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Improving Tax Administration of VAT on Timber Export

E. Yu. Mitusova

Interregional Inspectorate of the Federal Tax Service for the largest taxpayers No. 9, Moscow, Russia

<https://orcid.org/0000-0002-0782-8447>

ABSTRACT

The export of timber can be used by unscrupulous taxpayers in illegal schemes to reimburse VAT from the budget to obtain an unjustified tax benefit by overstating the amount of tax deductions, which confirms the **relevance** of the research. The **subject** of the paper is the economic relations between the exporting country and the importer of goods, works or services and their impact on VAT taxation. The **aim** of the study is to identify the vulnerabilities of the current tax legislation in the field of value-added tax reimbursement and analyze the improvement and optimization of the mechanism for administering value-added tax to ensure national economic security and preserve federal budget revenues as a result of reducing the amount of budget funds reimbursed to taxpayers. The author applies such **methods** as abstract-logical, analysis and synthesis, induction and deduction. As a **result**, the study reveals the problems of illegal VAT refunds in the export of timber associated with the use of new methods by taxpayers to minimize tax liabilities and the complication of the form of contractual relations. The author makes a **conclusion** about a possible solution to the problems of tax administration when taxpayers carry out export operations with exported products, using the experience of the functioning of the Charter of the agro-industrial complex. The **novelty of the study** lies in the proposal to adopt a ban on multi-stage sales and purchases by the tax authority as the basis for regulating the export of products outside the territory of the EAEU. This will exclude artificial price increases. The results obtained can be used in the further development of the tax administration system, in the analytical work of state bodies authorized to control and supervise taxes and fees.

Keywords: federal budget; financial and economic activities; timber industry; international trade; timber export; illegal timber trade; value-added tax; VAT refund; fictitious document flow; tax control; cameral tax audit

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INTRODUCTION

The issues of globalization and the intensification of foreign economic activity are an important component of the economic development of the world space and states. The countries are interested in global integration, since these processes allow to increase the inflow of public funds, improve the balance of payments, and also strengthen their positions in the world market. Thus, the export orientation of business operations contributes to the expansion of the sales market, an increase in the potential of economic entities and the diversification of trade.

To support entrepreneurs and organizations whose activities are related to export operations, the tax legislation of the Russian Federation provides for the application of the 0% value added tax (hereinafter — VAT) rate to tax the cost of selling exported products. This, in turn, significantly reduces the level of tax burden on an economic entity, and also stimulates the further development of financial and economic activities, increases interest in foreign trade transactions.

However, in addition to the goals of expanding the economic activities of organizations, operations for the export of products outside the state can be used by unscrupulous taxpayers in order to obtain unjustified tax benefits by overstating the amount of tax deductions generated at 0% VAT, which leads to the formation of the amount of VAT declared for reimbursement from the budget. For this reason, the tax authorities carry out control measures aimed at identifying the facts of violation of tax legislation, and also conduct a constant methodological assessment of the current procedure for applying tax deductions.

The cases of illegal tax refunds suggest that in the context of stimulating the export orientation of financial and economic activities, the tax authorities need to pay due attention to this area when carrying out control measures. Improving the

effectiveness of control in the context of reducing the timing of their implementation and simplifying the procedure for confirming the right to apply the 0% value-added tax rate when exporting goods (works, services) will ensure the preservation of national and economic security.

TAX CONTROL FOR VERIFICATION OF APPLICATIONS WITH THE STATED AMOUNT OF VAT REFUND

The right to apply the 0% VAT rate on the export of goods can be called the main method of stimulating foreign economic activity of economic entities since tax payments on value-added tax to the budget are a significant item of expenditure for taxpayers.

Granting the right to apply a zero rate significantly reduces the level of the tax burden on the exporter. In addition, in most cases, the application of the 0% VAT rate leads to an excess of the amount of tax deductions for VAT over the amount of calculated tax, which is the reason for the formation of the amount of VAT to be reimbursed from the budget.¹ In accordance with the provisions of Article 176 of the Tax Code of the Russian Federation, a value added tax refund is the excess of the amount of tax deductions for VAT over the amount of tax payable to the budget.

Reimbursement of VAT amounts by conscientious taxpayers is used to expand financial and economic activities, increase production volumes, its scientific and technical component, increase the number of jobs, as well as significantly reduce the level of a tax burden on business since the amount of value-added tax payments to the budget make up a significant share costs of business entities. In addition, the possibility of reimbursing the declared amount of VAT from the budget during export operations can be called an incentive to expand and develop

¹ Corporate-other taxes. Input VAT recovery. URL: <https://taxsummaries.pwc.com/russian-federation/corporate/other-taxes> (accessed on 08.02.2021).

foreign economic operations, increase the competitiveness of domestic goods and strengthen the position of Russian goods in the world market.

An urgent task of tax control and VAT administration is to solve problems in the field of counteracting illegal tax refunds from the federal budget of the Russian Federation [1]. A significant amount of refunded value-added tax negatively affects tax revenues from VAT to the budget and also poses a threat to the national security of the country [2]. Therefore, a desk audit of a tax return with a declared amount of VAT refund from the budget has features and provides for in-depth control measures.

Desk and field tax audits of business entities exporting goods (works, services) outside Russia provide for a special list of tax control measures aimed at identifying violations of current legislation. In-depth inspections are carried out with the simultaneous absence of additional administrative costs for the business, without affecting the level of the tax burden of the business entity.

In the era of digitalization of the economy and the continuous development of information technologies, the Federal Tax Service of Russia develops relevant and effective system products [3, 4]. The software used by the tax authorities is technologically advanced and contributes to an increase in the effectiveness of control measures of tax authorities, which is further expressed in the accumulation of VAT charged for payment [5]. In addition, the development of an electronic document management system between tax, customs authorities and business representatives makes it possible to reduce the administrative costs of business entities while increasing the efficiency of tax control.

Along with the provision of benefits and preferences to authorized bodies, it is necessary to ensure an adequate level of control and supervision over the fulfillment of legislative obligations by taxpayers. Indeed,

to obtain unjustified tax benefits, business representatives can carry out fictitious export operations, use tax evasion schemes or use chains of actions aimed at minimizing tax liabilities.

In addition, with a decrease in the tax burden on business due to the provision of a 0% VAT rate for export operations, a noticeable decrease in the amount of budgetary funds from the receipt of VAT payments is observed. Due to the use of the offsetting mechanism for calculating VAT according to the reporting of the Federal Tax Service of the Russian Federation in the form 1-HM and 2-VAT, the excess of the amount of tax received over the amount of VAT refunded is insignificant. In 2019, VAT tax revenues amounted to 4,258 billion rubles, and the amount of refunded taxes was 3,112 billion rubles and compared to the same period last year increased by 23.3%. It should also be noted that the growth rate of the amount of VAT reimbursed from the budget in 2019 exceeds the growth rate of VAT tax revenues and is 73% of the total volume of tax payments for the tax in question. In addition, there is a trend towards a reduction in the balance of VAT tax payments due to an increase in the amount of VAT refunded.

Thus, improving the system of control over legal VAT refunds from the budget and increasing its efficiency is currently a priority in the work of tax authorities.

Works by O. V. Mandroshchenko [2], V. V. Moroz, A. Grechina [6], R. Sh. Abakarova [7], E. V. Karpova [8], E. I. Komarova, M. A. Troyanskaya [9], L. L. Savina, D. I. Korableva [10] and others made a great contribution to the study of theoretical and methodological issues of tax control of VAT in the export of goods. The works of economists and practicing scientists investigate issues related to price manipulation by organizations, which are accompanied by an overestimation of the customs value of exported goods, substitution of codes of the commodity nomenclature of foreign economic activity, and the export of goods

under counterfeit documents. The results of the study prove the existence of illegal schemes to minimize taxation through the implementation of activities in the field of international trade in order to obtain illegal VAT refunds from the budget or proceeds from money laundering abroad. The authors analyze schematic mechanisms for modeling foreign economic activity using financing from credit institutions and shell companies without actually exporting goods abroad, and also consider the use of pseudo-export mechanisms by unscrupulous market participants for tax evasion. In addition, the works of economists investigate the issues of the current mechanism of tax control of export operations. Attention is drawn to the gradually developing system of electronic declaration, the reduction of the release time of goods, the reduction in the duration of desk audits of VAT tax returns, as well as the simplification of the system for confirming the validity of the application of the zero VAT rate. This, according to economists, should reduce the burden on regulators and reduce the possibility of administrative pressure on persons in respect of whom appropriate control measures are taken.

However, methodological issues of taxation of export earnings at a zero rate, the use of VAT tax deductions for the sale of goods for export, as well as problems of improving the administration and control of VAT taxation to increase the effectiveness of control measures used to check the validity of VAT refunds from the budget are not given due attention. The need for a detailed analysis of the procedure for tax administration of export operations, as well as the identification of the main problems of this process at this stage, served as the basis for choosing a research topic..

VAT MANAGEMENT PRACTICE ON THE EXAMPLE OF TIMBER EXPORT

More than 20% of the world's timber and forest reserves are located on the territory of Russia [11]. The timber industry complex in

Russia is highly dynamic, which is confirmed by Rosstat data. The wood production index has a steady growth trend, the total volume of felling of industrial and fuel wood in 2019 reached 141.2 million m³, which is 5.3% more than in the same period last year.²

According to the Federal Customs Service of Russia, timber exports make up one fifth of the total volume of cut raw materials in the forestry complex of the Russian Federation. At the same time, the volume of timber export outside the customs territory is gradually increasing, which allows us to judge the interest of Russian exporters in the implementation of the considered business operations.³ To assess the state of the timber export sector, it is necessary to analyze the value of export earnings. The data on the value of the exported resources of the timber industry complex are presented in *Figure*.

Based on the presented data, we can conclude about the high and stable profitability of export operations of the timber industry complex in Russia. It should be noted that the rate of decline in export revenue in 2019 is associated with restrictions on the export of round timber. Moreover, in the context of the instability of the Russian ruble due to economic turbulence, the export orientation of the activities of organizations of the timber industry complex is beneficial. The dynamics of production development and the attractiveness of the timber export sector are also explained by the stable growth of international trade.⁴ The data of the international study of the growth rates of the export of forest resources are presented in *Table 1*.

² Timber industry of Russia in 2019: Production results. URL: <https://proderevo.net/analytics/main-analytics/lpk-rossii-v-2019-godu-itogi-proizvodstva.html> (accessed on 12.01.2021).

³ Official website of the Federal Customs Service of Russia. URL: <https://customs.gov.ru/> (accessed on 17.01.2021).

⁴ Draft national export strategy of Russia for the period up to 2030 (prepared by the Ministry of Economic Development of Russia). Access from the Consultant Plus legal reference system. URL: <http://www.consultant.ru/cons/cgi/online.cgi?req=doc&base=PNPA&n=3312#05084613058756601> (accessed on 21.03.2021).

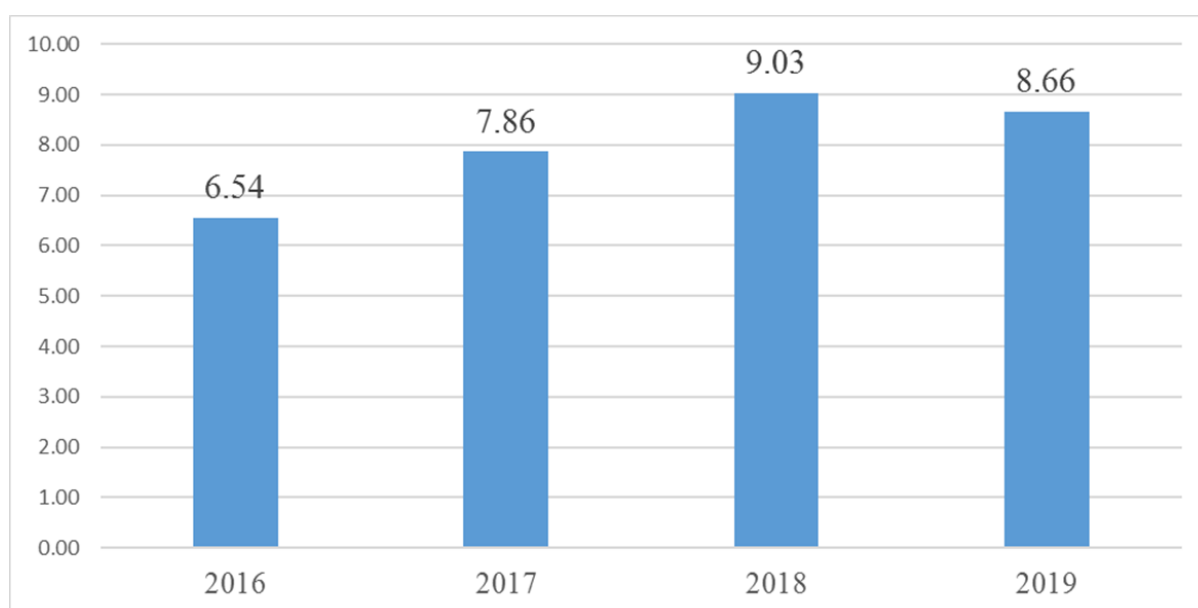


Fig. Value indicators of export proceeds from the sale of timber products (USD million)

Source: Russian foreign trade statistics. URL: <https://statimex.ru/statistic/44/export/2016–2020/world/RU/> (accessed on 31.03.2021).

The reason for choosing the branch of the timber industry complex to study illegal VAT refunds in the implementation of export operations is the extremely low rates of VAT tax revenues, at the same time a high level of development of the industry and a constant increase in production rates (Table 2).

Obviously, VAT revenue from taxpayers of the Russian timber industry complex is insignificant, which is paradoxical given the high growth rates of the economic sector under consideration. The main reason for the minimum tax payments is a significant share of tax deductions, which in most cases leads to the formation of the amount of VAT to be reimbursed from the budget. This occurs as a result of applying a zero tax rate to the tax base formed in the implementation of export operations and deducting the amount of VAT associated with the acquisition or harvesting of timber that is subsequently sold. For example, according to the report of the Office of the Federal Tax Service of Russia in Moscow, the amount of VAT refunds to organizations of the timber industry complex is, on average, three times the amount of accrued and paid tax.

The results of the control activities of the tax authorities, as well as the analysis of judicial practice, indicate a high degree of involvement of unscrupulous entrepreneurs in the sphere of customs legal relations when exporting timber [11]. Carrying out in-depth tax measures with the involvement of customs specialists is caused by the need to suppress attempts to steal funds from the federal budget. In addition, the main task of the federal services is to free the timber industry complex from the activities of unscrupulous participants, the purpose of which is to fill the foreign market with illegally acquired timber on a non-competitive basis with significant price dumping.

Summary of arbitration practice in cases dated May 19, 2017, No. A56–57316/2016, No. F04–3165/2018 dated April 25, 2019, No. F07–11286/2018 dated September 6, 2018, No. F01–4221/2019 dated September 3, 2019, allows us to conclude that currently, the most common violation of tax legislation in the field of exporting timber from the customs territory of the EAEU is the purchase of timber harvested and felled illegally. Timber products are purchased from individuals and entrepreneurs who are not VAT payers for cash without the

Table 1

Average annual growth rates of exports in 2008–2028

Index		2008–2018, %	2019–2028, %
Export growth rates	In the world	1.8	5.7
	In Russia	–0.2	4.3
Timber export growth rates	In the world	1.4	4.2
	In Russia	3.3	4.7

Source: compiled by the author on the basis of the draft national export strategy of Russia for the period up to 2030.

Table 2

VAT receipts in the consolidated budget of the Russian Federation by type of economic activity in 2016–2019 (billion rubles)

Index	2016	2017	Growth rate	2018	Growth rate	2019	Growth rate
VAT received in the consolidated budget of the Russian Federation	2808.3	3233.4	+15.1%	3762.4	+16.4%	4486.6	+19.2%
– including in the field of forestry	2.31	2.77	+19.1%	4.02	+45.1%	3.6	–10.4%
Share in total tax revenues by type of activity	0.08%	0.08%	–	0.1%	–	0.08%	–

Source: compiled by the author based on the report of the Federal Tax Service of Russia in the form 1-NOM. URL: https://www.nalog.ru/rn77/related_activities/statistics_and_analytics (accessed on 01.03.2021).

exporter paying the corresponding amounts of VAT. In addition, the timber sale and purchase agreement, other primary documents, and shipping documents are drawn up on behalf of fictitious suppliers of the first, second and, in some cases, the third level, registered in regions remote from the place of timber shipment. The use of other organizations is aimed at creating the appearance of standard financial and economic activities [12–14].

To confirm the legality of the application of the 0% VAT rate, exporters are required to submit to the tax authority the documents provided for by the provisions of the Tax Code of the Russian Federation, as well as the norms of EAEU Treaty Appendix 18 to the Tax

Code of the Russian Federation. In practice, many organizations use fictitious document circulation and submit documents confirming the purchase of timber exported in the customs procedure for export to the domestic market, with the corresponding payment of VAT.

In the case of illegal turnover of unprocessed wood in order to obtain VAT refunds from the budget, in most cases the following parties to the transaction interact: buyers, exporters, commission agents, and fictitious suppliers.⁵ The involvement of a

⁵ Timber for export — without intermediaries. URL: <https://www.nalog.ru/rn29/news/smi/7101855/> (accessed on 01.02.2021).

commission agent in the chain of operations is associated with the need to obtain a license from the Ministry of Industry and Trade of Russia for the export of unprocessed timber. In practice, timber removal is carried out by several commission agents. In many cases, one commission agent carries out customs clearance of timber of several committees, which makes it as difficult as possible to identify the consignments sent for export and makes it difficult to track the joining of goods with a first-tier supplier [15].

The gradual complication of illegal VAT refunds in the field of timber exports should be noted. Exporters claiming VAT refunds on their tax returns are dealing with suppliers that are not obvious shell companies. Indeed, business entities — timber suppliers participating in the scheme of illegal increase in the value of sold products in order to inflate tax deductions by the exporter and form the amount of VAT to be refunded, submit tax reports, have formal contractual relations with transport companies, declare transactions with timber. The nominee directors of the companies in question conduct business correspondence and appear during interrogations. In other words, the tax authorities are increasingly faced with the problem of collecting a sufficient evidence base to make a reasoned decision to refuse to refund the declared VAT amounts when carrying out export operations with timber.

In the course of in-depth desk audits of VAT returns with the declared amount of compensation for the sale of timber for export, the tax authorities carry out many control measures [16]. First of all, the procedures for claiming documents (information) are initiated along the entire chain of sellers: from exporters to actual buyers. In most cases, the tax authority does not establish a list of specific suppliers participating in the transaction, which significantly complicates further control activities. In addition, in order to identify inconsistencies between the data submitted to the Federal Tax Service of Russia

and the data of the customs authorities, the tax authorities conduct a detailed comparison of the information received, send motivated requests to the Federal Customs Service of Russia for assistance in carrying out control activities and providing information about the exporter.

The selection of the main objects of inspection when carrying out in-depth control measures in relation to VAT tax returns with the declared amount of VAT refund in the implementation of export operations with wood is made according to the following criteria:

- counterparties-suppliers of the exporter do not have production facilities for harvesting, processing, and transportation of timber;
- formation of the main share of tax payments due to the supply of non-core products;
- overestimation of the purchase price of timber products in comparison with the prevailing market prices;
- use of shell companies as suppliers that do not submit tax reports and are not located at the registration address, do not have employees and working capital, conduct fictitious document flow and belong to persons affiliated with the audited organization;
- the presence of interdependence of the parties to the transaction for the purchase and supply of timber products;
- improper execution or absence of documents confirming the loading and transportation of timber;
- interaction with counterparties — individuals who are not VAT payers;
- carrying out mutual settlements in physical cash [17].

It is important to note that the practice of arbitration courts when considering applications to challenge the decisions of the Federal Tax Service of Russia to refuse VAT refunds is based on the presumption of good faith of the taxpayer who documented

the purchase of goods for VAT is included in the transaction with product suppliers. In this regard, the tax authorities, to make a reasoned decision on the VAT refund, take comprehensive control measures that affect the entire cycle of the organization's financial and economic activities. In particular, when conducting a desk tax audit of a VAT return with a declared amount of reimbursement for export operations, the tax authority checks in detail the circumstances and technical conditions of the production of finished products, the conformity and use of the goods purchased for industrial purposes. The study of the specifics of the production process is aimed at identifying the facts of purchasing products without an economically justified goal (overstating the amount of tax deductions).

The tax authorities compare the volumes of purchased raw materials and materials and their actual use in the manufacture of products within the framework of the terms of reference. Moreover, the tax authority often checks the validity of the application of tax deductions in relation to the energy consumption of production by examining information on the energy intensity of each piece of equipment and the actual consumption of electricity.

Particular attention is paid to checking and comparing tax and accounting statements when checking tax returns with the declared amount of VAT refund from the budget, formed through the implementation of export operations for the sale of timber. The tax authorities are studying the process of writing off residues and surplus of timber to identify the facts of their illegal sale without documentary registration. The procedure for taxation and accounting for surplus forest raw materials is subject to consolidation in the accounting policy.

The study of the process of transportation of timber is also aimed at checking the legality and documentary evidence of the transactions being made. As part of the check, the terms

of the contract with carriers and transport companies are studied, data on the place of loading, storage, and unloading of timber are compared. The tax authorities study warehouse accounting documents, namely: journals of entry and exit of vehicles, video recordings from CCTV cameras, data of weight sheets issued on the weighing platforms of checkpoints.⁶ Tax officers conduct interrogations of security guards, materially responsible persons of warehouses, as well as drivers and other persons involved in the process of loading and delivering products. To determine the route of movement of vehicles, the tax authorities interact with the traffic police of Russia, sending requests for information from CCTV cameras on the road.

The list of activities under consideration is not exhaustive. The complex of necessary control procedures is determined by the tax authority individually, depending on the specifics of the transaction, as a result of which the amount of VAT refund from the budget was formed. However, it should be noted that the main purpose of the control measures being carried out is to identify the source of origin and the actual owner of the wood, as well as to exclude the possibility of illegal overstatement of tax deductions to obtain unjustified VAT refunds.

Information resources of the Federal Tax Service of Russia, such as ASK VAT 2, SUR ASK VAT 2, EAEU-Exchange, Banking Exchange, KOE AIS Tax-3, are used to identify signs of illegal timber sales in order to recover VAT from the budget and in the future control work as part of the audit of compliance with tax legislation [18]. As part of ensuring cooperation under an agreement between the Federal Tax Service and the Federal Customs Service of Russia, the tax authorities use the information resource "Customs-F" to check the availability of declarations for goods and marks of the actual shipment of goods

⁶ The 0% rate. URL: <https://www.vanrhijnlegal.com/vat-in-russia/> (accessed on 06.02.2021).

from the customs territory of the Russian Federation. In addition, the tax authorities use online services, for example, the software product SPARK-Interfax and Kontur-Focus. When verifying the legality of applying a zero VAT rate for the export of timber, the Unified State Automated Information System for accounting for timber and operations with it (EGAIS-Les) is applied.

Currently, the process of conducting a desk audit of a VAT return with a declared refund amount in connection with the implementation of export operations is associated with an expanded set of control measures. The measures under consideration are aimed at a detailed audit of financial and economic activities in order to identify the facts of violation of tax legislation or their absence. Increased attention to checking the validity of VAT amounts claimed for refund is associated with numerous cases of unscrupulous taxpayers using the refunded tax to obtain an unjustified tax benefit.

Based on the study of illegal VAT refunds on the example of timber exports, it is necessary to highlight the most common methods of minimizing tax liabilities to obtain VAT refunds from the budget:

- unjustified overstatement of tax deductions due to participation in a network of shell companies [19];
- a large number of intermediary counterparties who participate in the fictitious sale and purchase transactions from a manufacturer of products to an exporter without an economic purpose to artificially increase prices;
- carrying out business transactions between affiliated persons on terms different from market ones due to the control of business entities.

In addition to the methods used by unscrupulous taxpayers for illegal VAT refunds from the budget, it is necessary to pay attention to administrative problems that in some cases force the tax authority to make an unjustified decision on VAT refunds in export operations:

- the need to carry out in-depth control measures in a short time due to the reduction of the desk VAT audit to two months;
- the need to conduct a detailed audit of the entire financial and economic cycle of the taxpayer, involving interaction with law enforcement and other regulatory authorities, financial and credit organizations, statistics and certification bodies, the traffic police of the Ministry of Internal Affairs of Russia;
- the need to determine the degree of conscientiousness of the counterparties of the audited taxpayer;
- the duration of the process of researching the supply chain of goods from the manufacturer to the exporter in cases of the participation of counterparties — resellers of products.

In other words, at present, the process of verifying the validity of the claimed VAT refund from the budget established in connection with export operations is rather time-consuming. In addition, as the economy develops, taxpayers apply new methods to minimize tax liabilities and complicate the form of contractual relations. Thus, it is obvious that there is a need to improve the current procedure for administering VAT in the field of export operations.

DIRECTIONS FOR IMPROVING TAX MANAGEMENT

Improvement of the VAT administration system is one of the priority areas of the tax authorities' work to increase the level of the revenue component of the federal budget of the Russian Federation. In connection with the continuous development of the economy, the multilateral complication of contractual relations between business representatives, and the general process of digitalization, the issue of timely transformation of the current procedure for administering VAT taxation is the key to ensuring national economic security [20–24]. To form an effective system of control and supervision in the field of taxation, information resources and technical

capabilities of tax authorities should take into account current trends and timely identify facts of illegal enrichment or receiving unjustified tax benefits.

To restore fair competition when exporting goods outside the customs territory of Russia, it is necessary to make the following changes to tax legislation. In cases where a taxpayer plans to carry out export operations, one of the following conditions must be met with respect to products intended for export outside the Russian Federation:

- the products are the result of the potential exporter's own production;
- goods sold outside the customs territory of the EAEU must be purchased directly from the manufacturer of the goods;
- goods sold outside the customs territory of the EAEU must be purchased from economic entities interacting with the manufacturer of goods on the basis of a commission agreement or other intermediary agreement.

The proposed changes will allow excluding cases of multiple resales of products to artificially inflate the price and amount of tax deductions to form the amount of VAT to be reimbursed from the budget for export. Indeed, when carrying out control measures, the tax authority will not need to investigate a large-scale chain of counterparties and study the exporter's due diligence when choosing counterparties. It is obvious that organizations that have real production, the necessary technical potential, and personnel and do not use illegal methods of tax optimization meet all the criteria of a conscientious taxpayer.

The implementation of the considered proposal to improve the procedure for administering export operations is possible based on the experience of the functioning of the Charter of the agro-industrial complex created in 2017 (hereinafter — the Charter). The Agricultural Turnover Charter is a joint policy of tax authorities and market participants to counter misconduct in the

agricultural turnover market. Organizations working in the field of agriculture have the opportunity to voluntarily join the association of bona fide participants in the relevant market by applying for accession to the Charter. The participation of an organization in the Charter assumes the following conditions for the implementation of financial and economic activities:

A ban on multi-stage sales and purchases of products subsequently exported outside the customs territory of Russia will eliminate artificial price increases to overstate tax deductions and receive VAT refunds from the budget.

- exclusion of the possibility of obtaining competitive advantages due to non-payment of tax payments or participation in schemes for organizing illegal VAT refunds;
- purchase of agricultural products directly from agricultural producers, processors, or commission firms, as well as from other conscientious market participants;
- when purchasing products from suppliers other than agricultural producers, the Charter participants undertake to exercise due diligence and conscientiousness when choosing a counterparty and strive to purchase products from intermediary firms under commission agreements on behalf of or on behalf of the agricultural producer;
- exercise due diligence when selecting carriers.

Due diligence in accordance with the Charter is achieved by including in the contract a “tax clause” — a condition that allows you to recover losses or property damage from counterparties who have violated guarantees and assurances. If the tax authorities file claims before making a decision on bringing to tax liability (refusing

Table 3

Tax receipt in agriculture in 2017–2019 (million rubles)

Index	2017	2018	Growth rate	2019	Growth rate
Tax collection in the field of crop and livestock production	–16 641	–21 521	+29.32%	–13 606	–36.77%
Deviation	–	+4 880	–	–7 915	–

Source: compiled by the author based on the report of the Federal Tax Service of Russia in the form 1-NOM.

to bring to tax liability, refusing to refund VAT), the Charter member has the opportunity to reimburse his losses from interaction with an unscrupulous taxpayer and exclude further economic cooperation with the “problem” organization.

It should be noted that the tax authorities constantly inform the participants of the Charter about the latest changes in the operating procedure, develop standard forms of contracts for the sale and transport of goods for participants, and recommend a list of requested documents from counterparties in order to verify their conscientiousness. In addition, within the framework of the Charter in the section “Information resource with information on tax gaps” the following can be checked:

- the presence of an incomplete source in the chain of suppliers of goods (works, services) for accepting VAT deduction;
- the presence of Consent to the recognition of information constituting a tax secret, publicly available in the part of an unaware source for the acceptance of VAT deduction.⁷

In the structure of the Federal Tax Service of Russia, a special working group has been created, whose activities are related to the development of the Charter, control over the conduct of desk audits of the participants of the Charter, and their fulfillment of the

obligations of the association of conscientious participants in the agro-industrial complex [25]. The organization’s participation in the Charter allows us to conclude that market participants are law-abiding and socially responsible, which significantly increases the organization’s rating and contributes to the expansion of economic activity.

The considered procedure for the operation of the Charter should be extended to all participants in foreign economic activity related to the export of products in the export customs procedure, through the creation of an “Association of Exporters”. A prerequisite for the export of products is the acceptance of the exclusion of the possibility of using a multi-stage process of resale of subsequently exported products to form an unreasonable amount of VAT refund from the budget.

For a full analysis of the proposed direction for improving the process of administering export operations, it is necessary to assess its effectiveness. Since it is proposed to adopt the current procedure for the functioning of the Charter of the agro-industrial complex as a basis for regulating the export of products outside the territory of Russia, it is necessary to study the results of the Charter in 2018–2019.

According to the Federal Tax Service of Russia, the budgetary benefit from the transition to direct supplies and the refusal of contracts with intermediaries with signs of problems and transit in 2018 was estimated at 57.4 billion rubles. As of 01.01.2020, 5449

⁷ “Information resource with information on tax gaps” will help to check contractors in the field of the agro-industrial complex. URL: https://www.nalog.ru/rn73/news/activities_fts/8878785/ (accessed on 08.01.2021).

organizations of the agro-industrial complex from 76 regions of Russia are members of the Charter, as of 01.01.2021–6502 organizations from 79 regions. The study of statistical reporting allows us to conclude about the effectiveness of the functioning of the Charter in the field of agricultural products turnover (*Table 3*).

Despite the increase in the amount of VAT declared for reimbursement from the budget in 2018, the effect of the introduction of the rules for carrying out financial and economic activities is observed in 2019 when the amount of VAT declared for reimbursement decreased by 37% and by 18% compared to the data of 2017. Thus, despite the voluntary participation in the Charter, the effectiveness of the application of the rules of association in the field of agricultural products turnover is expressed in a decrease in the amount of VAT refund from the budget. This fact allows us to judge the decrease in cases of unjustified overstatement of tax deductions for the VAT due to the multi-stage process of resale of agricultural products and artificial overstatement of prices.

CONCLUSIONS

At the moment, the process of conducting desk tax audits with the declared amount of VAT refund in connection with the implementation of export operations is in-depth and time-consuming. The tax authorities are forced to investigate the full cycle of financial and economic activities of the audited taxpayer to study in detail the peculiarities of the organization's functioning to exclude cases of violation of tax legislation and illegal VAT refunds. The process under consideration is complicated by the use of tax optimization methods by taxpayers aimed at minimizing tax liabilities. An effective way to reduce the scale of illegal exports and get an unjustified tax benefit in the form of VAT refunds is to apply special conditions for conducting export activities. A ban on multi-stage sales and purchases of

products subsequently exported outside the customs territory of Russia will eliminate artificial price increases to overstate tax deductions and receive VAT refunds from the budget. The effectiveness of the proposed measures is confirmed by the results of the functioning of the Charter of the agro-industrial complex, the participants of which adhere to the principles of conducting activities in the field of agriculture established by the Charter.⁸

By analogy with the Charter of the agro-industrial complex, participants are recommended to purchase products directly from manufacturers, processors, or commission agents, but without artificially including additional persons in the sales chain in order to restore fair competition. When carrying out control measures, the tax authority will not need to look for a real manufacturer along the entire chain of counterparties and study the exporter's due diligence when choosing counterparties.

It is important to note that the adoption of the procedure for the functioning of the Charter should not affect the VAT refund on timber exports, since the refund on export in any industry is a common practice, the impact will be on illegal tax refunds and especially on the overstatement of tax deductions.

Currently, the procedure for administering VAT amounts declared for reimbursement from the budget in connection with the implementation of export operations has been simplified, the terms of tax audits are being reduced, and the right to apply a declarative procedure for VAT reimbursement is provided. However, the presence of cases of illegal tax refunds indicates the need to amend tax legislation in terms of the procedure for conducting export operations to restore fair competition when exporting goods outside Russia.

⁸ Charter in the field of circulation of agricultural products — a joint policy of countering illegal activities in the agricultural market. URL: <https://хартия-апк.rado.рус> (accessed on 11.01.2021).

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ABOUT THE AUTHOR



Elena Yu. Mitusova — senior state tax inspector OKP No. 2, Interregional Inspectorate of the Federal Tax Service of Russia for the largest taxpayers No. 9, Moscow, Russia
Mitusova1996@mail.ru

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