

Mandatory Payments as an Instrument of Public Fiscal Policy

Vladimir Glukhov and Egor Glukhov

Far Eastern Federal University, Vladivostok, Russia

Abstract: From the time when individuals started living together because of certain socio-economic, political and other reasons, forming communities called states, such attributes of a civilized society like money, finance, mandatory payments (taxes, duties, fees, etc.) have accompanied humanity through its all long history. The governments (both in our country and abroad), in order to replenish the state treasury, a prototype of the state budget, established various mandatory payments (direct and indirect taxes, levies, duties, regalia, excise, etc.) for the population being the main object of taxation. The forms and methods of mandatory payments collection have always had a clearly fiscal nature; at that the implemented fiscal policy represented the interests of the main beneficiary, namely the state that received the accumulated financial resources. In scientific literature, instead of the scientific concept of "fiscal policy" we often find the terms "fiscal and monetary, tax, tax and budgetary, financial and budgetary, etc. policy" that are interpreted depending on the position of the researcher and his membership in a particular scientific school. Fiscal and tax policy are not the same. Fiscal policy is much broader in terms of content and substance, because in addition to taxes, the taxpayers are imperatively subjected to other mandatory payments in favor of the state budget, extra-budgetary funds, etc.

Key words: Fiscal policy • Taxes • Fees • Levies • Fees • Budget • Funds • Functions

INTRODUCTION

Mandatory payments (taxes, duties, fees, etc.) have existed at all times and at all stages of the historical development of society, even when money did not exist explicitly, because payments have not always existed in the habitual form of money.

In the course of historical development, the evolutionary form and content of mandatory payments have undergone significant changes and have been distinguished by a very wide variety: on the subjects, objects and elements of taxation, on the form of tribute, various fees and charges up to their current state in cash.

Tribute rationing was accompanied by the establishment of certain places of its collection that can be viewed as ordering of the mechanism of tax collection and the tax system as a whole. Part of the collected taxes mainly due to redistribution was used for public purposes. A certain portion of the funds was collected in favor of "the ruling court" and its circles, forming a prototype of the state budget [1, p. 114].

The emergence and development of the society, the public authorities and, therefore, the system of mandatory

payments occurred in different states in different ways. The governments (both in our country and abroad), in order to replenish the state treasury, a prototype of the state budget, established various mandatory payments (direct and indirect taxes, levies, duties, regalia, excise, etc.) for the population being the main object of taxation.

Along with the change of eras and socio-political structure of the state the system of mandatory payments has changed. Until the XVII century, this system had not been a single whole, because in many countries, there was a system of tax-farmers, who bought out the right to collect payments from the population from the government and partly passed them on to the state treasury.

At the same time the mandatory payments also underwent changes: some of their properties and functions were updated and modified, some of them lost their dominant role, while others vice versa became dominant, etc.

E. Voznesenskiy emphasized that the state may cancel some forms of payments and replace them with the new ones (which often happens in the practice of fiscal policy), but in any case an objective need and the

actual existence of the whole system of payments to the state budget remain under certain conditions of social production [2, p. 12].

In scientific literature, instead of the scientific concept of "fiscal policy" we often find the terms "fiscal and monetary, tax, tax and budgetary, financial and budgetary, etc. policy" that are interpreted depending on the position of the researcher and his membership in a particular scientific school.

According to I. Thomson, fiscal policy is essentially a budgetary policy consisting of spendings and tax revenues, realizing which the government has an impact on the economy of the country [3, p. 1].

Some authors identify it with the system of legal actions of the authorities and provision of sustainable economic growth, others understand it as a method of financial regulation and some believe that it is a complex system of measures in the field of taxation, etc., i.e. there is the polarity of opinions and points of view that leads to the "erosion" of the concept interpretation.

Fiscal and tax policy are not the same. Fiscal policy is much broader in terms of content and substance, because in addition to taxes, the taxpayers are imperatively subjected to other mandatory payments to the state budget, extra-budgetary funds, etc.

Since the emergence of the state and the development of the institution of property, the decisions for many nation-wide problems, including the types and forms of mandatory payments, have been taken by public authorities. At the same time the theoretical understanding of the nature and essence of mandatory payments began and was realized in a variety of scientific theories and concepts.

Taxes: The legislative duty of the taxpayer (legal entities and individuals) to pay applicable taxes and fees is determined by the Constitution and the Russian Tax Code (Tax Code).

In accordance with Art. 57, Chapter 2 of the RF Constitution, everyone is obliged to pay the legally established taxes and fees. Laws introducing new taxes or worsening the situation of the taxpayers are not retroactive [4].

Former republics of the Soviet Union, the modern sovereign states, also legislated in their constitutions the payers' liability to pay applicable taxes and fees.

The Constitutions in Canada, the U.S., Japan and other developed countries also reflect the rights of the public authorities to accumulate mandatory payments for provision of state functions [5, 6, 7].

Modern information sources are saturated with numerous definitive rules, which use different definitions of tax, proposed by scientists belonging to different schools of science, but at the same time, there are state laws that prescribe the interpretation of tax.

Article 2 of the Law of the Russian Federation "On the bases of the tax system in the Russian Federation" (as of 16.07.92 No. 3317-1) gives the following definition: taxes, levies, fees and other payments are mandatory *contributions* to the budget of the corresponding level or to the extra-budgetary fund, performed by the payers in the manner and on the terms established by legislative acts. The aggregate of taxes, duties, fees and other charges (hereinafter, taxes) levied in the prescribed manner, forms the tax system [8].

Article 8 of the Tax Code of the Russian Federation understands the tax as a mandatory, individually gratuitous *payment* collected from organizations and individuals in the form of alienation of funds owned under the right of property, economic or operational management for the financial support of the state and (or) municipal entities [9].

Below are the views and opinions of some scientists and researchers about the interpretations of the tax.

The tax is an economic category that expresses the totality of relations between the state and community members in relation to fiat requisitioning and appropriation of revenues by the state to carry out its functions [10, p. 7-8].

Taxes are mandatory payments of businesses and citizens to the budgets of respective level at the rates established by law [11, p. 452].

Some teams and individual authors propose the definition of tax in the same interpretation as it is stipulated in Article 8 of the Tax Code.

In turn, foreign researchers come up with their specific definition of tax.

K.R. McConnell and S.L. Brue believe that the tax is a forced payment to the Government by the household or company (in the form of money or transfer of goods and services), which do not directly receive goods or services in return and such payment is not a penalty imposed by the court for illegal actions [12].

S. Fischer, R. Dornbusch and R. Schmalensee treat taxes as a fee for the civilized society, as many of the government's functions are essential and their realization needs taxes [13].

Authors of the Oxford Explanatory Dictionary believe that tax is money due to the government from payments or sale of goods [14, p. 258].

In turn, John Hawkins believes that tax is money paid by people or businesses to the government to use for public purposes [15, p. 731].

According to R. Musgrave the size of tax should be set as the price for consumers, who receive the maximum out of their payments for public and private services [16, p. 73].

Taxation is used to provide incentives for the private sector development and to distribute part of income from the rich to the poor population [17, p. 25].

Duties: The duties include cash payments levied by the institutions authorized by the State in the exercise of certain activities related to the preparation and issuance of documents for different types of registrations, permits, etc. or for carrying out any action in favor of the taxpayer.

In accordance with Art. 333.16, Chapter 25.3 of the Tax Code, state fee is a *fee* charged to individuals if they apply to public bodies, local authorities, other bodies and (or) officials for the execution of legal actions in relation to such persons [9].

One of the varieties of indirect taxes is customs duty, which definition as a mandatory payment to the federal budget, collected by customs authorities in connection with the movement of goods across the customs border of the Customs Union, is given in the "Law on Customs Tariff", as amended on 06.12.2011 s. No. 409-FZ [18].

Art. 318 of Chapter 27 of the Customs Code of the Russian Federation (RF CC) defines the types of customs duties, which include: import and export customs duties, value added tax and customs duties collected on goods imported into the customs territory of the Russian Federation [19].

Fees: Currently, the fees are considered as various public (registration, stamp, customs, postal, legal, for the inheritance, etc.) fees, charges for the use of fauna and water biological resources, etc.

General principles of taxation and levies in the Russian Federation are stipulated in the Art. 72, Chapter 3 of the Constitution of the Russian Federation [4].

The principal difference between the levy and the tax is that the latter is charged to the payer imperatively, in accordance with applicable law, without the provision of any service in return.

Article 8 of the Tax Code defines the levy as a mandatory *fee* charged to organizations and individuals. Such fee payment is a condition of the execution of legal actions, including the provision of certain rights or the

issuance of permits (licenses), in relation to the fee payers by the state agencies, local governments, other competent authorities and officials [9].

At once, one can observe their difference, proposed by RF Tax Code, according to which the tax is a payment and the levy is a fee for certain actions in respect of the payer performed by public authorities, acting on behalf of the state and the fee is also interpreted as a levy.

At the same time, their interpretation offered in the "Law on the bases of the tax system in the Russian Federation" dated December 27, 1991 No. 2118-1, combines them under the term *fee*, which leads to a contradiction in the delimitation of taxes from other charges.

Insurance Premiums: The insurance premiums are earmarked payments, which based on the applicable law and the approved tariff, the rate of payment, are periodically made by the payer (corporate or individual) to the corresponding budgetary or non-budgetary funds or other institutions, in exchange for services rendered.

Taxes, Fees and Charges, Have Common and Distinctive Features:

- All kinds of mandatory payments are set based on the current legislation and have a public nature;
- In the general system of mandatory payments taxes are a major source of income for the budgets of different levels and extra-budgetary funds;
- Taxes are *fixed and regular* payments and fees and levies are *one-time*, depending on the economic and legal relationships between taxpayers or between taxpayers and public authorities;
- Taxes and duties are the responsibility of the payer, which is established in the legislative acts and fees are characterized by voluntary basis;
- Orientation of taxes to the goals and tasks of the state is of generalized nature and fees and charges are levied for the provision of certain services or activities.

The essence of mandatory payments is manifested in specific features, functions, roles and in the results that can be achieved due to their functioning.

At the same time, from the theoretical standpoint during the analysis and review of all functions of mandatory payments, we should note the conventionality of their division into the constituent elements. Just like the money and finance, the mandatory payments

themselves neither produce anything, nor distribute, nor control or provide. Each of their functions is supported by a certain legal person or individual, who undertakes appropriate actions either on behalf of the state (represented by the public authorities), a business entity or individual.

However the mandatory payments are made by certain subjects-payers, the specific legal entities and individuals, whose behavior depends on their own economic assumptions, preferences, reasons and conditions.

So, in the first place there should be a function of the owner, who owns the object of taxation and who independently determines the amounts, schedule and methods of the appropriate payments, i.e. "functions of mandatory payments" are in reality "functions of payers-subjects of taxation", performing the control, distribution, management, investment, etc.

At the Same Time, the Theoretical Aspects Can Have a Double Meaning in Science:

- As a positive model for predicting future trends of financial innovation, changes in financial markets and activities of existing intermediaries;
- As a normative model to identify the competitive opportunities of new products and services promotion [20, p. 7].

Based on the foregoing, it can be concluded that along with usefulness and good for society, mandatory payments have a sign of coercion, which allows recognizing them as an economic category not without certain contradictions.

The main goal of the State in terms of the forming market relations should be reflected in the main directions of fiscal policy and the system of mandatory payments; it should reduce inconsistencies that take the sharpest contours in the process of distribution and redistribution of property.

Therefore, the mandatory payments as the financial resource are the basis of economic relations between the state and taxpayers engaged in different economic activities and serve as a tool to implement the state fiscal policy.

REFERENCES

1. Valerov, A.V., 2007. The History of Economic Development and Economic Thought. Bulletin of St. Petersburg University, Ser., 5(4): 111-118.

2. Voznesenskiy, E.A., 1974. Methodological Aspects of the Analysis of the Essence of Finance. Moscow: Finance, pp: 28.

3. Thompson, L., 2003. Russia, Fiscal Policy and FedEx Custom Critical. [Electronic resource] Week 8 Individual Report. URL:<http://magfour.chuckthomas.net/Lori%20Week%208%20Russia%20%20Fiscal%20Policy.pdf>.

4. The Constitution of the Russian Federation. [Electronic resource] URL: <http://www.constitution.ru/index.htm>.

5. Constitution of the United States of America. [Electronic resource] URL: http://constitution.org/constit_.htm.

6. Constitution of Japan. [Electronic resource] URL: http://www.kantei.go.jp/foreign/constitution_and_government_of_japan/constitution_e.html.

7. A Consolidation of the Constitution Acts 1867 to 1982, Department of Justice, Canada, consolidated as of October 1, 1989. [Electronic resource] URL: <http://constitution.org/cons/canada.htm>.

8. Law on the Bases of the Tax System in the Russian Federation of December 27, 1991, No. 2118-1. [Electronic resource] URL: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=908>.

9. The Tax Code of the Russian Federation. [Electronic resource] URL: <http://www.consultant.ru/popular/nalog1>.

10. Kachur, O., 2007. Tax and Taxation: A Training Manual. Moscow: KNORUS, pp: 304.

11. State and Municipal Finance: Textbook. 2nd. Rev. and Reviewed Edition, Ed., Matskulyak, I.D. Moscow: RAPA Publishers, 2007.

12. McConnell and Brue's Economics: Principles, Problems and Policies. Mc Graw-Hill, 1990.

13. Fisher, S., R. Dornbusch and R. Schmalensee, 1988. Economics. 2nd Ed. NY: McGraw-Hill, Inc.

14. Oxford Basic English Dictionary. Oxford University Press, 1989.

15. The Oxford Dictionary of the English Language. Oxford University Press, 1996.

16. Musgrave, R., 1959. The Theory of Public Finance: A Study in Public Economy. New York: McGraw-Hill, pp: 628.

17. Public Expenditure and Financial Management. Handbook. World Bank, 2008, pp: 354.

18. Law on Customs Tariff of 06.12.2011 N 409-FZ [Electronic resource]. Access Mode: <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=122859;fld=134;dst=100033;rnd=0.3338931417052103>.
19. The Customs Code of the Russian Federation (RF TC). [Electronic resource] <ode of access: <http://www.tks.ru/codex/1000000027>.
20. Merton, Robert C. Future Possibilities in Finance Theory and Finance Practice. [Electronic resource] Access Mode: <http://www.signallake.com/innovation/FuturePossibilities.01.030>.