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Effectiveness of Tax Benefits for Information Technology Organizations in Russia

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ABSTRACT

The **subject** of the study is a set of measures of tax incentives for the information technology industry in the Russian Federation — "tax maneuver in IT", launched from the beginning of 2021. The **purpose** of the study is to identify and qualitatively assess the stimulating effect of the tax maneuver in IT, which is expressed in changes in key financial and natural performance indicators of IT industry organizations, and to develop proposals on ways of tax incentives for the development of the industry. The article describes the distortion of the aggregate tax reporting characterizing the IT industry, which takes into account not only recently established IT organizations, but also "nominal" separates from large organizations IT subdivisions or technically clarified classification code, making it inappropriate to use such reporting as a basis for analysis and reliable conclusions. Based on the data of the public financial statements of selected sample from the top-100 Russian IT organizations, the article analyzes the dynamics of financial indicators of their activities, among which are the profiles of profiles, operating profit, net profit, investment in basic assets, the number of staff, the amount of products supplied for export, the capitalization of the company. The observation was conducted for 2017–2022 and covers the periods both before and during the engagement of tax benefits. A comparative study was carried out with similar indicators of the organizations of the "control group", which included IT companies operating in other countries that were not affected by such tax benefits. According to the results of the study, small or no extra growth was observed in key financial indicators of IT organizations due to the tax maneuver compared with the "pre-maneuver" period and compared with the indicators of the control group. It is **concluded** that there is no evidence of a significant impact of the tax maneuver on the development of the IT industry in Russia. We proposed dismantling of the "maneuver" and transition, based on the Chinese and some EU countries approaches, to taxation of the qualified profit. The latter is the profit of Russian and foreign IT developers from the localization of IT development and value creation in Russia. The achievable effective rate is 2.5%.

Keywords: tax maneuver in IT; tax benefits; information technology in taxation; IT company; tax regime

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ОРИГИНАЛЬНАЯ СТАТЬЯ

Результативность налоговых льгот для организаций сферы информационных технологий в России

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АННОТАЦИЯ

Предмет исследования — комплекс мер налогового стимулирования отрасли информационных технологий в Российской Федерации — «налоговый маневр в ИТ», запущенный с начала 2021 г. Цель — определение и качественная оценка стимулирующего эффекта налогового маневра в ИТ, находящего выражение в изменении ключевых финансовых и натуральных показателей деятельности организаций отрасли ИТ, и выработка предложений о путях налогового стимулирования развития отрасли. В статье показано искажение сводной налоговой отчетности, характеризующей отрасль ИТ, которая учитывает не только вновь созданные ИТ-организации, а и «бумажные», выделенные из крупных организаций ИТ-подразделения либо технически уточнившие классификационный код, что делает нецелесообразным использование такой отчетности, как базы для анализа и достоверных выводов. На основе данных публичной финансовой отчетности ряда выбранных из топ-100 российских ИТ-организаций в статье проведен анализ динамики финансовых показателей их деятельности, среди которых выделены выручка от профильной деятельности, операционная прибыль, чистая прибыль, инвестиции в основные средства, численность персонала, величина про-

дукции, поставляемой на экспорт, капитализация компании. Наблюдение проведено за 2017–2022 гг. и охватывает период как до, так и во время действия налоговых льгот. Проведен сравнительный анализ с аналогичными показателями организаций «контрольной группы», в которую включены компании отрасли ИТ, функционирующие в других странах, не подвергшиеся влиянию подобных налоговых льгот. По результатам выявлено отсутствие роста ключевых финансовых показателей ИТ-организаций вследствие действия налогового маневра по сравнению с «доманевренным» периодом и по сравнению с показателями контрольной группы. Сделан вывод об отсутствии доказательств значимого влияния налогового маневра на развитие отрасли ИТ в России. Предлагается демонтаж мер налогового маневра и переход (по опыту Китая и некоторых стран ЕС) к налогообложению так называемой квалифицированной прибыли — прибыли российских и иностранных организаций, полученной от локализации разработки IT-продуктов и создания стоимости на территории России, по эффективной ставке налога до 2,5%.
Ключевые слова: налоговый маневр в ИТ; налоговые льготы; информационные технологии в налогообложении; ИТ-компания; налоговый режим

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INTRODUCTION

Since its inception in 1991, the modern tax system of Russia has undergone multiple transformations in the search for the optimal form of implementation of fiscal and regulatory functions of taxes. Tax instruments appeared and disappeared, designed to ensure both the formation of the revenue side of budgets of all levels, and to influence the development of economic processes in a desirable way. The approach to taxing innovative sectors of the economy has evolved to a special incentive regime for the IT industry in 2022, which is called the IT tax maneuver.

Digital business models are characterized by high mobility of resources, ease of movement of capital and intellectual property, freedom of cross-border transactions [1]. The increased demand for innovative products and services of IT companies in the due to digitalization of the world economy has led to the expansion of tax competition among jurisdictions for capital owners and taxpayers represented by such companies, and domestic practice has followed the same trend [2].

The tax maneuver of the IT industry, which in many ways resembles the early foreign forms of the so-called IP BOX [3], is expressed in providing a wide range of tax benefits for specialized organizations. It has become one of the important adjustments of the Russian tax system aimed at stimulating and transferring value creation centers to the territory of Russia. Offered benefits include low corporate income tax rates, VAT and social insurance premium lowered rates; they are quite substantial, as well as administrative support measures for the industry, including a moratorium on currency and tax control measures, and economic support for employees. Benefits are available only to Russian legal entities — taxpayers, but a significant layer of industry participants — individual entrepreneurs and their employees — remained outside the state incentives.

The tax maneuver measures are actively used by many Russian organizations, and therefore the analysis of their effectiveness represents a particular research interest.

THEORITICAL BACKGROUND

Scientific publications on the effectiveness of tax incentives to stimulate innovative development focus on the methodology for assessing the economic feasibility and the achieved effect of their introduction.

In international and domestic literature, not much attention is paid, particularly to benefits for IT organizations due to, apparently, a too narrow subject of research. However, the problematics of innovation stimulation have been studied since the 1980s of the last centuries, when tax measures began to be implemented in the developed economies of the world.

The canonical work from 1981 [4] by Canto V. and others, which gave the name “Laffer curve”, geometrically displays the negative dependence of the growth of production volume and the intensity of the use of production factors on tax rates.

R. Atkinson [5] calls, justifying econometric calculations, to expand the practice of providing a tax credit for research and development to increase competitiveness and increase public welfare.

However, not all foreign researchers find evidence of a causal or correlational relationship between the level of tax burden and stimulation/oppression of economic development.

Investigating the elasticity of taxable income depending on the current tax rates, E. Saez, J. Slemrod, S. H. Giertz [6] found no evidence of a measurable reaction of economic indicators to changes in tax rates.

Arguments against the application of benefits in the tax systems of developed countries are put forward by N. Alinaghi, W. Reed [7], calculating the minimal

or absent direct and inverse correlation between tax increases and GDP growth/decline.

L.I. Goncharenko, N.G. Vishnevskaya [8] present an analysis of the evolution of tax incentives and their modern, most popular forms. The authors propose an investment tax deduction for investments in the creation and renewal of fixed assets.

O.V. Mandroshchenko [9] offers a criterion for evaluating the effectiveness of tax benefits based on the positions of their recipients and target setting, as well as a quantitative assessment of the parameters of tax benefits provided by a number of regions of Russia in relation to the income they dispose of.

E.V. Balatsky, N.A. Ekimova [10] build econometric models to study the relationship between the tax burden and the behavior of taxpayers in different sectors of the domestic economy. The paper substantiates a pattern: with optimal taxation, the development of more technological industries accelerates.

A.V. Gurnak, N.A. Nazarova [11] develop the idea that, due to digitalization, income tax ceases to be such an effective tool of tax regulation, since it is easily minimized.

D.I. Ryakhovsky, M.S. Balakin [12] theoretically and empirically prove that there is a limit below which it makes no sense to reduce taxes, not denying, however, that the reduction itself contributes to economic growth.

N.M. Turbina and Yu. Yu. Kosenkova [13] note the extremely high heterogeneity of the sectoral distribution of the tax burden in Russia, coupled with the lack of an integrated approach to effectively stimulating the innovation activity of enterprises in various industries.

M.O. Kakaulina [14] assesses the level of tax burden of information and communications industry as increased, second only to extractive industries, without distinguishing between IT and highly profitable communications enterprises.

V.V. Gromov [15] analyzes the beneficiaries of tax incentives, segregating them by the scale of their activities, and evaluates their performance in the context of macroeconomic indicators.

V.M. Avdeeva [16] examines the global dynamics of the global innovation index and assesses Russia's place in it as an average that does not change in 2015–2020, which indicates insufficient realization of domestic innovation potential.

L. Wang, P. Rousek, S. Hašková [17] use the example of a number of Eastern European countries to calculate the optimal tax rate at the level of 18.26%.

Based on the scientific achievements of its predecessors, the article suggests the author's approach to analyzing the effectiveness of the IT tax maneuver in Russia.

METHODOLOGY

To assess the effectiveness of tax incentives, it is necessary to identify the qualitative and quantitative correspondence of the emerging effects of growth in the IT industry to the goals and objectives that were set during the tax maneuver.

The author's approach is to identify and analyze the most significant indicators characterizing the dynamics of IT organizations' development, to identify and interpret the dependence of these dynamics on the fact of tax benefits, and to conduct a qualitative and quantitative assessment. For a qualitative assessment of the stimulating power of the tax maneuver, the indicators of the IT industry were compared with the indicators of industry organizations that did not enjoy such benefits, namely with the indicators of peer foreign companies (the control group).

The empirical part of the study is based on data from public financial statements of a sample of 10 IT industry organizations. The sample includes organizations that meet criteria such as relevance (the type of activity that falls under the definition of an IT organization), the duration of the organization's operations in the industry for at least 5 years, and the amount of revenue of at least 2 billion rubles in the period 2017–2022.

Such indicators are revenue from core activities, operating profit, net profit, investments in fixed assets, the number of personnel, the value of products exported, the capitalization of the company.

Distortion and problems of using consolidated tax reporting

Domestic researchers [18] note the positive dynamics of the development of the IT industry. Thus, they observe an increase in added value in 2020 in the industry by 19%, compared to the previous year. The increase in exports of services amounted to 26% (from 290 billion to 366 billion rubles), and the volume of sales in the domestic market increased by 33% (from 1133 billion to 1507 billion rubles).

It appears that the statistics of 2020 do not characterize the effectiveness of the tax maneuver, since this preferential regime has been partially deployed since 2021, and in full only in 2022. For the same reason, the growth of innovation activity in the industry by 14%, from 17.7 billion rubles in 2019 to 20.1 billion rubles in 2020, should not be attributed to the effect of tax incentives. Obviously, the achieved growth indicators were realized due to other factors.

Table 1

Dynamics of Performance Indicators of Global IT Companies, in %

Index	Google	Facebook*	Apple	Zoom
Revenue Growth	41	37	35	57
Staff growth	16	22	5	73
Net Profit growth	89	35	65	3054
Capitalization growth	62	70	29	–43

Source: The authors based on Aplhabet INC. Annual report, 2021. URL: https://abc.xyz/investor/static/pdf/2021_alphabet_annual_report.pdf?cache=3a96f54 (accessed on 31.05.2023); Zoom Video Communications Reports Fourth Quarter and Fiscal Year 2021 Financial Results. URL: https://investors.zoom.us/news-releases/news-release-details/zoom-video-communications-reports-fourth-quarter-and-fiscal-0/ (accessed on 31.05.2023); Apple Inc. Condensed consolidated statements of operations, 2021. URL: https://www.apple.com/newsroom/pdfs/FY 21_Q4_Consolidated_Financial_Statements.pdf (accessed on 31.05.2023); Annual report for shareholders of Meta Platforms, Inc. URL: https://s21.q4cdn.com/399680738/files/doc_financials/annual_reports/2023/2021-Annual-Report.pdf (accessed on 31.05.2023).

Note: * The company's activities are prohibited on the territory of the Russian Federation.

The study [18] notes an increase in revenue from the sale of IT products by 28% in 2021 compared to 2020. The comparison of these two periods is more relevant for the purposes of assessing the effectiveness of benefits since, in 2021, reduced rates on insurance premiums and a reduced income tax rate of 3% became effective. But even this statistic should not be fully relied on, for at least 3 reasons.

Statistical indicators are summarized in [18] according to the data of corporate income tax returns for 2020–2021, submitted by organizations with the main activity code, OKVED 62.01, 62.02, 62.03, 63.11. However, one should not disregard the fact that it was during this period that there was a trend of mass separation of IT departments from many public and private organizations in order to obtain tax benefits by qualifying these units as IT organizations. The Federal Tax Service of Russia has repeatedly stated that such a practice, although similar to the splitting of a business in order to obtain a tax benefit, is not illegal. However, the fact of the emergence of "new" IT companies, which are essentially IT departments of such structures as JSC Russian Railways, PJSC MTS, PJSC Aeroflot, PJSC Gazprom and so on, resulted in reporting by these companies in the formof statistical observation "revenue" from a single customer, although there was no added value in the IT industry. Revenue growth due to this factor is a calculation error. It cannot be quantified.

Another factor that distorts statistics is the influence of administrative regulation. One of the conditions for obtaining benefits by IT organizations is registration in the registers of the Ministry of Digital Development of Russia, which, in turn, is available upon declaration of OKVED code 62 as the main activity. Performance indicators of those "real" IT companies that, even before 2021, carried out relevant activities, but did not declare activities under OKVED code 62, were included in statistical reporting for other types of activities. In 2021, these IT companies quickly changed the code of their reported main activity. As a result of this change in reporting the "new" revenue appeared in the statistical reporting forms for code 62, which is not new, but is "reclassified" from other activities. Several of the observed organizations "transitioned" from one activity to another without changing the nature of their operations, and "increased" revenue figures for the "Information Technology" activity.

Indicators of the revenue volume of the IT industry cleared of distortions are not necessarily related to the introduction of new benefits. The COVID-19 outbreak in 2020 deeply transformed business and social activities based on information technology, which resulted in spiking demand for the products of the IT industry.

As a result, a significant growth of IT industry services emerged even before the tax maneuver commencement, before 2021, and was associated with the rapidly developing digitalization of all spheres of society due to the pandemic. Similar processes took place in Western countries. Revenues from IT giants grew at a high pace even without tax incentives, similar to those enacted in Russia. The dynamics of key indicators of the activities of US IT majors in 2021 by 2020 are presented in *Table 1*.

When analyzing the effects of tax incentives, expecting an instant reaction from the whole industry

to tax innovations means ignoring the objective conditions and limitations of the industry.

In order to increase the production of intellectual property and electronic services, the industry must overcome a number of resource deficits. The main one is personnel. The market of IT specialists showed an increase of about 50% in 2021 compared to 2020.[1] The increase in the number of vacancies during this period was 72%.[2]

The supply of IT specialists is inelastic. Training qualified personnel for the IT industry is a lengthy process that takes up to several years to grow the qualified developers. Naturally, the IT labor market, unable to satisfy the demand, reacted with a sharp increase in the average wage.

Another momentum factor is the time required to increase production capacity, and technological problems and production delays were observed all over the world in 2020–2021. The interruption of microprocessor production caused by the pandemic caused its shortage and the subsequent sharp increase in the delivery time and cost of any computer equipment, and especially HPCs, high performance computer systems. For that reason, investments in fixed assets were difficult or impossible.

Based on the above, it can be argued that open aggregate statistics at the industry level do not allow us to make a justified inference about the dynamics of industry indicators, since at least the condition of a consistent sample (that is, one that includes the same data set and is representative) in the view is violated.

RESULTS

Dynamics of Key Financial Indicators of Selected IT Organizations

Revenue Growth

The public data source is the financial statements of Russian and foreign IT organizations. The statistical significance of the sample is limited due to the fact that the sample is too small and the series of data presented (the number of years of reporting) is too short. The reporting of domestic IT organizations showed mixed dynamics in the period 2021–2022 in comparison with previous years. The selected data set contains information on the dynamics of the most important financial and economic indicators of a sample of Russian IT organizations for the period from 2017–2022.

The analysis of profit and loss reports suggests that revenue growth in a year-to-year comparison prevails in the results of IT organizations under review. 8 out of 10 organizations demonstrated growth in 2021 and 2022, their number decreased to 4, revenue decreased in 5 observed organizations.

The revenue growth of organizations in the sample chronologically coincided with the engagement of the IT tax maneuver in our country. However, foreign IT companies in the same period also showed significant revenue growth (see *Table 1* above), which is attributed to the global technological trend towards digitalization of all spheres of public life. Russian IT organizations were part of global trends and experienced explosive growth in demand for their services. As a result, we do not have sufficient justification to assert that it was tax incentives that led to an increase in the revenue of the IT industry in Russia, and we also cannot quantify the impact of this factor.

Capital Investments Growth

The analysis of balance sheet indicators in the sample under consideration leads (*Table 2*) to a conclusion about the multidirectional dynamics of investment activity in 2021 and 2022. If in 2021 almost all (9 out of 10) of the sample Russian IT organizations increased the value of fixed assets from moderate to multiple, then in 2022 only 1 out of 10 organizations — Kaspersky Lab — could boast of investment activity.

The growth of capital investment activity in 2021 can be partly explained by the stimulating effect of tax incentives. Assuming that the tax burden will be reduced in the future, IT organizations can really improve their financial performance forecasts and be more willing to make capital investments in the expectation of expanding their activities in future periods. Since the reduction of the taxation level in 2021 was announced in the summer of 2020, the stimulated investment cycle could indeed be realized in 2021.

The almost complete suspension of investment activity in the IT industry in 2022, on the other hand, can be explained by the multi-stage packages of sanctions imposed by the US, the European Union, the UK and other unfriendly countries, providing for a complete ban on the supply of computing equipment to Russia.

Since the tax benefits were introduced in 2021 and we observed an increase in investments this year, we can conclude that the tax maneuver measures were effective, however, restrictions on the supply of

[1] IT personnel market: candidate bias and recored salary growth. URL: https://www.comnews.ru/content/218275/2022–01–17/2022-w03/rynok-it-kadrov-kandidatskiy-uklon-i-rekordnyy-rost-zarplat (accessed on 31.05.2023).

[2] Comparison by periods 2021/2020 of available vacancies, all regions, the field of information technology. URL: https://stats.hh.ru/cumulative#dateFrom=1&dateTo=4&profarea%5B%5D=all&profarea%5B%5D=11 (accessed on 31.05.2023).

Table 2

Capital Investments of Russian Organizations, Thousand Rubles

Organization	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
VK LLC	4557075	4973679	4021983	2853411	2274310	1480158
	–8%	24%	41%	25%	54%	–
Microsoft Rus LLC	2002	458799	587888	536658	646352	720900
	–100%	–22%	10%	–17%	–10%	–
RFD LLC	92465	110165	96054	103402	134235	62196
	–16%	15%	–7%	–23%	116%	–
Kaspersky Lab JSC	5359948	1518690	1382469	1514854	1386140	1747564
	253%	10%	–9%	9%	–21%	–
Abi Production LLC	63657	88016	58148	61968	23703	25105
	–28%	51%	–6%	161%	–6%	–
1C–Soft LLC	No data	672018	232620	306361	166895	108895
	–	189%	–24%	84%	53%	–
T1 Innovation LLC	221772	394213	66738	–	–	–
	–44%	491%	–	–	–	–
IHD Infinisoft LLC	199270	904624	337606	352605	3078	899
	–78%	168%	–4%	11356%	242%	–
Infotex JSC	828254	854650	110286	112160	103194	77777
	–3%	675%	–2%	9%	33%	–
Diasoft LLC	461923	580348	28469	22286	18969	20557
	–20%	1939%	28%	17%	–8%	–

Source: authors based on State information resource of accounting (financial) statements. URL: https://bo.nalog.ru/ (accessed on 31.05.2023).

equipment that have entered into force since 2022 have reduced the effectiveness of these measures to zero.

Net Profit Growth

Net profit is a value that is important for future periods. This realized financial reserve can be used for payments to shareholders, but for a rapidly developing IT industry, its economic potential for further investment activity is more important. The dynamics of profit from sales of organizations in the sample (*Table 3*) were markedly positive in 2021 (8 companies increased net profit and only 2 decreased) and equally negative in 2022 (a drop in net profit for 9 companies, an increase in 1).

It should be specifically noted that the accumulation of financial reserves in 2021 did not lead to an increase in investment activity in 2022.

Growth in the Number of Employees and Average Wages

Deputy Head of the Ministry of Finance of Russia Maxim Parshin[3] estimated the growth in the number of people employed in the industry in 2022 at 12%, up to 761 thousand people, and salary growth of 19% over the same period. According to the Ministry of Finance of Russia, the level of wages in the IT sector is twice as high as the average for the economy.

Data on such increased growth rates, compared with the across-Russian ones (latter increased by 11.5% in 2021, by 12.1% in 2022[4]), may indicate both the

[3] Number of employed in the IT industry grew by 12%. URL: https://www.interfax.ru/russia/896282 (accessed on 31.05.2023).

[4] The average monthly nominal accrued wages of employees for a full range of organizations in the economy of the Russian Federation as a whole in 1991–2023. URL: https://rosstat.

Table 3

Net Profit of Russian Organizations, Thousand Rubles

Organization	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
VK LLC	–8 243 576	– 394 154	10 837 312	18 177 321	5 838 933
	–1991%	–104%	–40%	211%	–
Microsoft Rus LLC	159 800	638 098	542 328	588 281	567 011
	–75%	18%	–8%	4%	–
RFD LLC	491 630	796 832	116 048	102 970	373 025
	–38%	587%	13%	–72%	–
Kaspersky Lab JSC	3 002 877	1 691 611	9 324 762	9 952 820	2 387 214
	78%	–82%	–6%	317%	–
Abi Production LLC	– 255 672	5 751 856	1 882 144	63 857	861 255
	–104%	206%	2847%	–93%	–
1C–Soft LLC	No data	2 334 244	1 415 690	514 690	783 003
	–	65%	175%	–34%	–
T1 Innovation LLC	– 358 296	637 316	510 763	– 121 342	9 142
	–156%	25%	–521%	–1427%	–
IHD Infinisoft LLC	– 579 060	958 876	618 142	531 021	193 073
	–160%	55%	16%	175%	–
Infotex JSC	681 376	2 022 760	614 283	227 647	504 870
	–66%	229%	170%	–55%	–
Diasoft LLC	1 105 671	1 449 540	682 579	575 652	311 385
	–24%	112%	19%	85%	–

Source: authors based on State information resource of accounting (financial) statements. URL: https://bo.nalog.ru/ (accessed on 31.05.2023).

stimulating effect of tax incentives and the result of unsatisfied demand for IT specialists, which follows the growth in demand for IT services.

Growth of Exported Products

Data on the export and import of IT products and services are presented in the balance of payments of the Russian Federation published by the Central Bank of the Russian Federation. An excerpt from the Balance of Payments reflecting the value of export and import transactions for items, including fees for the use of intellectual property and computer services, is presented in *Table 4*.

In the observed period, exports increased by 23–25% in 2021, followed by a sharp drop in exports in 2022. If positive changes in 2021 chronologically coincide with the introduction of the IT tax maneuver, the drop in the volume of export-import operations in 2022 is explained by the sanctions of unfriendly countries against Russian organizations and sectors, as well as a significant difficulty making payments from Russia to other jurisdictions and back.

Capitalization Growth of the IT Companies

A limited number of domestic IT organizations are public companies. Most of them are owned by private equity funds and individuals, and information about the actual transactions with their stock is almost never public. The industry is almost entirely funded by venture capital and private equity, and the value of the company is determined in separate transactions, the details of which are often not disclosed.

gov.ru/labor_market_employment_salaries (accessed on 31.05.2023).

Table 4

Balance of Payments of the Russian Federation, Data on Companies in the IT Industry, USD Millions

Index	2020		2021		2022	
Payment for the use of intellectual property	–5645	–4%	–5588	–1%	–3734	–33%
Export	1164	15%	1435	23%	744	–48%
Import	6809	–1%	7023	3%	4478	–36%
Computer services	591	–34%	1192	102%	1752	47%
Export	5094	13%	6354	25%	5111	–20%
Import	4503	25%	5162	15%	3358	–35%

Source: authors based on Bank of Russia. Balance of payments, international investment position and external debt of the Russian Federation in 2022. URL: https://www.cbr.ru/statistics/macro_itm/svs/p_balance/ (accessed on 31.05.2023).

The exceptions to this rule are large domestic IT organizations — Yandex, VK and OZON. The dynamics of the value of Yandex, VK and OZON shares is shown in *Fig. 1–3* respectively.

Figure 2 shows the dynamics of the value of VK shares.

Figure 3 shows the dynamics of the value of shares of OZON companies.

The valuation of 2 out of 3 companies under review did not show any (positive or negative) reaction on the tax maneuver imposition. The YANDEX stock value increase in 2020 coincided and can be partially explained by the introduction of tax incentives, and the fall — by the introduction of anti-Russian sanctions and the division of Yandex business.

The analysis of the effect of tax benefits on the dynamics of key indicators of IT industry organizations cannot lead us to the unambiguous inference about the influence of these benefits, as well as about the prospects for the positive influence of incentive actions in the future. In addition, the actual obvious result of the tax maneuver in IT is currently tax expenditures (budget losses), which do not look justified in the view of the expected result.

Thus, according to the 5-P[5] reporting data, as of 01.10.2022, tax expenses (the amount of tax shortfall due to the application of zero rates in IT) amounted to 27.5 billion rubles, which is 36.6 billion rubles in annual terms.

[5] Report on the tax base and the structure of accruals for corporate income tax. Report on Form No. 5-P as of 01.10.2022. URL: https://www.nalog.gov.ru/rn77/related_activities/statistics_and_analytics/forms/ (accessed on 31.05.2023).

CONCLUSIONS

The results of the analysis of the economic indicators of individual IT organizations and the IT industry statistics indicate a controversial reaction to the tax incentive measures introduced in 2021 for the industry.

Revenue growth simultaneously with the introduction of tax benefits in Russia was demonstrated by the majority of IT organizations in the sample in 2021 and by some companies in 2022. However, a comparison of data on revenue growth of domestic IT organizations with similar indicators of companies incorporated in the United States and not enjoying such benefits suggests that this growth is rather attributed to the growth of the growth of the IT industry in the whole world, due to the growing demand for their products.

The expected improvement in operating results due to the preferential tax regime was revealed in 2021, but already in 2022, almost all organizations experienced a deterioration in operating results.

The net profit growth indicator, which is a good predictor of future investment activity, shows the same dynamics: growth in 2021 and decline in 2022. Investment activity itself first increases in almost all observed organizations in 2021 and stops completely in 2022. The prospects for further investment activities in the field of IT are not clear at the moment.

Export indicators of IT industry products showed high sensitivity to the introduction of tax incentives, but due to non-economic reasons, they fell sharply in 2022.

The indicators of the dynamics of the market capitalization of IT organizations in general turned out to be rather uncorrelated with tax innovations in this area.

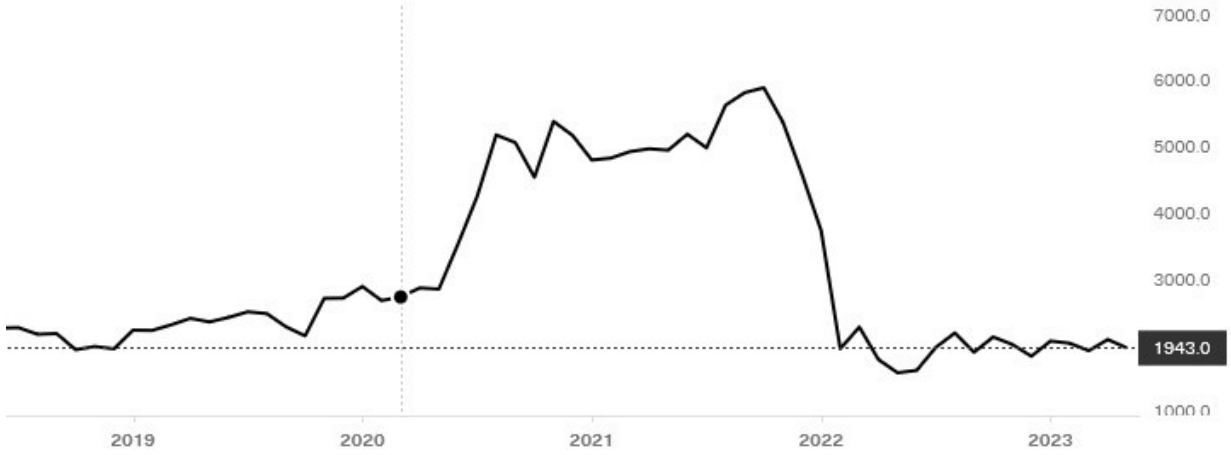

Fig. 1. **Dynamics of the Value of Yandex Shares, 2019–2023**
Source: "About YANDEX". URL: https://www.tinkoff.ru/invest/stocks/YNDX/ (accessed on 31.05.2023).

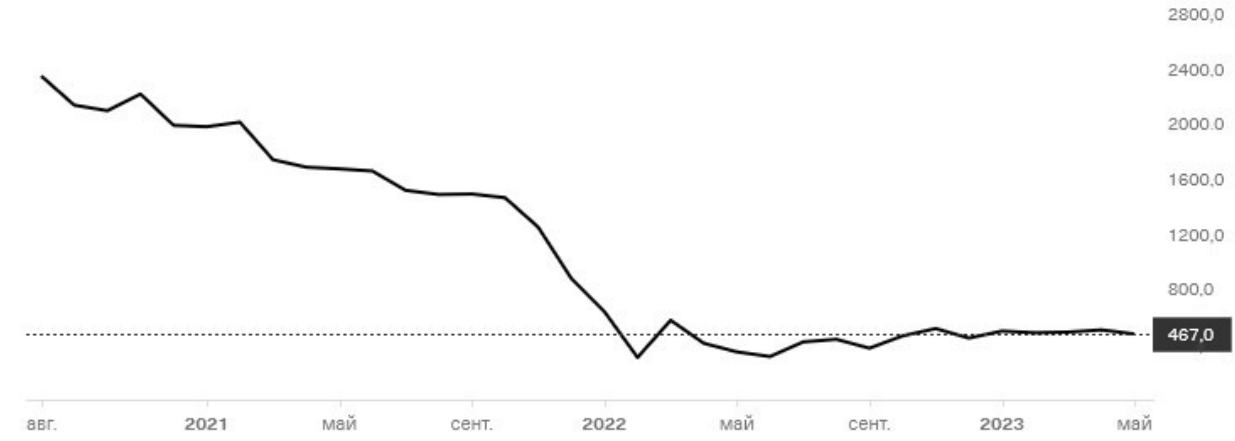

Fig. 2. **Dynamics of the Vlue of VK Shares**
Source: "About VK". URL: https://www.tinkoff.ru/invest/stocks/VKCO/ (accessed on 31.05.2023).

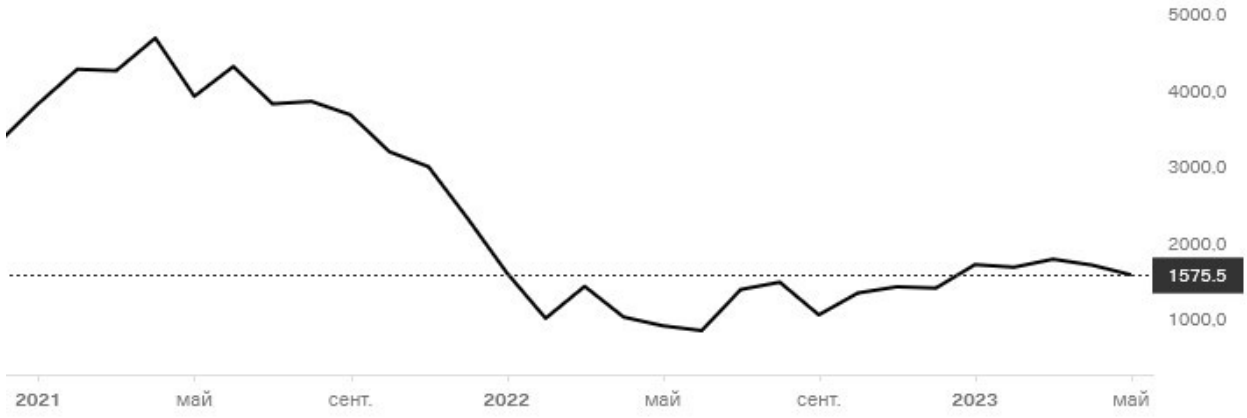

Fig. 3. **Dynamics of the Value of OZON Shares**
Source: "About OZON". URL: https://www.tinkoff.ru/invest/stocks/OZON/ (accessed on 31.05.2023).

Thus, according to the results of the first two years of the IT tax maneuver, we found no strong evidence of the positive impact of tax incentives on stimulating the growth of the IT industry.

Taking into account the above and in conditions of uncertainty about future investment activities the further provision of tax benefits in the format of a tax maneuver will not, we believe, have a stimulating effect on the industry. Dismantling the measures of the "tax maneuver" seems to be an appropriate measure in the absence of the expected effect of eliminating tax losses from the budget.

Not diminishing the existent and well-proven R&D tax incentives, such as accelerated deductions [19], increasing cost coefficients [20], tax credits [21], investment tax deductions, etc., we should consider novice tax approaches adopted in the countries that already have accumulated experience in favorable regimes for technology companies.

The national interest of Russia is to incentivize product development and value creation in the country and attract foreign investments. We suggest the transition to taxation of the qualified profit, well tested in China and some European countries. The qualified profit, defined as the profit of Russian and foreign companies derived from the IT development localization and value creation on the territory of Russia, would then be taxed at an effective rate of 2.5%, or otherwise (provided that the profit is unqualified) at a standard 20%.

The qualified profit approach starts with the computation of the percentage of value created on the territory of Russia. If it equals 100%, then an extra deduction of 30% of the total cost (but limited to 87.5% of the base) is applied. In that model, the effective rate can be as low as 2.5%. For those companies that do not meet the local value creation criteria, or are highly marginal, the effective rate will fall in the range of 2.5 to 20%.

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