Special Tax Regime "Occupational Tax" as a Regulator of the Self-Employed

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Abstract: The article outlines the problem of employment in the informal sector. The significance of informal employment for budget financing. The article reflects the problems faced by the self-employed in the Russian Federation, as well as the shortcomings of the special tax regime "Occupational Tax". An analysis is made of the Federal Law №422-FZ "On the experiment of establishing a special tax regime "Professional Income Tax (PIT)", which regulates the professional income of the self-employed. The significance of this law for individual entrepreneurs and legal entities is determined. The assessment of the self-employed for this tax regime is given.

1 INTRODUCTION

Analysis of the labour market shows that in today's world more and more people are choosing non-standard forms of employment, becoming self-employed or freelancers. These include students and pensioners wishing to increase their income, the unemployed who have lost their main job during an economic downturn, and people turning their hobbies into the main source of income (those who knit, sew clothes or bake cakes to order, provide all kinds of services, etc.). It is not uncommon for self-employed and wage-earners to choose self-employment as an additional source of income. Determining the exact number of self-employed and freelancers is currently quite difficult due to lack of unity in definitions, ambiguity in labour policy formation in different countries, uncertainty in the scale of the shadow economy, etc. Many workers, who are actually self-employed or freelancers, for various reasons do not register their employment officially [5].

One of the problems of today's labour market is the significant increase in employment in the informal sector, which is mainly due to low wages in the main sectors of the economy, limiting the ability of several categories of workers to meet their needs when inflation is rising.

Non-standard forms of employment are difficult to control by the state, often representing a "shadow" business that is not reflected in official documents and, as a consequence, there are no tax payments to the state budget [1]. Despite the loyal taxation system, easy registration and minimal paperwork, not all self-employed people are satisfied with the tax on professional activity (TOP), as they do not see the sense to come out of the "shadow" their activity, respectively, the state does not motivate and explain the benefits of transition to this tax regime.

2 MATERIALS AND METHODS

The theoretical and methodological basis of the study consists of the provisions of political management, management theory, economics, monographs, materials and developments of the Institute of

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Economic Research of the Russian Academy of Sciences, scientific works of domestic and foreign authors on the problems of formation and implementation of economic policy. The methods of economic, statistical, logical and comparative analysis provided the methodological basis for the study.

3 RESULTS

Having analysed the surveys of the self-employed, the following problems of the institution of the self-employed in the Russian Federation can be highlighted.

Figure 1: Problems of the institution of the self-employed in the Russian Federation.

According to a study by the Russian Union of Industrial Enterprises, a number of disadvantages of the special tax regime can be identified by the self-employed.

Figure 2: Ranking of disadvantages of the special tax regime for the self-employed.

The main reason is the lack of a work record and pension. And only 5% of the self-employed responded that this tax regime has no disadvantages.

There was also a survey about entrepreneurs' attitudes towards the special tax regime, where the question "Would you take advantage of the occupational tax?" was asked.

Figure 3: Attitudes of the self-employed towards the occupational income tax.

The results show the plans of the self-employed to use the new tax regime. Only one in ten definitely plans to use this tax regime. Another part allows for such a possibility, but without certainty (20% and 14.5%). At the same time, many self-employed express full confidence that they will not use the new tax regime, as there is no belief that this innovation will be good for them. About one in four self-employed people indicated this. At the same time, some scepticism about the measures taken by the state to legalise the self-employed is related to the fact that many self-employed people are not interested in getting registered. Many self-employed people use self-employment as an additional job, so they do not consider it necessary to pay a part of their income to the state.

4 DISCUSSION

To address this problem, Federal Law No. 422-FZ 'On Experimenting with the Special Tax Regime 'Professional Income Tax (PIT)', adopted on 27.11.2018 [2], regulates professional income and classifies the self-employed as small businesses, which means that support measures provided for small and medium entrepreneurs (SMEs) become available to the self-employed.

This law is experimental and initially applied in four regions - Moscow, Moscow Region, Kaluga Region and the Republic of Tatarstan; from 2020, the NAP will apply to the whole country. Citizens aged 16 years and over have the opportunity to apply for the special regime. The following benefits are also available for the self-employed:

– Individuals on NPD are exempt from paying personal income tax;

– Individual entrepreneurs on NPD are exempt from personal income tax, personal income tax (except VAT when importing goods into Russia), insurance fixed payments [7, 10].

The purpose of this bill is to simplify the taxation process for those who work for themselves. That is, just for those who worked in a grey area of the economy without showing their income. The only way for them used to be to open a sole proprietorship. But most self-employed people rejected this option, as they have to pay 13% personal income tax, or 6% on their income.

5 CONCLUSIONS

It is important to note that self-employment has attracted a large number of freelancers engaged in the internet sphere. One in five freelancers providing technical, consultancy or training services, or selling goods of their own making, are registered as self-employed and pay NAP.

Thus, entrepreneurs believe that this tax regime is quite profitable. The purpose of this legislation is not to single out a new category of entrepreneurs, but to introduce a new tax regime. It is worth noting that this tax regime is experimental.

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The state believes that this law is useful for:

– IE. More precisely, for those who run a business, but do not register their activities due to heavy paperwork and high taxation. The law is intended to reduce the tax burden and to relieve the entrepreneur from paperwork [3].

– Legal entities that are clients of the self-employed (e.g. an agency ordering a text from a freelance copywriter). Previously, a legal entity was required to perform the duties of a tax agent and remit tax to the budget themselves [3]. However, now this will be done by a self-employed person.

The statistics of the Register of Small and Medium Enterprises [4, 6 - 9, 11] show that the number of entrepreneurs who have chosen the tax regime "Occupational Tax" is 4 789 176 in only 4 years of this special tax regime.

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