;
- (4) availability of the payer's acceptance (consent) for the payment;
- (5) the principle of urgency of payment;
- (6) control of all participants over the correctness of the calculations, over compliance with the established provisions on the procedure for their implementation;
- (7) the principle of financial responsibility of settlement participants for compliance with contractual conditions.

Types of calculations can be classified for various reasons. Depending on the location, calculations can be intra-state (nonresident, nonresident) and interstate. Depending on the time stipulated in the contract, payments can be:

- urgent (before the start of the trading operation; immediately after the transaction; after a certain period of time after the completion of the trading operation on the terms of a commercial loan);
- early (before the deadline is calculated);
- scheduled (periodic payments as goods or services are received);
- deferred (prolongation of the originally set deadline);
- overdue (with expired payment).

The following communication systems are used for making non-cash payments:

- postal communication;
- special services (special communications agencies, courier service, couriers, collection service);
- telegraph and teletype communication;
- telephone connection;
- electronic communications (international telecommunications, e.g., SWIFT).

Settlements between enterprises, organisations, and institutions are usually made in cash or non-cash. The payment (settlement) mechanism is worth designing in such a way as to eliminate the time gap (or at least minimize it as much as possible) between the moment when the obligation to pay arises and the moment when the flow of funds from the payer to the recipient is completed in fulfillment of this obligation.

Making payments in cash (bills and coins) between organisations has many technical disadvantages and inconveniences when used in modern business conditions. Therefore, preference is given to money having a deposit origin, i.e., having the form of an entry in some accounting register. The necessary change in the balance of funds belonging to individuals, and at the same time in very significant amounts, is achieved in this case by simply changing the record. Most of the settlements between counterparties—the supplier and the buyer of goods, the shipper and the transport organisation, the taxpayer and the budget, the credit institution and the borrower—are made without cash, by making accounting records on their accounts.

Non-cash settlements are settlements performed without the participation of cash by transferring amounts from the payer's account to the recipient's account. Non-cash payments can significantly speed up the turnover of funds and reduce the cost of their circulation. They are made through banks and other credit organizations with which the relevant accounts are opened, unless otherwise required by law and conditioned by the form of settlement used.

Non-cash settlements between counterparties are made through an intermediary, who undertakes all procedures for debiting and crediting funds to the relevant accounts. Such an intermediary is a bank or other credit institution where settlement participants—customers—open their accounts. A bank account is a way for the bank to record the amounts of money entrusted to the intermediary by the clients, which they need to make payments. Settlements and payments between legal entities must be made in a non-cash form.

According to the Decree of the President of the Russian Federation “On Additional Measures to Limit Cash Circulation” (1992) established that enterprises, organisations and institutions, regardless of their organizational and legal form:

- are required to keep their funds in bank institutions;
- must make settlements on their obligations with other enterprises in a non-cash manner through bank institutions;
- may have cash in their cash register within the limits set by bank institutions in agreement with the heads of enterprises;
- they are required to deposit all cash in excess of the established limits of the cash balance in the cash register according to the procedure and terms agreed with the bank's establishment;
- have the right to keep cash in their cash desks in excess of the established limits only for wages, social security benefits, scholarships, pensions and only for a period of no more than three working days, including the day of receipt of money at the bank institution.

Business entities independently select a credit institution and conclude an appropriate agreement with it. Unjustified refusal of a credit institution, whose charter provides for the conduct of banking transactions for settlements, to accept funds for safekeeping and open an account, unjustified evasion of a credit institution from concluding a bank account agreement may be appealed to a court or arbitration court. In accordance with current legislation, business entities are required to keep their funds (both their own and borrowed) in a credit institution with which a bank account agreement is concluded. If settlements between legal entities are performed in cash, their maximum amount is set by the regulations of the CBR.

Types of Current Accounts and Their Characteristics

The range of accounts used by Russian banks for non-cash payments is quite diverse and corresponds to differences in the economic content and purpose of settlement operations.

The main types of bank account agreements are settlement, current, and budget account agreements. In connection with the transition to the treasury system of federal budget execution, accounts are being opened in banks to account for federal budget revenues and funds of the Federal Treasury bodies of the Ministry of Finance of the Russian Federation (*On Measures...*, 1997). Correspondent accounts, correspondent subaccounts, etc. are opened for banks. In credit

organizations, business entities have settlement, current, deposit, letter of credit, loan, foreign currency accounts, capital investment accounts, and other accounts.

The most common type of bank account that is used in settlements for most of the business transactions of its owner is a checking account. Settlement accounts are opened for business partnerships and societies, production cooperatives, and state-owned unitary enterprises, i.e., enterprises that have a number of characteristics: they have the status of a legal entity, maintain complete accounting records, pay taxes on their own, and enter into credit relationships with banks. In other words, the owners of the checking account have full economic and legal independence.

It is worth noting that according to the Federal Law “On Banks and Banking Activities” (1990), legal entities can have an unlimited number of settlement accounts with various banks.

Each bank has a cash desk for storing cash and for cash servicing of its clientele. An enterprise’s bank account is an information cell where non-cash funds of a bank customer are recorded. This accounting is kept in the form of a receipt and expense table. A bank statement from a current account is a copy of the personal (settlement) account of a legal entity or entrepreneur.

Current accounts are opened for non-profit legal entities (institutions, public and religious organizations, etc.).

The current account is used to finance the administrative and economic expenses of the entities, as well as to pay for labour.

Unlike a current account, the owners of which can perform any settlement operations related to their business activities that do not contradict the law, the types of transactions on the current account are regulated. Funds from the client’s current account are spent strictly in accordance with the estimates approved by his superior organisation. Enterprises that have separate non-accounting units (subsidiaries) outside their location are granted the right to have, in addition to settlement accounts, settlement subaccounts opened in the name of the enterprise itself in banks at the location of these non-accounting units, most often retail (branded stores) that sell goods produced at the parent company for cash. The cash proceeds are deposited to the bank and credited to the settlement subaccount, and then, after certain periods, they are wirelessly transferred to the bank of the parent company to its settlement account. These accounts receive funds only from higher-level organisations and are intended mainly for paying salaries and some administrative expenses. All other payments and cash receipts of the branch are performed on the settlement account of the parent company.

Thus, a settlement subaccount is a subsidiary account, the main purpose of which is the accumulation of incoming revenue from an unaccountable link for subsequent transfer to the settlement account of the parent organisation. Settlement operations from settlement subaccounts are usually limited. A settlement subaccount can be described as an accumulative or collective account.

In addition to the settlement account (accounts of a legal entity for its main activity), legal entities may have deposit accounts, letter of credit accounts, capital investment accounts, and other accounts arising from the terms of commercial transactions and provided for by the rules for conducting relevant banking operations. The funds in these accounts must be generated by transfer from the current account. All accounts are subject to registration in accordance with

the established procedure with the tax authorities to monitor the correct and timely payment of taxes and other payments to the budget by the legal entity.

Enterprises and organisations engaged in foreign currency transactions open foreign currency accounts with banks. Russian banks must obtain an appropriate license from the CBR in order to settle their clients in foreign currency. Resident clients can open two parallel accounts in these banks, they are called authorised banks—current and transit.

All foreign currency funds intended for receipt by enterprises in the territory of the Russian Federation are credited to the current foreign exchange account.

The export currency earnings are credited to the transit currency account. According to the law, part of it must be sold to the state without fail to be credited to the foreign exchange reserve of the Bank of Russia, while the other part remains at the disposal of the enterprise. Export foreign exchange earnings, thus, passing through the transit account, are split into two shares, one of which is credited to the current foreign currency account in the form of foreign currency, and the other is credited to the settlement account in the form of the ruble equivalent of the currency sold to the state. To perform currency control, a special transit currency account is used, to which foreign currency purchased on the domestic foreign exchange market and intended for payments under an import contract is credited.

With the permission of the Bank of Russia, resident enterprises can open foreign currency accounts in foreign banks abroad. Non-resident enterprises can open both foreign currency and ruble accounts in Russian authorized banks, but their mode of operation differs somewhat from similar accounts of resident enterprises.

An enterprise engaged in large-scale capital construction often separates this type of activity from current operations. For this purpose, it opens a separate account, the financial capital investment account, to which funds intended for financing capital investments are credited, and from which the costs associated with capital construction are paid. Temporarily available funds of enterprises may also become isolated from the current turnover. They are withdrawn from the company's current account and deposited into an escrow account for a certain period, for which the bank pays interest several times higher than what it pays for storing funds in the current account.

The specifics of the organisation of some branches of the national economy determine the existence of specific types of accounts for which enterprises in these industries perform non-cash payments. In particular, the centralised nature of the management of Russian railways, the predominance of transit transportation here, in which services are provided by various independent divisions of railway transport, and payments by shippers and passengers are made at departure points, necessitated the distribution of funds received for transportation between individual railways. The IPS took over the distribution function, and therefore so-called income accounts began to be opened in commercial banks.

The mobilisation and expenditure of budgetary funds are performed through the relevant accounts of the state budget. To strengthen state control over the targeted use of budgetary funds, budget accounts at all levels have now been transferred from commercial banks to the territorial branches of the CBR for servicing. Funds intended for the recipient of budget allocations from the federal budget are no longer transferred from the budget accounts to his current account. Instead, under the control of the State Treasury, the expenses of the enterprise,

for which budgetary allocations have been allocated, are paid from the budget accounts (Treasury accounts). This method of executing the state budget is called the treasury.

All listed accounts are classified as client accounts and reflect the client's relationship with the bank that arose in connection with non-cash payments. If the counterparties are serviced not by one, but by different banks, and such cases are most common, there is a need for mutual settlements between banks. Such calculations are performed through correspondent accounts.

Each commercial bank is assigned to a regional division of the CBR. The CSC acts as such units. Just as businesses have settlement accounts in commercial banks, commercial banks have correspondent accounts in the cash settlement center. These accounts represent the amount of attracted customer funds (amounts on settlement and other accounts of the bank's clientele) and the bank's own funds. Funds from the bank's cash desk are used to replenish the correspondent account, as well as loans from other banks (sometimes loans from the CBR). Settlements between different CSCs are performed using telegraphic or electronic receipts.

If the clientele of one bank has sufficiently strong ties with the clientele of another bank, then in this case, banks can open correspondent accounts with each other to speed up payments. Such a relationship is called a direct correspondent relationship. In this case, the calculations are performed directly, bypassing the CSC. In this case, operations are performed that are similar in nature to mutual offsetting.

Another type of correspondent account excludes the participation of a third bank as an intermediary in interbank settlements. Commercial banks become clients not of the CSC, but of each other. The bank of the buyer-payer opens a correspondent account with the supplier's bank and calls it "nostro" ("you have our account"). For its part, the supplier's bank opens the same account and under the same name in the buyer's bank, but the buyer's bank itself calls it the account "vostro" ("your account is with me"), in other terminology—the loro account. In banking practice, such accounts are called "loro" type accounts. They can be opened either on a mutual basis or unilaterally.

Interbank settlements are also performed without the use of correspondent accounts by direct crediting of funds by banks to customer accounts. Such transactions are called inter-branch turnover. In this case, the movement of funds between banks is performed using a special bank notification on the execution of a settlement operation based on the description or transfer of funds.

Deposit accounts are intended for storing free funds unused by an economic entity, as well as funds that do not belong to it. The offer to conclude a bank account agreement (offer) comes from the future account holder. Clients have the right to open the required number of settlement, deposit and other accounts in any currency with banks with their consent, unless otherwise established by federal law. Transactions on settlement, current and other accounts are performed according to settlement and monetary documents of the established form. According to the legislation, the bank account agreement may be terminated at the request of the client at any time. Termination of the bank account agreement is the basis for closing the account. The account of an economic entity may also be closed

- if he is declared bankrupt;
- if a decision has been taken to ban the activities of an economic entity due to non-fulfillment of the conditions established by law, and compliance with these conditions has

not been ensured or the type of activity has not been changed within the time period stipulated by the decision.;

- if the court's decision invalidates the constituent acts on its creation;
- in other cases, stipulated by law.

Conclusion

Thus, monetary systems are subsystems of the general formation of the economic system. The monetary system operates within the framework of general and special monetary legislation and is subject to the general legal norms of the company.

The monetary system of the Russian Federation operates in accordance with the legal bases established by the Constitution of the Russian Federation, federal legislation, the President of the Russian Federation, the Government of the Russian Federation and the Bank of Russia.

The Russian Federation, like other countries, has its own monetary system: banknotes, Bank of Russia notes, and metal coins. The basis of the monetary system of the Russian Federation is the ruble, the national monetary unit defined by law.

The CBR has the exclusive right to issue and withdraw cash into circulation. He is also fully responsible for the organisation of monetary circulation in the national economy. In this regard, the CBR has the following functions:

- forecasting and organising the production, transportation and storage of banknotes and coins, as well as the creation of reserve funds;
- establishment of rules for the storage, transportation and collection of cash, as well as the procedure for conducting cash transactions by credit institutions;
- establishment of signs indicating the solvency of banknotes and coins, the procedure for their destruction and the procedure for replacing damaged banknotes with valid ones.

According to the current Russian legislation, there are two types of money—banknotes and coins. They are the unconditional obligations of the CBR and are secured by all its assets.

During the implementation of monetary policy, the CBR monitors the volume and structure of the money supply in circulation using special indicators that characterize the process of its formation.

One of these indicators is the monetary base, which includes cash in circulation, including cash at the cash desks of commercial banks, funds in the Reserve Fund of Claims and funds on correspondent accounts of the CBR in commercial banks. In addition to the monetary base, the CBR uses other indicators, such as the state of the trade balance, price dynamics for major Russian exports, and the cost of paying off government debt.

The most important instruments of financial regulation in global financial practice are interest rates, refinancing rates, official rates (recalculation), pawn rates, mandatory bank reserves, operations with government bonds on the open market, refinancing banks and setting targets for money supply growth.

The analysis of the dynamics of the money supply did not reveal significant trends. Aggregate demand is unlikely to put upward pressure on inflation. It is established that the regulation of monetary circulation, entrusted to the CBR, is performed according to the main

directions of monetary policy, is formed and approved in accordance with the procedure established by the Law on Banks.

The CBR determines monetary policy based on an assessment of the current economic situation and medium-term macroeconomic forecasts.

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Administrative Liability for Tax Offenses: Protecting the Rights of Violators ^[6]

Abstract: Administrative liability for tax offenses is a key instrument of state control in the tax sphere. It is aimed at ensuring compliance with tax legislation and maintaining a balance between the interests of the state and the rights of taxpayers. One of the most acute problems is the duplication of rules governing tax offenses in the Tax Code and the Code of Administrative Offenses of Russia. The article examines the main aspects of administrative liability for tax offenses in Russia. It addresses the problem of overlapping provisions in the Russian Tax Code and the Code of Administrative Offenses, leading to legal inconsistencies. Particular attention is paid to protecting taxpayers' rights, the presumption of innocence, the peculiarities of holding legal entities liable, and the need for legislative unification. Based on an analysis of academic literature and regulatory acts, measures to improve legislation and law enforcement practices are proposed.

Keywords: administrative liability, tax offenses, tax liability, protection of taxpayers' rights, legislative unification, Russian Tax Code, Russian Code of Administrative Offenses.

Abbreviations:

CAO is the Code of Administrative Offences of the Russian Federation,

ECHR is the European Court of Human Rights,

TS is the Tax Code of the Russian Federation.

Introduction

Administrative liability for tax offences constitutes a key instrument of state oversight in taxation. It is aimed at ensuring compliance with tax legislation and maintaining a balance between the interests of the state and the rights of taxpayers. However, numerous legal inconsistencies and contradictions in regulating liability for tax offences create significant challenges for law enforcement and protecting offenders' rights. These are reflected in the parallel existence of administrative liability and an ill-defined tax liability established by the legislator, which is similar in nature, characteristics, grounds for imposition, and sanctions to administrative liability.

Results

One of the most pressing issues is the duplication of provisions regulating tax offences in the *TC* and the *CAO*. For example, the violation of registration requirements is simultaneously regulated by Article 116 of the *TC* and Article 15.3 of the *CAO*, differing only in terms of the offence's subject.

In addition, Article 15.6 of the *CAO* provides for liability for the failure to submit information necessary for tax control: "Failure or untimely submission by an official of information required for tax control shall result in the imposition of an administrative fine." (*Code of Administrative Offences, 2000*) Article 126 of the *TC* regulates a similar offence. However, the key difference between these provisions lies in the liability subjects. The *CAO* applies to officials, while the *TC* is directed at taxpayers as participants in tax legal relations. This

duplication confuses law enforcement and increases the likelihood of errors by tax authorities. V.S. Neyasova also highlights this issue, concluding that tax liability constitutes a form of administrative liability ([Neyasova, 2023](#)).

Another aspect of the problem is the absence of a clear definition of tax liability as an independent legal institution within Russian legislation. E.V. Evsikova and K.V. Kovalishina, who consider tax liability as a separate institution, emphasise that despite the existence of Chapters 16 and 18 of the *TC*, which address tax offences, the *TC* lacks a legal definition of tax liability, which must be rectified ([Evsikova, 2023](#)). This leads to the conflation of the concepts of tax and administrative liability, further reinforcing the view that tax liability is a type of administrative liability.

According to Paragraph 6 of Article 108 of the *TC*, the burden of proving the fact of a tax offence and the guilt of the taxpayer lies with the tax authorities (*Tax Code...*, 1998). Based on the presumption of innocence, this principle is fundamental to protecting taxpayers' rights. However, N.M. Rubashkina notes that due to the complexity of the current legal framework, many complaints are filed by individuals and legal entities against unlawful decisions made by tax authorities ([Rubashkina, 2023](#)). This practice indicates a violation of taxpayers' rights and a disregard for the presumption of innocence in administrative liability procedures.

Particular attention should be paid to the issue of holding legal entities and their officials liable. R.N. Denikayeva points out that a legal entity's guilt is established through the guilt of its officials, while the *CAO* defines the form of guilt of officials. In contrast, the *TC* does not regulate the procedure for proving and establishing an individual's guilt by tax authorities ([Denikayeva, 2022](#)). These complexities underscore the need for amendments to procedural aspects of the legislation to ensure more effective enforcement and better protection of taxpayers' rights.

A.Y. Kostenko draws attention to the disproportionate sanctions resulting from dual regulation. For instance, fines for tax offences stipulated in the *TC* are often more severe than those imposed for comparable offences under the *CAO* ([Kostenko, 2024](#)). This raises concerns regarding the fairness of sanctions and the need to revise existing provisions. The fairness of punishment is one of the core principles that should underpin any system of legal liability.

The *ECHR* takes an interesting approach. As noted by A. Y. Kostenko, it does not distinguish between tax and administrative offences but instead focuses on the substance of the act rather than its formal classification ([Kostenko, 2024](#)). This approach allows for a more balanced assessment of fairness and proportionality in punishment. Adopting such principles in Russian practice could significantly enhance the protection of offenders' rights.

E.N. Leonova considers the principle of proportionality from a different perspective. The lack of differentiation between subjects of liability and the fixed acceptable amounts established by the *TC* does not allow for proportional sanctions, unlike the *CAO*, which differentiates between types of subjects and sets corresponding ranges of non-fixed penalties ([Leonova, 2020](#)). This again highlights the need to revise sanctioning provisions to ensure flexibility and fairness.

The practical enforcement of liability for tax offences also encounters problems stemming from the insufficient specialised knowledge and low professional competence of tax authority personnel.

It is also important to note that the duplication of provisions results in additional time and administrative costs for taxpayers. In practice, this may manifest in the repeated review of the same case circumstances under different procedures. Introducing a unified regulatory approach would help reduce costs for all parties involved.

The issue of transparency in law enforcement is no less critical. As demonstrated by case law, discrepancies in the *TC* and the *CAO* application often lead to the annulment of penalties. On the one hand, this undermines the authority of tax authorities and, on the other, increases the burden on the judicial system. The resolution of this issue also lies in the unification of legislation and the clear delineation of competences.

Furthermore, tax offences are often identified during lengthy audits, which require specific approaches to their classification. Several experts argue that specialised procedures must be developed for such cases, allowing for the complexity of financial operations to be considered.

Based on the above, the following measures are proposed to improve the system of administrative liability for tax offences:

- Eliminate duplication by transferring all tax offence provisions from the *CAO* to the *TC*;
- Introduce a legal definition of tax liability;
- Revise the system of sanctions in line with the principles of proportionality and individualisation of punishment;
- Improve the training of tax authority personnel to enhance the quality of enforcement;
- Incorporate *ECHR* approaches to adapt principles of fairness and proportionality to Russian practice;
- Develop specialised procedures for classifying tax offences that take into account the complexity of financial operations;
- Introduce educational programmes for taxpayers to improve legal awareness.

Conclusion

Thus, administrative liability for tax offences requires comprehensive reform. Recognising tax liability as an independent institution and eliminating legislative inconsistencies would enhance legal clarity and the efficiency of law enforcement, while safeguarding taxpayers' rights. Unifying approaches and adopting international best practices could become key to creating a fairer and more resilient legal system.

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The Impact of the Progressive Scale of Personal Income Tax on Social Inequality in Russia ^[7]

Abstract: Starting from 2025, the progressive scale of personal income tax will be introduced in Russia. Under this taxation system, the tax rate increases alongside the growth of the taxable base, i.e., individuals' income. For the first time, a five-tier progressive scale of personal income tax will be implemented, which will be directly linked to income levels. The progressive tax is expected to promote social justice, as a high level of wealth inequality characterises Russia. This article is devoted to the study of the impact of the progressive scale of personal income tax on social inequality in Russia. It analyses the experience of implementing progressive taxation in various countries and assesses the feasibility of its application within the Russian economy. The article explores the potential social and economic effects of transitioning from a flat to a progressive tax scale, including income redistribution, poverty reduction, and the promotion of social equity. Particular attention is given to possible barriers associated with implementing this tax reform, including administration issues, the shadow economy's scale, and public perception. The authors conclude that an assessment of the current tax system highlights the need for reforms to introduce progressive taxation. Such reforms would contribute to a fairer distribution of the tax burden and effectively combat economic inequality in Russian society.

Keywords: progressive scale of personal income tax; social inequality; income redistribution; tax policy; social justice; tax reform.

Abbreviation:

PIT is personal income tax.

Introduction

Starting from 2025, a PIT progressive scale will be introduced in Russia (*On Amendments...*, 2024). Under such a taxation system, the tax rate increases in line with the growth of the taxable base, i.e., individual income. However, this rate type is not entirely new, as since 2021, a higher PIT rate has been applied to individuals earning over five million rubles annually. Nevertheless, a five-tier PIT progressive scale will be introduced for the first time, which will be directly linked to income levels. The first increased rate will apply to citizens earning over 200,000 rubles per month, meaning the reform will affect a wider group of people than the one introduced in 2021.

At the same time, according to statements by the Minister of Finance of the Russian Federation, Anton Siluanov, the reform will impact only 3.2% of the working population, or approximately 2 million out of 64 million employed individuals. Many families with children are expected to benefit from the changes.

The progressive tax is believed to help achieve greater social justice, given the high level of wealth inequality in Russia. For instance, the Gini coefficient in Russia in 2023 was 0.36. This places the country at a similar level of inequality to nations such as China, Chad, Kenya, and Nigeria (*Gini Coefficient, 2016*). Due to the severity of inequality, in February 2024, the President addressed the Federal Assembly, stressing the need to reform the tax system to achieve “a fairer

distribution of the tax burden in favour of those with higher personal and corporate incomes.”
(*The Message...*, 2024)

In this context, the question arises as to what impact the new PIT scale will have on Russia’s social and economic situation. The issue of how the tax burden is distributed across different segments of the population is becoming increasingly relevant.

Results

At present, the majority of countries around the world have adopted a progressive personal income tax scale. As noted by T.D. Odínokova (*Odínokova, 2015*), a flat tax rate remains primarily in the post-Soviet space, while most developed market economies have shifted to a progressive system. The Scandinavian countries are particularly illustrative in this regard, as they have managed to maintain a balance between high incomes and equally high taxes. According to statistical indicators, Finland, Sweden, Norway, and Denmark consistently rank among the global leaders in population welfare. At the same time, the Gini coefficient in these countries is also among the lowest in the world (0.30 in Sweden, 0.28 in Finland).

Let us take Sweden as an example. Personal income tax is divided into municipal and national components. The Constitution stipulates that the country’s authorities can set tax rates and collect revenue for their respective budgets. At the local level, citizens pay municipal income tax. Rates vary from 27.5% to 33.7%, with Stockholm, for instance, imposing a rate of 29.82%.

The national income tax rate is 0% for annual income below 426,300 SEK. For income between 426,300 and 604,700 SEK, the rate is 20%; for income exceeding 604,700 SEK per year, the rate rises to 25% (*Skatter, 2022*). Thus, total income tax in Sweden ranges from 27.5% to 58.7%.

It is worth noting that the maximum PIT rate in Russia under the new scale will be 22%, which is significantly lower than in Sweden. Moreover, under the new system, only the portion of income exceeding the threshold will be taxed at the increased rate.

A flat tax system increases the tax burden on low-income groups while favouring the wealthy. However, according to E.S. Vylkova (*2021*), to significantly reduce poverty and income inequality, it is essential to exempt incomes below several subsistence levels from PIT simultaneously, and to apply a PIT progressive scale to wealthy and ultra-wealthy taxpayers. Vylkova’s view seems well-reasoned, as under the new PIT system, the first tax bracket remains at 13%, meaning that the tax burden for low-income groups will not increase. In this regard, the tax reform remains incomplete, as it only addresses inequality from the top end of the income distribution.

Nevertheless, high tax rates on the wealthy may help narrow the gap between the rich and the poor, ensuring fairer access to resources. However, suppose taxes on the wealthy are increased while rates for the poor remain unchanged. In that case, this may only slightly reduce the privileged access of the rich, without significantly improving access for the poor.

According to the Constitution (*1993*), Russia is a social state whose policy aims to create conditions that ensure a dignified life and the free development of the individual. The mechanism by which the progressive PIT scale operates is the redistribution of economic resources. Revenue generated from higher PIT rates will go into the federal budget. This will allow for increased spending on social and economic goals: support for participants of the

extraordinary military operation and their families, large families, and so on. In other words, the increased PIT rate will help finance the needs of the most vulnerable segments of the population.

Despite its advantages, the progressive tax system has significant drawbacks, such as reduced motivation among high-earning workers and the outflow of skilled professionals to countries with more attractive tax conditions. A vivid example of the negative consequences is the case of France, where in 2012 a temporary 75% tax rate on income exceeding one million euros was introduced (*In France...*, 2012). This decision sparked dissatisfaction among entrepreneurs and celebrities, including Gérard Depardieu, who renounced his French citizenship due to the heavy tax burden. As a result, the French government repealed the tax two years later, acknowledging its negative impact on the economy and the country's investment appeal.

A progressive tax, which assumes increased tax rates for wealthier individuals, can help citizens feel that their contribution to public resources is fair and proportionate to their income. This, in turn, may reduce perceptions of economic inequality and injustice, thereby improving public morale. Implementing such a system may promote greater social cohesion and trust in public institutions, as people will see that tax policy aims to narrow the gap between different segments of society.

This sociological dimension is reflected in statements made by government officials. For example, according to Russia's Minister of Finance, Anton Siluanov, revenue from the changes to the tax system will be used to increase social payments, support maternity and childhood, and develop social infrastructure. These statements are particularly well-received in light of statistics provided by the Ministry, which show that the introduction of the PIT progressive scale will affect only about 3% of the country's working-age population (*Siluanov...*, 2024).

It is also worth noting that the changes will not affect the income of participants in the special military operation, nor will they impact bonuses and additional payments for those working in the Far North and other regions with harsh or unique climatic and environmental conditions. Considering current state policy and national unity surrounding the military actions in Ukraine, these exemptions will also have a positive effect on public sentiment.

Conclusion

An analysis of the flat tax system in Russia until 2021 and the current two-tier system reveals many issues related to its limited effectiveness in addressing economic inequality. One of the key problems lies in the fact that the flat and two-tier tax systems essentially apply a uniform percentage rate to all citizens, regardless of their income level. This can result in high-income individuals significantly benefiting from the system, as they pay taxes at the same or only slightly higher rate than those with lower incomes. Consequently, the tax burden on low- and middle-income earners becomes comparatively heavier, exacerbating the issue of economic inequality.

Moreover, the flat and two-tier systems do not promote the redistribution of wealth, leading to a shortfall in financial resources needed to fund social programmes that support vulnerable population groups. This shortfall hampers investment in areas such as education, healthcare, and social infrastructure—investments that could otherwise improve living standards across all segments of society.

The absence of a more developed PIT progressive scale limits the state's capacity to combat poverty and social exclusion. The introduction of a five-tier progressive taxation system could help rectify this situation by enabling wealthier citizens to contribute more significantly to public resources, thereby reducing inequality.

Thus, assessing the existing tax system highlights the urgent need for reform to implement progressive taxation. Such reform would facilitate a fairer distribution of the tax burden and offer a more effective means of addressing economic inequality in Russian society.

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Problems of Calculating Value-Added Tax ^[8]

Abstract: The value-added tax is a regulatory federal tax. The article discusses value-added tax. The concept is given, as well as common mistakes that Russian citizens make when calculating VAT. The value-added tax is defined in this paper as one of the central federal taxes, which has both problems and solutions. The concept of “Paper VAT” is given, and the meaning of its role in the tax system is revealed. The issue is raised about the need to amend the Tax Code of the Russia, which would reduce tax losses in the future. The authors conclude that today, VAT is one of those taxes that is not fully regulated by the state. The modern Russian tax system has many problems that hinder the effective implementation of VAT tax administration. These problems are different.

Keywords: VAT, value added tax, value added tax rate, federal budget, value added tax, paper VAT, tax legislation, taxpayer.

Abbreviations:

CIT is corporate income tax,

CPT is corporate property tax,

PIT is personal income tax,

TC is Tax Code of the Russian Federation,

VAT is value added tax.

Introduction

VAT is a regulatory federal tax. It constitutes a form of revenue withdrawal from the budget from the added value generated at all stages of production. This added value is the difference between the value of goods, works, and services sold and the cost of material expenses included in production and distribution costs. VAT is levied on all goods, works, and services throughout the entire production cycle, and serves as a stable and consistent source of income for the budget (*Tedeiev & Parybina, 2025*).

Results

In the Russian Federation, a so-called “turnover tax” existed prior to the introduction of VAT. During the economic crisis, a team of specialists, headed by the Russian economist and political figure Yegor Timurovich Gaidar, was formed to implement a series of anti-crisis measures. With the involvement of experts, a “tax for the poor”—the value—added tax—was introduced in the country. VAT came into effect in Russia on 1 January 1992. At that time, the highest rate was set at 28%.

According to data from the Federal Tax Service, VAT provided the largest share of revenues to Russia’s consolidated budget: 52% (1,234.5 million roubles), PIT—28% (660.1 million roubles), CIT—12% (289.9 million roubles), taxes under special tax regimes—4% (88.4 million roubles), and CIT—1% (16.8 million roubles).

The place of supply for services is Russia's territory. The tax base is determined according to the rules set out in Article 153 of the TC.

The objects of taxation include the following operations:

1. The supply of services (work and goods) within the territory of the Russian Federation, including the sale of pledged property and the transfer of property rights, as well as goods under agreements for compensation or novation;
2. The transfer of services (goods) for personal use within Russia, where related expenses are not deductible for corporate profit tax purposes;
3. The importation of goods into the Russian Federation.
4. Other operations listed in Article 146 of the Tax Code of the Russian Federation (*Krokhina, 2024*).

VAT payers may be both individual entrepreneurs and legal entities. VAT calculation is governed by Article 166 of the TC: the tax amount is calculated based on the tax base specified in Articles 154–159 and 162 of the TC and represents a percentage of that tax base (*Tax Code, 1998*). If the organisation keeps separate accounts, the total tax payable is determined as the sum of taxes calculated at each applicable rate as a percentage of the corresponding tax bases

An analysis of the composition of VAT payers can reveal common errors in its calculation:

- errors in identifying the taxable object (e.g., incorrect application of tax rates; failure to fulfil obligations as a tax agent);
- unlawful tax deductions (e.g., improper use of exemptions; unlawful application of VAT relief).

Proper application and calculation of VAT help mitigate risks and avoid penalties from the tax authorities. Therefore, it is crucial to carefully verify all calculations and documents related to VAT.

The formula for calculating VAT often encourages taxpayers to develop tax avoidance schemes. For example, the profit tax base is determined by subtracting allowable expenses from income, per Paragraph 1, Article 247 of the TC. In contrast, the VAT base is defined as revenue only, according to Paragraph 1, Article 154 of the TC (*Tax Code, 1998*). Deductions, which reduce the amount of VAT payable by a specific taxpayer, do not affect the tax base itself—they shift part of the tax liability to the supplier. The set of transactions performed by taxpayers does not reduce the total VAT payable to the state. Thus, although deductions may reduce an individual taxpayer's payments, the overall tax obligation to the state remains unchanged.

In this sense, deductions redistribute the responsibility for tax payment but do not alter the total amount of tax to be paid.

Despite the implementation of the VAT Automated Control System 2 (ASK VAT–2), the practice of “paper VAT” persists (*Modern software tools..., 2019*). In an attempt to deflect attention from their clients, some firms extend supply chains which ultimately terminate in a shell company, creating a significant gap in unpaid VAT (*Larichev & Pankratyev, 2021*).

“Paper VAT” is a tax optimisation scheme whereby an honest taxpayer, wishing to reduce “input VAT,” engages in fictitious contracts with suppliers. These suppliers issue invoices for non-existent deliveries (services or works), report these operations in their tax returns, and simulate a supply that never occurred (*Chernik et al., 2024*). In reality, no actual supply takes

place — the supplier merely provides the customer with documents for goods (works or services) that were never delivered. This is why such VAT is referred to as “paper VAT.”

To address the issue of shell companies in supply chains that effectively evade tax payments, it would be appropriate to tighten regulations on the registration of legal entities and individual entrepreneurs and amend the TC accordingly. This would help prevent or reduce the formation of fictitious companies at the initial stage (*Farkhutdinov, 2024*). This also applies to the registration of companies with multiple directors or founders.

Initial screening during the company registration process would greatly ease tax administration at the inspection level, reduce inspectors’ workloads in collecting evidence against shell companies, and lower tax arrears.

A similar situation arises with companies engaged in questionable activities. It is necessary to amend the TC concerning the acceptance of tax reporting. The tax authorities are obliged to accept tax returns from all taxpayers who submit them. However, since introducing the ASK VAT–2 system, it has become possible to detect taxpayer schemes in which discrepancies in VAT amounts arise across supply chains, leading to significant sums not being paid into the federal budget. Amending the TC about dubious organisations would help reduce tax losses.

Taxpayers are subject to mandatory registration with the tax authority.

Conclusion

In conclusion, it can be said that, as of today, VAT remains one of the taxes that is not fully regulated by the state. The current tax system faces several issues that hinder the effective administration of VAT. These problems vary in nature—they may stem from certain inaccuracies in tax legislation, shortcomings in the organisation of audit activities by the authorities, taxpayers’ intent to evade taxation, or challenges arising in the practical application of tax calculation.

To reduce instances of VAT evasion, it is necessary to tighten control over potential taxpayers by establishing a unified database that would monitor all of a taxpayer’s payments, not limited to VAT alone. Furthermore, measures are worth adopting to prevent taxpayers from creating or using any VAT evasion schemes in the future.

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The Legal Mechanism of Criminal Legislation for Tax Crimes ^[9]

Abstract: The funds collected through taxes and levies are allocated by the state for purposes of public interest: national defence, the effective functioning of healthcare institutions, the provision of educational facilities, the maintenance of law enforcement bodies, and so on. Accordingly, the state faces the critical task of preventing tax evasion and non-payment of levies. The primary means of addressing this issue is by imposing on individuals and legal entities the obligation to pay taxes and establishing criminal liability for acts resulting in the non-receipt of the relevant contributions into the state's budgetary system. The study aimed to identify the legal mechanisms within criminal legislation concerning tax offences. The authors concluded that amendments to the Criminal Code and the Criminal Procedure Code of Russia will impact business practices and state policy. However, certain procedural aspects remain insufficiently developed by the legislature. For instance, the court, rather than the investigator, must determine the amount of tax underpayment by considering the actual expenses incurred by the taxpayer.

Keywords: Criminal Code, Criminal Procedure Code, criminal legislation of Russia, tax revenues.

Abbreviations:

CC is the Criminal Code of Russia,

CPC is the Code of Criminal Procedure of Russia,

TC is the Tax Code of Russia.

Introduction

It is impossible to overlook the immense role of the tax system in the standard existence and functioning of the state. The state allocates the funds obtained through taxes and levies for public benefit: national defence, the effective operation of healthcare institutions, the provision of educational facilities, the maintenance of law enforcement bodies, and so on. In this regard, the state faces the crucial task of preventing tax evasion and non-payment of levies. The primary solution to this issue lies in imposing the obligation to pay taxes on individuals and legal entities and establishing criminal liability for actions that fail to make the corresponding contributions to the state's budgetary system.

Results

As stated in Article 57 of the Constitution, one of the individual's duties is to pay the taxes and levies established by law legally. Moreover, Paragraph 5 of Article 23 of the TC stipulates that if a taxpayer (or payer of levies or insurance contributions) fails to fulfil or improperly fulfils their obligations, they are held accountable according to Russian legislation.

Criminal offences related to violations of tax legislation are classified in the section of the CC that deals with economic crimes. These primarily include the offences described in Articles 194, 198, 199, 199, 199, 199 of the CC.

The legislature recently made significant changes to these offences. To liberalise this area, the Federal Law No. 78-FZ (2023) was passed, reducing the statute of limitations for criminal

liability, modifying the procedure for bringing charges, and establishing shorter prison sentences.

According to the amendments, the direct object of protection is the public relations that safeguard the established procedure for paying taxes and/or levies or insurance contributions by individuals and legal entities (*Brilliantov, 2022*). These changes involve a reduction in the maximum punishment for crimes provided for in the second parts of Articles 199, 199, 199 of the CC, with the prison sentence now set at 5 years, instead of the previously prescribed 6 years, and 3 years of imprisonment for the second part of Article 199, instead of the previously established 4 years (*On the Practice..., 2019*).

As a result, these offences are now classified as medium-severity crimes. According to Paragraph “b” of Part 1 of Article 78 of the CC, the statute of limitations for bringing criminal charges has been reduced to 6 years. Similarly, the statute of limitations for bringing criminal charges under Part 2 of Article 199 of the CC has been reduced from 6 to 2 years.

According to Paragraph 2 of Item 4 of the Resolution of the Plenary Session of the Supreme Court (*2019*), which states that the moment the crime is deemed to have ended is the actual non-payment of taxes, levies, and social security contributions within the deadline set by the tax and levy legislation. Therefore, based on the above, if six years have passed since the expiration of the legally established deadline for fulfilling the obligation to pay tax payments, no criminal case can be initiated, and criminal prosecution will not be pursued against the person who has evaded payment due to the expiration of the statute of limitations for criminal liability.

Changes have also affected the CPC, specifically Part 1 of Article 24, Part 2 of Article 28.1, and Articles 144 and 148 of the CPC.

Suppose the organisation has fully paid the outstanding taxes, fines, and penalties. In that case, there will be grounds to refuse to initiate a criminal case and discontinue any ongoing criminal proceedings. Additionally, according to the CPC, tax authorities are now directly obligated to inform law enforcement agencies about settling all debts based on the materials received from the inquiry body concerning the non-payment of social insurance contributions for workplace accidents and occupational diseases.

What impact will these amendments to the CC and CPC have on society? Various experts have expressed their views on this matter. For example, Larisa Naumenko, an expert on business legal protection at the MGO “Support of Russia,” states that this is a positive interaction between the state and business. Natalia Ryabova, Deputy Head of the Expert-Legal Centre of the Commissioner for Entrepreneurs’ Rights under the President, comments: “The definite advantage of the new law is the reduction of the maximum sanctions for tax crimes and, consequently, the statute of limitations for criminal liability in such cases.” (*Kulikov, 2023*)

Conclusion

In the authors’ opinion, these amendments will play a significant role in business development, as the pressure from the state on businesses will considerably decrease, substantially impacting the country’s economy. Supporting our viewpoint, we can refer to the 2023 statistics on registered tax-related crimes, where the indicator has decreased by 6.3% compared to 2022. In our view, it would be logical to amend the CPC to require the investigation to determine the amount of tax underpayment, considering the actual size of

the taxpayer's expenses. This would make the process of criminal liability more orderly. However, as stated in Paragraph 14 of the Resolution of the Plenary Session of the Supreme Court No. 48 (2019), this is the court's responsibility. However, this should also play a significant role at the pre-trial stage.

Thus, it can be concluded that the amendments to the CC and CPC will impact business operations and state policy. However, the legislator has not fully addressed the procedural issues, where the court, rather than the investigator, must determine the amount of tax underpayment, considering the taxpayer's actual expenses.

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Tax Deduction: Legal Nature, Problems and Solutions ^[10]

Abstract: Relevance of the research is determined by the increasing social and incentive role of tax deductions within the modern tax policy of Russia. In this article, the author explores the legal nature of tax deductions. Novelty of the study lies in a comprehensive analysis of practical issues related to the provision of tax deductions and in the development of proposals aimed at improving tax legislation. The purpose of the study is to identify the challenges in applying tax deductions in Russia and to justify directions for their improvement in order to enhance social protection of the population and stimulate economic activity. The study employs research methods such as analysis and synthesis of regulatory legal acts governing the procedure for granting tax deductions, comparative analysis of statistical data and law enforcement practice, the monographic method to examine academic publications and expert assessments, a systematic approach to develop proposals for improving tax mechanisms, and the empirical method to identify real problems and contradictions in the application of tax deductions. In the course of the study, legislative acts of the Russian Federation and the works of experts in this field were used. The paper considers issues related to the application of personal income tax deductions in the Russian Federation in terms of addressing a number of socio-economic tasks, and outlines possible ways to improve this institution. The authors conclude that the current tax policy of the Russian state is focused on strengthening the social and incentive role of tax deductions. Their use and the reimbursement of overpaid taxes from the budget are becoming increasingly common among citizens.

Keywords: tax deduction, legal nature, problems and solutions, personal income tax, tax code, tax.

Abbreviations:

PIT is personal income tax.

Introduction

The relevance of the research stems from the growing social and incentive role of tax deductions in Russia's contemporary tax policy. Despite the active use of tax deductions by citizens, a number of practical problems persist: delays in desk audits, insufficient awareness among taxpayers, complexity in the preparation of documentation, and outdated deduction limits that no longer reflect current economic realities. These factors necessitate a scholarly reconsideration of the existing mechanism and a search for ways to improve it in order to enhance the efficiency of tax administration and strengthen the social protection of citizens.

The novelty of the research lies in a comprehensive analysis of practical issues related to the provision of tax deductions, alongside the development of proposals for improving tax legislation. In particular, the study proposes measures to raise deduction limits, introduce new forms of educational outreach to the public, and adapt tax norms to modern economic conditions. This approach aims to increase the effectiveness of tax deductions as a tool of state support for citizens.

The purpose of the study is to identify the problems in the application of tax deductions in Russia and to substantiate directions for their improvement to enhance social protection and stimulate economic activity.

To achieve the purpose, the following objectives have been set:

- examine the existing system of personal income tax deductions and their role in the social and incentive functions of tax policy;
- analyse the problems that arise in practice when granting tax deductions;
- assess the impact of existing restrictions and limits on the effectiveness of tax deductions;
- develop proposals for improving the mechanism of tax deductions, including raising deduction limits and improving taxpayer awareness;
- justify the need for educational work to increase tax literacy among the population.

The following methods are used in the study:

- analysis and synthesis of legal acts regulating the procedure for granting tax deductions;
- comparative analysis of statistical data and law enforcement practice;
- monographic method to study academic publications and expert assessments;
- systems approach in developing proposals to improve tax mechanisms;
- empirical method to identify real problems and contradictions in the application of tax deductions.

Results

The contemporary tax policy of our country is focused on creating an effective system for administering personal income tax, as well as on providing incentives for citizens to voluntarily pay taxes in exchange for state social guarantees. This strategy includes the following objectives:

- equitable taxation across different social groups; ensuring an adequate standard of living for taxpayers;
- implementing additional financial support measures from the state (such as improving welfare, assistance with purchasing or building housing, healthcare, education, and promoting a healthy lifestyle);
- encouraging citizens to use their personal income on the organised securities market and to place funds in bank investment accounts, among others.

In the context of the state's social development policy, tax legislation is constantly adapting to changing economic conditions and the modern needs of society. Legislators introduce various initiatives aimed at improving citizens' living standards, including changes and enhancements to tax and duty mechanisms.

The standard tax deduction serves to implement the provisions of the law, supporting family budgets by exempting a certain share of children's income from taxation, thereby increasing the social security of taxpayers and their children (biological and adopted) (*Semenova, 2018*).

As an example, one might cite the investment tax deduction, which has become particularly relevant against the backdrop of growing interest in Russia's developing stock and investment markets. Its introduction encourages taxpayers to use temporarily free funds wisely for investment and to earn income.

Social tax deductions play a key role in financially supporting citizens' actual expenditure on education, medical services and sport.

Property tax deductions are especially important when selling residential property owned for less than the legally established period, as well as when purchasing or building such property, thereby reducing the tax burden.

The professional tax deduction helps reduce the tax liabilities of self-employed individuals, notaries, lawyers and others who work under civil law contracts and receive royalties. This provision not only lowers the amount of tax payable to the budget, but also encourages small businesses to optimise taxes legally, avoiding tax evasion schemes (*Lubyantseva, 2022*).

The socio-economic role of tax deductions is most evident in the use of the property tax deduction when purchasing residential property.

The maximum possible amount used to calculate the main property deduction is 2 million roubles, from which 13% is deducted. Thus, the amount that can be refunded is up to 260 thousand roubles (or 13% of 2 million roubles), even if the flat costs 10 million or 100 million roubles. If the property costs less than 2 million roubles, the remaining deduction can be used for future housing purchases (*Tax Code, Art. 220*).

However, several problems arise when confirming entitlement to this deduction:

1. On the one hand, tax authorities may create obstacles by failing to meet the deadlines for desk audits and for refunding overpaid tax amounts;
2. On the other hand, difficulties arise due to taxpayers' lack of awareness, which can lead to mistakes and incorrect completion of tax returns, unjustified claims for deductions, refusal to submit amended tax returns, and failure to provide a complete set of supporting documents.

There are cases where expenses on education, medical treatment, sport and insurance are claimed in a single tax return. In such instances, difficulties in using the social tax deduction may arise because:

- (1) each declared expense must be documented, leading to the need to prepare a large volume of paperwork;
- (2) tax legislation provides a general list of supporting documents without specific guidance for particular types of deductions, which can cause misunderstandings between taxpayers and tax authorities (*Karaseva, 2023*).

As a result, tax authorities most often refuse to grant social tax deductions, citing incomplete documentation or a mismatch of expenses with the regulated tax periods, which in turn leads to mistakes when filling out tax returns.

In addition, the legislative requirements and conditions for granting tax deductions are not indexed to reflect changes in the country's economic situation. The established limits have not been revised for a long time (*Sentsova, 2023*).

To improve the conditions for granting tax deductions, the following measures are proposed:

- (1) amend Article 218 of the Tax Code of the Russian Federation to increase the deduction amount, ensuring it fulfils its purpose of improving children's welfare;
- (2) increase the maximum allowable deduction for actual expenses on medical treatment, insurance and physical culture and health services, currently set at 120 thousand roubles;
- (3) increase the deduction amount for self-education and the education of children under 18 and up to 24 years of age (biological, adopted or under guardianship) to 300 thousand roubles;
- (4) enhance citizens' financial literacy regarding the use of tax deductions through awareness-raising efforts and open access to information about changes in tax legislation;

- (5) introduce open lessons and workshops in secondary schools, colleges and universities dedicated to tax law, the lawful use of tax deductions and liability for deliberate misrepresentation in this area.

In conclusion, the implementation of these proposals would strengthen the stimulating function of taxes, enabling the public to use tax deductions to improve their quality of life. In addition, it could reinforce citizens' motivation to work officially in accordance with the Labour Code of the Russian Federation to obtain formal income and benefit from state support through tax deductions.

Conclusion

Thus, it can be stated with confidence that the current tax policy of the Russian state is focused on strengthening the social and incentivising role of tax deductions. Their use and the reimbursement from the budget of excessively paid tax amounts are becoming increasingly common among citizens. Each year, a growing number of people exercise their right to apply tax deductions; however, in practice, various problems and contradictions arise. This is due to the fact that, despite ongoing improvements, the legal regulation in this area is not always effective (*Shcherbatykh, 2017*).

In conclusion, it is worth noting that issues relating to tax deductions have become topical and widely discussed both among citizens and state institutions, and are actively considered in academic publications, at conferences and forums. Since, in practice, the provision of tax deductions in Russia can be accompanied by various conflicts, it is important to conduct scholarly research into the existing taxation system and the relevant regulatory documents. The issue of PIT remains significant both for tax authorities and for citizens, and continues to attract considerable attention from specialists.

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Financial Analysis of the Zaporizhia Oblast ^[11]

Abstract: The relevance of this topic lies in the fact that, under current conditions, regional authorities are playing an increasingly significant role in ensuring the comprehensive development of regions, as well as the balanced development of both the production and non-production sectors within their jurisdictions. For the economic development of any constituent entity, it is essential to accurately calculate the level of planned revenues and expenditures. In this regard, the regional administration, while analysing the socio-economic situation in the region and considering the performance of the consolidated and regional budgets, develops a forecast of the region's economic and social development, along with targeted programmes. The novelty of the study lies in the fact that it presents the first financial analysis of the entities of Zaporizhzhia Oblast within the context of their presence in the Russian legal framework. This work does not reflect the political aspects of the situation but focuses purely on the economic indicators of the region's development. The author concludes that the budget of Zaporizhzhia Oblast has been in surplus for two consecutive years. These results have been achieved through intensive investment in industry and agriculture in those districts under Russian jurisdiction, alongside the ongoing development of the territories still under Ukrainian control. As a result, it is possible to observe economic growth in Zaporizhzhia Oblast despite the fact that it remains a zone of military conflict.

Keywords: the budget of Zaporizhzhia Oblast, the socio-economic development of Zaporizhzhia Oblast, the expenditure part of the budget, the revenue part of the budget.

Introduction

The relevance of this topic stems from the fact that, under modern conditions, regional authorities play an increasingly important role in ensuring the comprehensive development of regions, as well as the balanced development of the production and non-production sectors within their territories. Their coordinating function in the economic and social development of these territories is becoming significantly more prominent.

Through regional budgets, the state actively implements its economic and social policy by providing regional authorities with funds to increase their budgets. These funds are allocated for the direct financing of the social sphere, agriculture, industry, construction, environmental protection and other areas. The primary role of the budget lies in forming the financial base for fulfilling the tasks set by the budgets of the subjects of the Russian Federation (*Budget Code, 1998*). It is important to note that the budget can be viewed differently from economic and legal perspectives.

For the economic development of any constituent entity, it is crucial to accurately calculate the planned level of revenues and expenditures. Therefore, the regional administration, analysing the socio-economic situation in the region and taking into account the data on the execution of the consolidated and regional budgets, prepares a forecast for the economic and social development of the oblast, as well as target programmes.

Enterprises, organisations and institutions of all forms of ownership located in the oblast, including financial authorities, tax services and statistical agencies, are obliged under the law to provide the data necessary for preparing the forecast of the economic and social development of the oblast, the consolidated financial balance and target programmes.

The oblast's budgetary and financial policy is coordinated with federal authorities and local self-government bodies. The oblast administration prepares the draft regional budget, which is then reviewed by the Legislative Assembly, which in turn prepares conclusions including comments and proposals.

When adopting the law “On the Oblast Budget for 2024” (2023), the Legislative Assembly may introduce amendments, provided these are agreed upon with the oblast administration. The adopted law then serves as the basis for allocating funds from the regional budget.

The oblast administration organises the execution of the regional budget, ensures revenue collection and monitors the correct use of allocations provided from the regional budget to enterprises, institutions and organisations.

The study aims is to analyse the budgetary process, as well as the revenue and expenditure parts of the budget at the level of the subjects of the Russian Federation, using the example of Zaporizhzhia Oblast for the years 2023–2024.

Based on this objective, the following tasks were undertaken:

- provide an overview of Zaporizhzhia Oblast;
- conduct a financial analysis of the revenue part of tZaporizhzhia Oblast budget for 2023–2024;
- conduct a financial analysis of the expenditure part of Zaporizhzhia Oblast budget for 2023–2024;
- draw conclusions on the economic development of Zaporizhzhia in 2023 and 2024.

Results

The Main Characteristics of the Zaporozhye Oblast

Regulatory Framework

In the sphere of the budgetary process, legislation is represented by federal, regional and municipal legal acts. The fundamental laws of each country generally establish the legal foundations of governance and define the participants in the budgetary process, such as the parliament, the president, the government and the ministry of finance, as well as their main powers. In the Russian Federation, this role is performed by the Constitution.

In addition to these fundamental laws, there are special legislative and regulatory acts that govern the administration of the budgetary process.

In Russia, such documents include:

- The Budget Code of the Russian Federation;
- The Tax Code of the Russian Federation;
- Federal laws on the federal budget and on the budgets of state extra-budgetary funds of the Russian Federation;
- Laws of the constituent entities of the Russian Federation on the budgets of these entities and the budgets of territorial state extra-budgetary funds;
- Municipal legal acts of representative bodies of municipal entities on local budgets;

- Other federal laws, laws of the constituent entities of the Russian Federation and municipal legal acts of representative bodies of municipal entities regulating budgetary legal relations. According to the Budget Code of the Russian Federation (1998), the rights and duties of the participants in the budgetary process are defined, as well as the legal mechanisms for imposing sanctions for failure to comply with budgetary rules.

Among other federal laws, the following can be noted:

- Federal Law No. 184-FZ “On the General Principles of Organisation of Legislative (Representative) and Executive Bodies of State Power of the Constituent Entities of the Russian Federation” (1999);
- Federal Law No. 131-FZ “On the General Principles of Organisation of Local Self-Government in the Russian Federation” (2003).

In the context of the legislation of Zaporizhzhia Oblast in particular, mention is worth making of the Law of Zaporizhzhia Oblast “On the Oblast Budget for 2024” (2023). On the basis of this law, the budget of the constituent entity of the Russian Federation is formed, approved, executed and its execution is monitored. This is performed by the public authorities in accordance with the requirements established by the Budget Code of the Russian Federation and by the laws of the constituent entity of the Russian Federation adopted in accordance with it. This enables the effective allocation of financial resources for the implementation of the President’s strategic instructions, the achievement of national goals, the further development of the region and the fulfilment of social commitments.

The Law of Zaporizhzhia Oblast “On Interbudgetary Relations in Zaporizhzhia Oblast” (2023) defines the principles of interaction between the public authorities of Zaporizhzhia Oblast and the local self-government bodies of municipal entities.

In addition, it grants the local self-government bodies of the municipal districts of Zaporizhzhia Oblast certain state powers for the calculation and provision of equalisation grants to ensure balanced budgetary sufficiency of settlements. These grants are allocated to the budgets of urban and rural settlements that form part of municipal districts.

The Law of Zaporizhzhia Oblast “On Establishing the Norms for Allocations to Local Budgets from Tax and Non-Tax Revenues Payable to the Budget of Zaporizhzhia Oblast” (2023) regulates the obligation to establish unified and/or additional norms for allocations to local budgets from personal income tax, ensuring that at least 15% of the tax revenues of the consolidated budget of the constituent entity of the Russian Federation from this tax are allocated to local budgets. It also establishes differentiated norms for allocations to local budgets from excise duties on motor petrol and straight-run gasoline, diesel fuel, and motor oils for diesel and/or carburettor (injection) engines produced on the territory of the Russian Federation, ensuring that at least 10% of the tax revenues of the consolidated budget of the constituent entity of the Russian Federation from this tax are allocated to local budgets.

Historical Information about the Zaporozhye Oblast

The historical territory of Zaporizhzhia (now Zaporizhzhia Oblast) covers over 27,000 square kilometres. In terms of size, it is comparable to countries such as Belgium and Albania, and in terms of the richness of its historical events and significance, it could easily rival many European nations.

For a long time, the founding year of Zaporizhzhia was considered to be 1770—the year the Alexandrovsk Fortress was established. However, in 2014, the city council deputies approved the year 952 as the official founding year of Zaporizhzhia. This date corresponds to the completion of the treatise *De Administrando Imperio* by the Byzantine Emperor Constantine VII Porphyrogenetos, regarded as “the first written mention of settlements on both banks of the Dnipro and on Khortytsia Island” (*On Clarifying...*, 2014). In reality, the treatise does not mention the settlements themselves, but it does refer to the Kraria crossing (identified with the Kichkas crossing) and the island of St. Gregory (Khortytsia Island) (*Litavrin & Novoseltsev, 1991*).

The history of modern Zaporizhzhia can be traced back to the reign of Catherine the Great, specifically during the Russo-Turkish wars of the 18th century and the liquidation of the Crimean Khanate. During this period, the territories of present-day Zaporizhzhia Oblast were incorporated into the Novorossiia Governorate, and later into the Yekaterinoslav and Taurida Governorates. The city itself was named Alexandrovsk in honour of the Alexandrovsk Fortress—the main defensive symbol of the southern borders of the state.

The industrial development of the region only began in the first half of the 19th century, when manufactories for processing agricultural raw materials were established here.

During the Civil War of 1917–1921, the territory of what is now Zaporizhzhia Oblast came under the control, at various times, of the Bolsheviks, the Central Rada (installed with the support of Austro-German forces), Hetman Pavlo Skoropadskyi, the Directorate, the White Army, the Makhnovists, and finally, the victorious Bolsheviks. On January 10, 1939, Zaporizhzhia Oblast was formed out of the south-eastern districts of Dnipropetrovsk Oblast; however, the final establishment of the present-day borders of Zaporizhzhia Oblast occurred in 1949.

Characteristics of the Social and Economic Development of the Zaporizhia Oblast

The authorities of the Zaporizhzhia region have set themselves the goal, for the next ten years, of reviving the region’s economy through public–private partnership and attracting investment. Drawing on the best practices of the Soviet Union, they plan to build new production facilities, establish logistics links and enter the markets of friendly countries, according to the regional development programme. At present, the region operates as a free economic zone, which helps to improve the investment climate.

At the heart of this programme lies public–private partnership: a balance between individual interest and a decent life for all, as the head of the region notes. As a reference point, they look to the experience of the Soviet Union. In practice, the state will directly control, coordinate and steer key sectors of the economy and, through state-owned companies, launch major projects—acting at the same time as a shareholder under the “25% plus one share (vote)” formula.

The authorities of Zaporizhzhia region intend to revive abandoned or once-plundered production facilities, including those in the agro-industrial sector. Although the economy of the region will be regulated by the state, there are already numerous opportunities open for business development. Budget revenues will be formed through the profits of enterprises with state participation.

A key task facing Zaporizhzhia region is to establish interregional integration with other southern regions of Russia. In this context, over the next ten years, plans include bringing up to 100% of the road network to regulatory standards and increasing the cargo turnover of Berdiansk port to 3.5 million tonnes per year. There are also plans to fully modernise the region's energy complex and ensure quality gas supply to 100% of the region's population.

The agro-industrial complex (AIC) is the key sector of Zaporizhzhia region's economy. Today, the demand for personnel exceeds 35,500 people. The regional authorities believe that only through state regulation is it possible to develop this sector, with plans to increase crop yields. The programme includes modernisation of the irrigation infrastructure, and the region will develop crop production, livestock breeding and aquaculture. Major investment projects for deep processing of agricultural products are planned, again on the basis of public-private partnership. In particular, this involves building flour mills and bakeries, dairy factories, launching feed production, as well as establishing agricultural machinery and fish processing plants. Furthermore, the regional authorities intend to develop the unmanned aviation sector: in future, the region is to see the creation of a design bureau, an aviation training centre and a technology park.

The development programme for Zaporizhzhia region will also be closely linked with national projects. Work on restoring and developing the region's economy is already under way. At present, there are 173 schools in the region, attended by 38,000 children; over 8,000 children also attend kindergartens. Hot meals are provided everywhere, and educational institutions are supplied with all necessary teaching materials. The region has received 110 buses for educational institutions, and 300 computer classrooms have been equipped.

Systematic work is also being carried out to restore the healthcare system. To date, 21 medical institutions have been repaired. In addition, considerable attention in Zaporizhzhia region is given to organising social payments: 175,000 people receive pensions, and another 90,000 receive other regional benefits. The employment and pension rights of 400 people have been reinstated. The region has also restored the work of 332 cultural institutions.

Products from enterprises of Zaporizhzhia region are supplied to other regions of Russia and to around twenty other countries. Many local companies have been registered in the "Chestny Znak" (Honest Sign) system and have started supplying food and other goods to various parts of the country. The creation of a regional export centre will help develop the region's export potential. Its main tasks include assisting in organising deliveries, generating demand for products made in Zaporizhzhia region both within the country and abroad, finding potential buyers, and supporting local enterprises in taking part in international exhibitions and business missions. Mechanisms have also been set up to support small and medium-sized businesses—the "My Business" centre and the "Microfinance and Guarantee Fund". Businesses need borrowed funds, yet enterprises often do not yet have registered assets that could be used as bank collateral. In such cases, the Fund will act as a guarantor for the return of funds.

Analysis of the Budget of the Zaporozhye Oblast

Revenue Part of Zaporizhzhia Oblast Budget for 2023–2024

Since 2023, all federal taxes have started to be collected in the new regions. By August, their own revenues had exceeded 40 billion roubles. At the same time, the new regions received 410.7 billion roubles in grants. Most of these grants are non-earmarked—each region decides independently how to allocate the funds. The grant dependency level of Zaporizhzhia Oblast was almost 94%. Of the four new regions, only the budget of Zaporizhzhia Oblast showed a surplus in 2023—revenues exceeded expenditures by 1.8 billion roubles.

The approval and execution of budget drafts in the territories of the new regions in 2023–2025 will take place with a number of specific features. Budget legislation imposes rather strict limits on regions with a high level of grant dependency, where grants exceed 40% of revenues. Such regions are required to coordinate the draft budget and any amendments with the Accounts Chamber; their expenditure on public servants' salaries is restricted. The budget planning period for them will be reduced threefold, regional and municipal budgets will be consolidated, and the issue of cash will be organised via field branches of the Central Bank. Draft budgets and socio-economic development forecasts for the new regions will be drawn up and approved for a one-year period only. Local government expenditures will become part of regional budgets, and local budget revenues will be transferred to the regional treasury. Since January 1, 2023, they have been receiving cash through the field branches of the Central Bank and Promsvyazbank.

These special features of the budget process are intended to establish maximum control over this area in the new regions, which is sensible during the transitional period. While hostilities continue, and the precise borders of the territories that have returned to Russia, their population size and industrial condition remain unclear, it is impossible to develop a fully-fledged budget.

As for the budget of Zaporizhzhia Oblast at the beginning of 2023, the planned revenues were as follows—90,246,743.2 thousand roubles, including:

1. Tax and non-tax revenues are 5,586,507.5 thousand roubles, of which:
 - Profit and income tax are 1,434,097.37 thousand roubles,
 - Taxes on goods, works and services are 1,007,114.2 thousand roubles,
 - Taxes on aggregate income are 245,384.0 thousand roubles,
 - Taxes, duties and payments for natural resources are 25,376.0 thousand roubles,
 - State duty is 102.0 thousand roubles.
2. Gratuitous receipts are 84,660,235.7 thousand roubles, including:
 - (a) Grants to the budgets of the budgetary system of the Russian Federation are 75,697,904.4 thousand roubles
 - (b) Subsidies to the budgets of the budgetary system of the Russian Federation (interbudgetary subsidies) are 812,062.7 thousand roubles
 - (c) Subventions to the budgets of the budgetary system of the Russian Federation are 204,939.6 thousand roubles

(d) Other interbudgetary transfers are 7,945,329.0 thousand roubles

The region's own revenues in 2023 amounted to about 10 billion roubles. It was also added that the authorities plan to achieve self-sufficiency for Zaporizhzhia in the coming years.

As for the revenue part of the budget at the beginning of 2024, the figures were 55,924,718.9 thousand roubles, including:

1. Tax and non-tax revenues are 15,618,949.9 thousand roubles, of which:
 - Profit and income tax are 14,340,973.7 thousand roubles,
 - Taxes on goods, works and services are 1,007,114.2 thousand roubles,
 - Taxes on aggregate income are 245,384.0 thousand roubles,
 - Taxes, duties and payments for natural resources are 25,376.0 thousand roubles,
 - State duty are 102.0 thousand roubles.
2. Gratuitous receipts – 40,305,769.0 thousand roubles, including:
 - (a) Grants to the budgets of the budgetary system of the Russian Federation are 23,383,643.3 thousand roubles,
 - (b) Subsidies to the budgets of the budgetary system of the Russian Federation (interbudgetary subsidies) are 14,623,430.6 thousand roubles,
 - (c) Subventions to the budgets of the budgetary system of the Russian Federation are 2,031,812.6 thousand roubles,
 - (d) Other interbudgetary transfers are 266,882.5 thousand roubles.

Zaporizhzhia Oblast exceeded its target for own revenues in the current year of 2024. This was reported by Dmitry Vorona, Deputy Chairman of the Federation Council Committee on Economic Policy. Initially, the budget totalled about 55 billion roubles, and the volume of own revenues was planned at 7.5 billion roubles. The actual figures were more than doubled. Officials also noted that in 2024 there is still potential to generate even more income, as December lies ahead—leaving time for new financial records.

Expenditure Part of Zaporizhzhia Oblast Budget for 2023–2024

The planned expenditure side of the budget of Zaporizhzhia Oblast for 2023 is 93,768,160.7 thousand rubles. General public services are 5,803,997.0 thousand rubles.

1. National security and law enforcement are 3,824,716.2 thousand rubles.
2. National economy is 16,881,878.8 thousand rubles.
3. Housing and utilities are 4,839,397.7 thousand rubles.
4. Environmental protection is 114,265.1 thousand rubles.
5. Education is 17,548,783.5 thousand rubles.
6. Culture and cinematography are 1,401,100.1 thousand rubles.
7. Healthcare is 16,901,589.9 thousand rubles.
8. Social policy is 25,195,177.9 thousand rubles.
9. Physical culture and sport are 378,809.6 thousand rubles.
10. Mass media is 845,271.4 thousand rubles.
11. Servicing of public debt is 33,173.5 thousand rubles.
12. Interbudgetary transfers are 89,106.9 thousand rubles.

The planned expenditure side of the budget of Zaporizhzhia Oblast for 2024 is 93,768,160.7 thousand rubles, including:

1. General public services are 1,685,831.5 thousand rubles.
2. National security and law enforcement are 121,790.4 thousand rubles.
3. National economy is 13,804,369.0 thousand rubles.
4. Housing and utilities are 4,168,568.0 thousand rubles.
5. Environmental protection is 112,886.7 thousand rubles.
6. Education is 14,275,006.6 thousand rubles.
7. Culture and cinematography are 673,201.5 thousand rubles.
8. Healthcare is 8,561,663.3 thousand rubles.
9. Social policy is 13,653,454.9 thousand rubles.
10. Physical culture and sport are 203,471.5 thousand rubles.
11. Mass media is 356,800.9 thousand rubles.
12. Servicing of public (municipal) debt is 139,176.0 thousand rubles.
13. General interbudgetary transfers are 2,409,916.7 thousand rubles.

The public debt in 2023 amounted to 33.173 thousand rubles; in 2024, it increased to 139.176 thousand rubles.

Given the special conditions in which the region exists, as well as the ongoing hostilities, there is nothing surprising in the increase in public debt. Social obligations have grown due to the expansion of liberated territories, the return of residents to these areas, and other measures provided for by social policy.

Another reason could be that non-repayable receipts (grants) were cut by more than half. Moreover, businesses in the region operate in a zone of increased risk, where the likelihood of damage or destruction of property that forms part of state revenue is high.

Conclusion

Thus, the budget of the Zaporizhzhia region has shown a surplus for two consecutive years. In 2023, it exceeded the forecast set at the beginning of the year by 1.8 billion roubles. In 2024, it was surpassed by almost 6 billion compared to the initial forecast.

These results were achieved thanks to intensive investment in industry and agriculture in those districts under Russian jurisdiction. It should also be noted that development continues in those areas that remain under Ukrainian control. As a result, we can observe economic growth in the Zaporizhzhia region despite it being an area affected by military conflict.

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Financial Analysis of the Budget of the City of Blagoveshchensk ^[12]

Abstract: The relevance of this study topic stems from the growing importance of a municipal budget as a key instrument of financial management, ensuring sustainable socio-economic development of the territory and improving the quality of life for the local population. Under current conditions of decentralisation of power and the transfer of significant powers to the level of local self-government, in-depth and systematic analysis of a municipal budget becomes particularly significant. Such analysis makes it possible to identify reserves for optimising expenditure, increasing revenue, and enhancing financial autonomy. Using the example of the budget of the city of Blagoveshchensk, the research gains additional significance given its strategic geographical location, the active development of a cross-border agglomeration with the city of Heihe, and the implementation of large-scale investment projects that affect budgetary processes. The study object is the budget of the city of Blagoveshchensk as an integral part of the financial system of the municipality. The study subject is the structure of the revenue and expenditure parts of the budget, the dynamics of their changes, factors influencing the formation and execution of the budget, as well as an assessment of the effectiveness of the city's budgetary policy. The study aims to perform a comprehensive analysis of the revenue and expenditure parts of the budget of Blagoveshchensk, to identify the main trends and problems in its formation and execution, and to evaluate the impact of ongoing municipal programmes and investment projects on the city's financial sustainability. The study methods include comparative and structural analysis, methods of statistical data processing, regulatory and legal analysis, as well as a systemic approach to studying the budget process and the factors influencing it. The authors conclude that the steady increase in the revenue part of the budget, achieved through the growth of tax and non-tax revenues, as well as gratuitous receipts from higher-level budgets, has made it possible not only to maintain the stability of the city's financial system but also to end the year with a budget surplus of 390,084.9 thousand roubles. Priority in budget expenditure has been given to the implementation of municipal programmes aimed at improving the quality of life of the population, developing urban infrastructure, and supporting education, culture, and sport. A significant place is occupied by measures related to the implementation of the "May" decrees of the President of the Russian Federation, which underlines the social orientation of the budgetary policy.

Keywords: Blagoveshchensk budget, budget revenues, budget expenditures, deficit.

Introduction

The relevance of this study topic stems from the growing importance of a municipal budget as a key instrument of financial management, ensuring sustainable socio-economic development of the territory and improving the quality of life for the local population. Under current conditions of decentralisation of power and the transfer of significant powers to the level of local self-government, in-depth and systematic analysis of a municipal budget becomes particularly significant. Such analysis makes it possible to identify reserves for optimising expenditure, increasing revenue, and enhancing financial autonomy. Using the example of the budget of the city of Blagoveshchensk, the research gains additional significance given its strategic geographical location, the active development of a cross-border agglomeration with the city of Heihe, and the implementation of large-scale investment projects that affect budgetary processes.

The study object is the budget of the city of Blagoveshchensk as an integral part of the financial system of the municipality.

The study subject is the structure of the revenue and expenditure parts of the budget, the dynamics of their changes, factors influencing the formation and execution of the budget, as well as an assessment of the effectiveness of the city's budgetary policy.

The study aims to perform a comprehensive analysis of the revenue and expenditure parts of the budget of Blagoveshchensk, to identify the main trends and problems in its formation and execution, and to evaluate the impact of ongoing municipal programmes and investment projects on the city's financial sustainability.

To achieve the stated aim, the following objectives are addressed in this study:

- examine the theoretical foundations of the formation and execution of a municipal budget;
- analyse the structure of the revenue part of the budget of the city of Blagoveshchensk, identifying the main sources of income and the dynamics of their changes over recent years;
- perform an analysis of the expenditure part of the budget, determining the priority areas for spending budgetary funds;
- identify the factors influencing the revenues and expenditures of the budget;
- assess the role of municipal programmes and major investment projects in the formation and execution of the budget;
- formulate proposals to improve the effectiveness of the municipal budgetary policy.

The study methods include comparative and structural analysis, methods of statistical data processing, regulatory and legal analysis, as well as a systemic approach to studying the budget process and the factors influencing it.

Results

Blagoveshchensk was founded in 1856 as part of strengthening the borders of the Russian Empire on the banks of the Amur River. In the same year, a military outpost called Ust-Zeysky was established by a team of Cossacks under the command of Sotnik Makar Grigorievich Travin.

In 1858, a church dedicated to the Annunciation of the Blessed Virgin Mary was laid on the bank of the Amur. That same year, by decree of Emperor Alexander II, Blagoveshchensk was officially founded on the site of the Ust-Zeyskaya Stanitsa, taking its name from the newly built church.

Blagoveshchensk is a city with a distinguished history and a unique geographical location. It is the only administrative centre in Russia situated directly on the state border. The distance between Blagoveshchensk and the Chinese city of Heihe is only 750 metres, with the Amur River linking the two neighbouring countries.

The foundation of Blagoveshchensk's economy is trade. The city ranks first in Russia in terms of retail space per capita: in 2019, this figure reached 1,642 square metres per 1,000 residents.

The city administration pays special attention to supporting business, particularly small and medium-sized enterprises. Between 2015 and 2019, the city allocated 83 million roubles to

business support measures. Additionally, the city hosts the “Business Calling” competition and the national “Business Success” award for entrepreneurs.

Undoubtedly, the city’s proximity to Heihe has had a significant impact on the development and prospects of Blagoveshchensk. Cooperation in tourism, international trade, and investment has been expanding and strengthening over many years. This collaboration has led to a large-scale project: the Blagoveshchensk–Heihe cross-border agglomeration. This area is planned as a model zone of economic cooperation between Russia and China and an important transport hub. The agglomeration’s infrastructure includes Ignatievo International Airport, Heihe Aihui Airport, the under-construction Tribuna Hall city centre in Blagoveshchensk, a second road bridge over the Zeya River, a cableway and a cross-border bridge over the Amur, and transport and logistics centres in both countries.

The Amur capital is home to over 230,000 residents. Over the past decade, the city’s population has grown by nearly 20,000 people. The city’s development focuses on improving residents’ quality of life: enhancing urban infrastructure, landscaping, and reforms in social policy. Blagoveshchensk participates in several national projects, including “Education”, “Demography”, “Housing and Urban Environment”, “Culture”, and “Safe and High-Quality Roads”.

Blagoveshchensk today is a modern, multifunctional business and cultural centre with elements of a global city, integrated into the world economy, participating in national and regional innovation processes, and creating a comfortable living environment with a high quality of life.

The main strategic goal of the city’s socio-economic development until 2035 is to ensure sustainable growth in residents’ well-being and to improve living standards in a comfortable and safe urban environment. The Strategy for Socio-Economic Development of Blagoveshchensk until 2035 was approved by decision of the City Council of Deputies on 20 December 2018 (No. 497–48).

The budget is the key category underpinning the entire municipal financial system. In material terms, the budget represents a state or municipal centralised fund of monetary resources, managed by public authorities and forming part of the state’s financial system.

According to Article 214 of the Civil Code of the Russian Federation, the budget is part of the state treasury, which also includes other public (municipal) assets not assigned to state (municipal) enterprises and institutions (*Ruchkina et al., 2024*). Article 15 of the Budget Code of the Russian Federation establishes that each municipality has its budget.

A local (municipal) budget encompasses economic relations involved in the accumulation, distribution, and use of a centralised municipal monetary fund controlled by local self-government bodies, intended to finance tasks of local significance and delegated state powers, and approved by the representative body as the main financial plan of the municipality.

From an economic perspective, the local budget reflects the system of monetary relations by which the municipality redistributes national income and part of the national wealth to accumulate, distribute, and use a municipal-level fund for financing local government functions and tasks (*Krokhina, 2024*).

Analysis of revenue data over recent years shows steady growth in budget income (*Table 1*). According to the decision of the Blagoveshchensk City Duma from 8 December 2022 (No.

50/145) on the city budget for 2023 and the planning period 2024–2025, total projected revenue for 2023 was 13,252,235.1 thousand roubles; expenditure was projected at 13,402,235.1 thousand roubles, with a budget deficit of 150,000.0 thousand roubles.

Revenue structure for 2023:

1. Total:
 - Planned: 60,603,278.0
 - Actual: 59,733,926.0
2. Tax and non-tax revenue:
 - Planned: 16,710,507 thousand roubles (27.6%)
 - Actual: 18,331,796 thousand roubles (30.7%)
 - Performance: 109.7%
3. Grants and transfers:
 - Planned: 43,892,771 thousand roubles (72.4%)
 - Actual: 41,402,130 thousand roubles (69.3%)
 - Performance: 94.3%

Let us consider the expenditure side of the budget of the city of Blagoveshchensk. In accordance with Article 6 of the Budget Code of the Russian Federation, budget expenditures are funds paid from the budget, excluding funds that are sources of financing the budget deficit (*Budget Code...*, 1998).

As defined in budget legislation, the basis for forming budget expenditures is the expenditure obligations of public legal entities, which must be fulfilled within the next budget cycle using the funds of the respective budgets. This provision highlights the importance and necessity of a detailed examination of the meaning of this term, as well as the types and legal grounds for their formation.

Expenditure obligations of a municipal entity arise as a result of the adoption of municipal legal acts by local self-government bodies, as well as the conclusion of contracts by the municipal entity (or municipal treasury institution) in the course of:

- exercising powers on matters of local importance established by Federal Law No. 131-FZ;
- exercising certain state powers to be fulfilled within the limits of subventions from the budget of a constituent entity of the Russian Federation (*Ivanova et al.*, 2024).

According to the “On the City Budget for 2023 and the Planning Period of 2024 and 2025” (*On the City Budget for 2023...*, 2022) the forecasted total volume of city budget expenditures for 2023 was set at 13,402,235.1 thousand roubles.

The report on the execution of the city budget for 2023 shows expenditures in the amount of 16,337,956.9 thousand roubles, of which the city’s own expenditures amounted to 4,613 million roubles. Thus, the difference amounts to 21.9% of the planned expenditure target for 2023.

Over the past ten years, including in 2023, priority was given to budget expenditures aimed at fulfilling the tasks set by the “May” Decrees of the President of the Russian Federation, as well as at increasing the salaries of public sector employees who are not covered by the presidential decrees, and at bringing their salaries up to the minimum wage level. In total, 2,227,004.2 thousand roubles were allocated to implement the “May” Presidential

Decrees during the reporting period, including 530,730.6 thousand roubles from the city budget and 1,723,273.5 thousand roubles from the regional budget.

In 2023, eleven municipal programmes were implemented within the territory of Blagoveshchensk. Planned funding amounted to 16,544 million roubles, which is 8.1% higher than in 2022, of which: 12,607 million roubles came from federal and regional budgets, and 3,937 million roubles from the city budget. Actual expenditures were financed in the amount of 15,525 million roubles or 94% of the planned appropriations, including: from federal and regional budgets—11,712 million roubles (93%), and from the city budget—3,814 million roubles (97%).

The share of expenditures on municipal programmes in the structure of the city budget expenditures in 2023 amounted to 95% (compared to 95% in 2022 and 93% in 2021). Non-programme expenditures were executed in the amount of 813 million roubles or 95% (the plan was 859 million roubles). The execution of expenditure obligations of the city budget was carried out both through the city's own funds and through funds received in the form of gratuitous receipts.

The Appendix provides data on expenditure amounts depending on the type of budget spending ([Table 2](#)). The budget of Blagoveshchensk for 2022 was in surplus compared to previous years and amounted to 390,084.9 thousand roubles. The Appendix also presents the execution of sources of financing the city budget deficit for 2023 according to the classification codes ([Table 3](#)).

Having considered the revenue and expenditure parts of the Blagoveshchensk city budget, we see that the city budget for 2023 amounted to revenues of 16,728,041.8 thousand roubles and expenditures of 16,337,956.9 thousand roubles, resulting in a budget surplus of 390,084.9 thousand roubles.

Based on the report on the execution of the city budget for 2023 submitted by the Mayor of Blagoveshchensk, and in accordance with Article 20 of the Charter of the municipal entity of Blagoveshchensk, considering the conclusions of the Control and Accounts Chamber and the Organising Committee on public hearings on the budget report dated 17.05.2024: The city budget for 2023 shows revenues of 16,728,041.8 thousand roubles and expenditures of 16,337,956.9 thousand roubles, with a surplus of 390,084.9 thousand roubles.

As part of the municipal programme “Ensuring the Safety of the Population and Territory of the City of Blagoveshchensk”, work continued in 2023 on the construction project “Bank Protection and Reconstruction of the Amur River Embankment in Blagoveshchensk”. The total amount of funds allocated in 2023 for programme implementation was 1,337.2 million roubles, with an execution rate of 98% or 1,310 million roubles.

As part of the municipal programme “Development of Small and Medium Enterprises and Tourism in the Territory of Blagoveshchensk”, construction of the large city centre “Tribune Hall” continued in 2023. Completion and commissioning of the facility have been postponed to 2024. The amount of funds planned in 2023 for implementation of the programme was 1,279 million roubles, with actual execution amounting to 1,051.8 million roubles or 82.2%.

Deputies of the Blagoveshchensk City Duma have adopted the main financial document of the city for 2024 and the planned period of 2025 and 2026. It was presented by the Head of the Financial Department; the budget for the next three years will be without deficit.

The budget volume for revenues and expenditures is forecasted at 12,989.8 million roubles for 2024, 8,995.9 million roubles for 2025, and 8,457.1 million roubles for 2026.

The city budget continues to maintain its social focus. The share of social expenditure in 2024 will be 46.4% of total expenditures, slightly lower than in previous years. This is related to the implementation of major investment projects:

- completion of the large city centre “Tribune Hall” in 2024;
- continued construction of the gas-fired boiler house;
- reconstruction of treatment facilities and sewer collector; bank protection and reconstruction of the Amur embankment.

In Blagoveshchensk, construction of a new school for 1,200 pupils continues; school stops will be equipped, and school cafes will be created in schools No.10, No.14 and Gymnasium No. 25.

The budget provides for the payment of wages in line with “presidential” categories of employees:

- for preschool education institutions at the level of 47,691 roubles;
- for general and additional education at the level of 53,842 roubles;
- for cultural institutions at the level of 57,374 roubles.

The minimum wage will amount to 30,787 roubles, representing an increase of 18.5%.

Conclusion

As a result of the analysis of the budget of the city of Blagoveshchensk for 2023, the crucial role of the local budget as a key instrument of financial management and a driver of the socio-economic development of the municipality has been confirmed. The steady increase in the revenue side of the budget, achieved through the growth of tax and non-tax revenues as well as gratuitous transfers from higher-level budgets, has not only preserved the stability of the city’s financial system but also enabled the year to close with a surplus of 390,084.9 thousand roubles.

Priority in budget expenditure has been given to the implementation of municipal programmes aimed at improving residents’ quality of life, developing urban infrastructure, and supporting education, culture and sport. A significant proportion of expenditure is allocated to measures connected with fulfilling the “May” Decrees of the President of the Russian Federation, which underlines the social focus of the budget policy.

Of particular importance for the city’s future development is cooperation with the Chinese city of Heihe within the framework of the Blagoveshchensk–Heihe cross-border agglomeration. This partnership opens up new opportunities for attracting investment, developing tourism and boosting international trade.

The approved budget for 2024 and the planned period of 2025–2026 reflects a strategic commitment to maintaining a social orientation and further developing the city’s infrastructure. Despite a reduction in the share of social expenditure due to major investment projects, the main financial document remains balanced and continues to support the implementation of the city’s key objectives.

Thus, the budget of the city of Blagoveshchensk serves not only as a financial plan, but also as an essential tool for sustainable development, planning and the realisation of local self-government policy. Its competent formation and execution contribute to creating a comfortable

urban environment and improving residents' welfare, while also strengthening the independence and responsibility of municipal authorities under current socio-economic conditions.

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Appendix

Table 1. Execution of city budget revenues for 2019, 2021 and 2023 according to budget revenue classification codes (in thousands of rubles)

No.	Indicator	2019	2021	2023
1.	Income, total	6,759,761.7	11,665,334.50	16,728,041.8
1.1.	Tax and non-tax income	3,299,775.4	3,839,095.30	4,956,576.3
1.1.2.	Personal income tax	1,384,747.8	1,716,684.10	2,273,371.7
1.3.	Taxes on goods (works, services) sold on Russian Federation's territory	12,693.3	13,154.20	17,106.7
1.5.	Tax on total income	520,158.8	509,966.00	498,348.8

1.6.	Property taxes	665,336.5	649,470.30	713,830.1
1.8.	State duty	70,981.8	55,869.80	74,789.6
1.11.	Income from the use of state-owned or municipal property	319,997.2	392,165.50	480,906.3
2.2.	Gratuitous receipts	3,460,130.6	7,826,239.20	11,771,465.5
2.2.1.	Subsidies to the budgets of Russian Federation's budgetary system	22,733.6	166,131.40	170,850.4
2.2.2.	Subsidies to the budgets of Russian Federation's budgetary system	988,590.6	4,571,637.60	5,926,106.8
2.2.3.	Subventions to the budgets of Russian Federation's budgetary system	1,661,674.6	2,539,065.60	2,899,458.5
2.2.4	Other inter-budget transfers	787,131.8	595,384.80	2,910,502.7
2.7.	Other gratuitous receipts	19,700.00	25,000.00	15,000.00
3.	Expenses	6,768,263.9	11,899,591.8	16,337,956.9
4.	Deficit (-) /Surplus (+)	- 8,502.1	-234,257.3	+390,084.9

Table 2. The amount of expenses depends on the type of budget expenditure (in thousands of rubles)

KBK	Indicator	Plan	Executed	Percentage of execution
0100	National issues	821,439.1	784,268.9	95.5
0300	National security and law enforcement	159,602.1	158,384.2	99.2
0400	National economy	4,344,932.2	3,650,796.9	84.0
0500	Housing and communal services	6,426,095.6	6,133,371.5	95.4
0600	Environmental protection	29,426.9	29,426.9	100.0
0700	Education	4,575,535.8	4,572,972.9	99.9
0800	Culture, cinematography	403,254.5	403,115.0	100.0
1000	Social policy	333,011.0	305,608.1	91.8
1100	Physical education and sports	215,460.8	215,360.6	100.0
1200	Mass media	32,076.7	32,018.6	99.8
1300	Servicing of state (municipal) debt	62,191.7	52,633.3	84.6
9800	Total expenses	17,403,026.4	16,337,956.9	93.9
	Budget surplus (with a plus sign) budget deficit (with a minus sign)	-486,420.0	390,084.9	

Table 3. Execution of sources of financing of the city budget deficit for 2023 according to the classification codes of sources of financing budget deficits

The source code for the budget classification	Indicators	Plan	Executed
1.	Sources of internal financing of budget deficits	486,420.0	-390,084.9
1.2	Loans from credit institutions in the currency of the Russian Federation	278,701.5	78,701.5
1.3	Budget credits from other budgets of the budgetary system of the Russian Federation	14,984.0	-6,314.5
1.5	Changes in the balance of funds on the accounts for accounting budget funds	192,734.5	-462,471.9

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The background of the image is a blurred, high-angle shot of a large crowd of people. Overlaid on this is a network diagram consisting of numerous white circular nodes connected by thin white lines, creating a web-like pattern across the entire frame.

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