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Increasing the Budget Sustainability of Regions within the Trends of the Economic Development in the Russian Federation (at the Example of the Republic of Karelia)

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ABSTRACT

The **relevance** of the study is determined by the need to ensure the budgetary sustainability of the country's regions and the importance of state regulation in this process. The **purpose** of the paper is to test the hypothesis about the positive impact of the applied instruments of state tax regulation on the level of ensuring budgetary sustainability in the region under consideration. The **objective** of this study is to analyze the instruments of government regulation in order to ensure fiscal sustainability in a particular region in the context of transformation of the global economy. The main **methods** used in this study include the collection and processing of statistical data, their comparative analysis, the study of the regulatory framework for tax regulation and other documents related to ensuring the budgetary sustainability of territorial units. The **scientific novelty** of the conducted research lies in the formation of an approach to the selection of optimal government regulation instruments to ensure the balance of regional budgets. As a **result** of the study, tax incentive measures were identified as the most effective among other government support measures aimed at achieving the sustainability of the budgets of the constituent entities of the Russian Federation. The proposed approach allows us to identify tax preferences that, given their temporary nature, will help expand the tax base in the future due to the growth of organizations' revenues and an increase in the number of taxpayers. It is **concluded** that it is necessary to use government support instruments that will help unlock the regional tax potential of the Republic of Karelia. The paper's **significance** in practice is its development of a set of specific recommendations for a deliberate transformation of the relevant regional tax laws in the Russian Federation.

Keywords: budget sustainability; government regulation; tax regulation; territorial unit; government support measures; subsidies; tax base; balanced budgets

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INTRODUCTION

In recent years, a clear trend in the global economy has been the redistribution of a portion of market assets from the West to the East, characterized not only by the increasing share of the economies of Asian and Middle Eastern countries within the total global GDP but also by the expansion of economic unions through new market participants. One such example can be seen in the BRICS alliance, which has expanded by five new countries over the past year, including Egypt, Iran, the UAE, Saudi Arabia, and Ethiopia.

Moreover, this redistribution of power has led to changes in the development of new logistics infrastructure, which would be capable of attracting new participants in the global trading community under conditions of equal participation in various projects. One of these major Eurasian projects is the Silk Road trade initiative “One Belt, One Road”, which includes support for more than 35 countries around the world. Another equally important project is the Northern Sea Route, where Russia continues to play a key role in its development, attracting additional resources from friendly partner countries, including China, Saudi Arabia, the UAE, and others.

Another important aspect of the global transformation of world trade has been the gradual shift from the use of a single global currency, primarily the US dollar, to national currencies, which has allowed for greater participation of more countries and their currencies in the process of trade exchange. Thus, a gradual de-dollarization of the global economy has been launched in parallel.

All these aspects have led to a profound restructuring of the market, involving the waging of trade wars between countries, as well as the transformation of existing global value chains, which has directly influenced the formation of new networks of interaction among countries and the regionalization of the entire world economy.

In this regard, Russia has had to undergo a serious transformation of its entire national

economy and redirect its main trade flows from the West to the East over the past few years, thus following the current trends of the global economy. A large amount of government investment has been spent on the development of modern logistics infrastructure in the Far East and the Murmansk region, so that Russia can become part of key logistics routes within the global economy. Some Russian regions have received additional subsidies to enhance their activity in trade interactions with China, including, among other things, the construction of railways (Krasnoyarsk), the development of high-tech equipment (Novosibirsk and Tomsk regions), and the increase of capacities in the field of machine engineering (Chelyabinsk region).

The most challenging situation is observed in the border regions of the western part of Russian territory, which over the past 30 years have contributed to the local budget by exporting the majority of their products to European Union countries. One such region is the Republic of Karelia, which has been engaged in trade interactions with the Republic of Finland for many years. For example, in 2021, the trade turnover between the two republics amounted to over 13 billion dollars, while in 2022 it decreased by more than half¹.

Thus, such Russian territories require additional support from the state in terms of diversifying production capacities in the region, as well as attracting new trading partner countries to ensure regional budget stability.

The budgetary sustainability of a subject of the Russian Federation is achieved through the effectiveness of the tax policy implemented, which ensures sufficient and stable revenues; the optimal size of expenditure obligations in terms of the ability to cover them with own resources;

¹ URL: <https://karelia.rbc.ru/karelia/27/04/2022/626966e99a79471ccb08428a> (accessed on 05.12.2023).

and the alignment of the debt burden with the region's solvency. The goal of ensuring budgetary sustainability is to stimulate the socio-economic development of the region.

The tools of regional tax policy are regulated at the federal level. The tax powers of the subjects of the Russian Federation are limited to the ability to set rates for taxes on property of organizations, on transportation, and on gambling businesses, while their limits are established in the Tax Code of the Russian Federation. Regional authorities can also introduce additional benefits at the federal level for the aforementioned taxes within their territory². Furthermore, the Tax Code of the Russian Federation establishes the right of the subjects of the Russian Federation to reduce the corporate income tax rate, which is allocated to the regional budget, for certain categories of taxpayers³.

The budget legislation establishes both tax and non-tax sources of income for entities⁴, as well as regulates the standards for the balance of regional budgets⁵ and the maximum amount of their borrowings⁶.

LITERARY REVIEW

The area of budgetary sustainability of regions is one of the key issues in state regulation, which is why it receives significant attention from both foreign and Russian researchers.

There are completely different approaches to achieving financial sustainability in regions. Considering some of them allows for a more comprehensive analysis of the current situation regarding budget sustainability in the regions of Russia and highlights the most effective methods of state tax regulation at the level of the subjects of the Russian Federation.

The budget sustainability of regions was examined from the perspective of various approaches and methods, including the Bona test, which is based on the idea that a strictly positive and statistically significant response of the primary budget balance to changes in debt is a sufficient condition for budget sustainability [1].

Many researchers have emphasized methods that contribute to the long-term sustainability of regions and have clustered regions based on this indicator [2, 3]. For example, E. G. Kiseleva in her research assesses the debt sustainability of the budgetary system of the regions of the Northwestern Federal District of the Russian Federation by determining a differentiated level of budgetary constraints [4].

Overall, the stability of budget revenues has been examined in the works of M. Yu. Malkina, A. V. Minakov, A. A. Mikhailova etc. [5–8]. Moreover, A. A. Mikhailova and E. N. Timushev proposed the concept of vertical imbalance in the analysis of budget sustainability at the regional level [9].

Russian researchers have been engaged, among other things, in assessing the financial stability of the regional budget using a methodology for determining its stability based on certain indicators [10]. M. N. Solomko identified the dependence of budget sustainability and the dynamics of economic development in regions [11], while P. V. Stroeva and O. V. Pivovarova were able to identify regions with low financial stability and propose approaches to stimulate their development [12].

² Art. 12 Tax Code of the Russian Federation. URL: https://www.consultant.ru/document/cons_doc_LAW_19671/25937e403c030708de5a6ac9aea5952f23649ca8/ (accessed on 05.12.2023).

³ Art. 284 Tax Code of the Russian Federation. URL: https://www.consultant.ru/document/cons_doc_LAW_28165/eb9180fc785448d58fe76ef323fb67d1832b9363/ (accessed on 05.12.2023).

⁴ Chapter 8 Budget Code of the Russian Federation. URL: https://www.consultant.ru/document/cons_doc_LAW_19702/864e59f04324c21269bc47af4d5c9d0c3b68207e/ (accessed on 05.12.2023).

⁵ Art. 92.1 Budget Code of the Russian Federation. URL: https://www.consultant.ru/document/cons_doc_LAW_19702/6f11e8bb720f79997a479fc6c1e98b78f23c3755/ (accessed on 05.12.2023).

⁶ Art. 106 Budget Code of the Russian Federation. URL: https://www.consultant.ru/document/cons_doc_LAW_19702/6e48b1d00db0df46678514c0f9d3dd364e9dacf9/ (accessed on 05.12.2023).

It is important to emphasize the analysis of subnational budget rules, taking into account both Russian and foreign experience. A. L. Kudrin and A. N. Derugin distinguish flexible embedded mechanisms of modern budget rules for regions in global practice, which allow them to quickly adapt to external and internal shocks without making critical changes [13].

As for foreign experience, researchers here place a greater emphasis on achieving budgetary sustainability in regions based on government programs. Thus, methods are being developed that contribute not only to state goal-setting but also to the sustainable development of regions. So, Anders Björn analyzes the methods for assessing the achievement of budget sustainability in regions while simultaneously developing tools for environmental protection [14–16]. This issue has been addressed, among others, by Chinese researchers in China [17–19], as well as by Italian colleagues in Italy and British researchers in the UK [20, 21].

Other foreign colleagues conducted an experiment on the localization of relevant indicators for regional budget sustainability, concluding that a centralized approach to all regions is effective, thereby identifying the strongest and weakest aspects of each [22].

Thus, the issues of budget sustainability in regions are a critically important aspect for the further development not only of individual agglomerations but also of economies as a whole, considering the current trends of fragmentation in the global economy and the transformation of global markets, which directly affects the level of economic growth in countries one way or another.

METHODOLOGY

The object of the research is to analyze the tools of state regulation in order to ensure budgetary stability in a specific region amid the transformation of the global economy.

The subject of the research is the Republic of Karelia. Consequently, the subject of the

research is the measures of state regulation aimed at ensuring budgetary stability in this region.

The purpose of this study is to test the hypothesis regarding the positive impact of the applied tools of state tax regulation on the level of budget sustainability in the region under consideration.

The main methods used in this research include the collection and processing of statistical data, comparative analysis, examination of the regulatory framework for tax regulation, and other documents related to ensuring the budgetary stability of territorial units.

The budgetary provision of the region is determined in accordance with the procedure established by the Methodology for the Distribution of Subsidies for Equalizing the Budgetary Provision of Subjects of the Russian Federation, by dividing the tax potential index by the budget expenditure index. The aforementioned indices are calculated according to the same methodology⁷. The average budget provision indicator across the regions of the Russian Federation is 1.

To assess financial stability, a coefficient was used that is calculated as the proportion of tax revenues to the total income of the budget of the region.

RESULTS AND DISCUSSION

The Republic of Karelia is located in the northwest of Russia and is part of the Northwestern Federal District of the Russian Federation. The western border of Karelia borders the Republic of Finland and stretches for 798 kilometers. Such a geographical position has naturally led to active interaction with Finland in various sectors of the economy.

Karelia has a rich mineral and raw material base, including 494 explored

⁷ Order of the Government of the Russian Federation from 22 November 2004 No. 670 "On the Distribution of Subsidies for Equalizing the Budgetary Provision of the Subjects of the Russian Federation". URL: <https://base.garant.ru/187556/> (accessed on 03.02.2024).

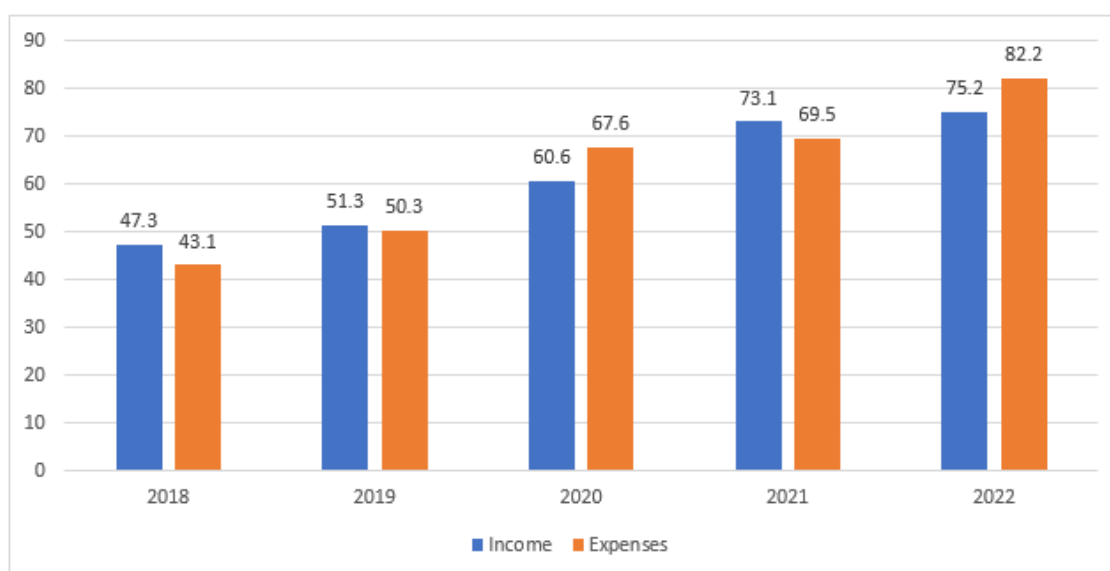


Fig. 1. Dynamics of Budget Balance Indicators of the Republic of Karelia, Billion Rubles

Source: Unified portal of the budget system of the Russian Federation. URL: <https://budget.gov.ru/%D0%91%D1%8E%D0%B4%D0%B6%D0%B5%D1%82/%D0%A1%D0%B1%D0%B0%D0%BB%D0%B0%D0%BD%D1%81%D0%B8%D1%80%D0%BE%D0%B2%D0%B0%D0%BD%D0%BD%D0%BE%D1%81%D1%82%D1%8C-%D0%B1%D1%8E%D0%B4%D0%B6%D0%B5%D1%82%D0%B0?regionId=04000000> (accessed on 05.12.2023).

deposits, 386 peat deposits, 28 underground water deposits, 3 mineral water deposits, and 1 deposit of therapeutic mud. The republic is rich in various bio resources, including berries, 150 species of medicinal plants, and large reserves of forested areas. It is worth emphasizing the industrial fishing in this region, which was one of the key products for export to European countries, primarily to Finland. In Karelia, about 70% of all Russian trout is cultivated, around 30% of iron ore pellets are produced, as well as 20% of paper and 15% of wood pulp. Until 2022, the largest trading partners of Karelia were Finland (20% of the region's total trade turnover), Turkey, the United Kingdom, the Netherlands, and Germany. Their total share in the turnover was 46%⁸.

At the present time, the Republic of Karelia has managed to redirect its production and, consequently, its exports to countries in Asia and the Middle East, including Turkey, China, India, the UAE, and others. It is worth noting

that the republic's exports grew by 7.6% last year, and the total volume increased by \$ 1.36 billion compared to 2021⁹.

Nevertheless, possessing vast internal resources, it is important to understand the strategic significance of transitioning the region to a new level of interaction both with the internal regions of the country and with external partner countries. In order to ensure budgetary sustainability, it is necessary to establish local production in the region to transition from exporting natural resources to supplying products of a complete manufacturing cycle.

To assess the stability of the budget of the Republic of Karelia, we will analyze the basic parameters of this region (Fig. 1). The data indicates a budget deficit that occurred in 2020 and 2022.

The analysis of the structure of the revenue part of the budget (Fig. 2) allows us to conclude that there is a severe shortfall in own

⁸ URL: <https://export10.ru/karelia/> (accessed on 05.12.2023).

⁹ URL: https://tass.ru/ekonomika/17571267?utm_source=google.com&utm_medium=organic&utm_campaign=google.com&utm_referrer=google.com (accessed on 05.12.2023).

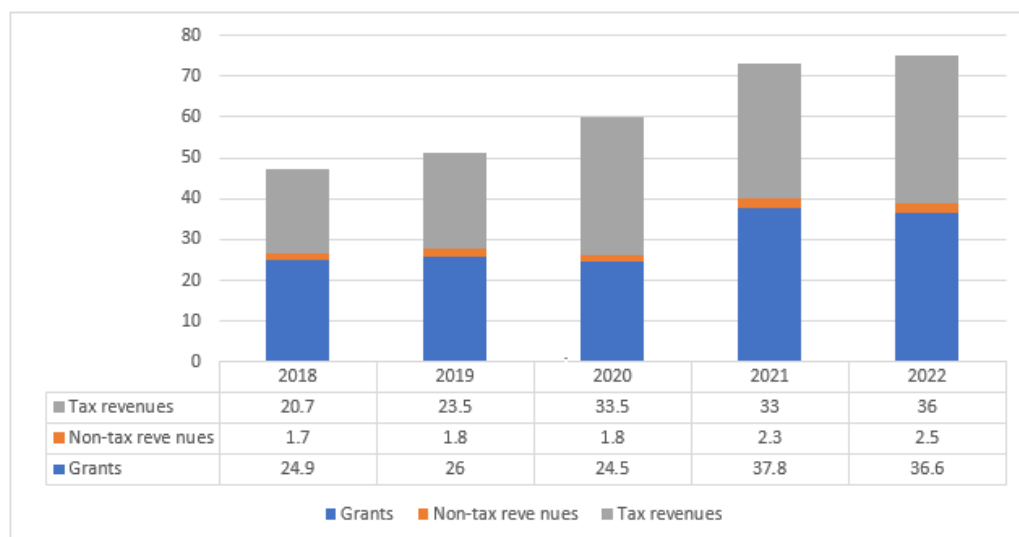


Fig. 2. Structure of Budget Revenues of the Republic of Karelia, Billion Rubles

Source: Единый портал бюджетной системы РФ / Unified portal of the budget system of the Russian Federation. URL: <https://budget.gov.ru/%D0%91%D1%8E%D0%B4%D0%B6%D0%B5%D1%82/%D0%94%D0%BE%D1%85%D0%BE%D0%B4%D1%8B/%D0%98%D1%81%D0%BF%D0%BE%D0%BB%D0%BD%D0%B5%D0%BD%D0%B8%D0%B5-%D0%B1%D1%8E%D0%B4%D0%B6%D0%B5%D1%82%D0%B0-%D0%BF%D0%BE-%D0%B2%D0%B8%D0%B4%D0%B0%D0%BC-%D0%B4%D0%BE%D1%85%D0%BE%D0%B4%D0%BE%D0%B2?regionId=86000000> (accessed on 05.12.2023).

sources for financing regional expenditure obligations. So, in 2020, the share of non-repayable receipts was 56% (of which transfers from the federal budget accounted for 96.6%); in 2021, it was 45.1% (of which transfers from the federal budget accounted for 94.2%); in 2022, it was 47.9% (of which transfers from the federal budget accounted for 92.3%)¹⁰. That is, in recent years there has been an unstable but noticeable trend towards a reduction in the share of external sources.

Based on the data from the revenue structure of the budget of the Republic of Karelia, we will calculate the financial stability coefficient of this region (*Table 1*), which will aid in conducting a qualitative analysis of the effectiveness of tax policy instruments. The higher this indicator, the more stable the

budget is in terms of being supported by its own tax revenues.

In the territory of the Republic of Karelia, there are 3 territories of advanced social and economic development (TASED), one of the main incentives of which is tax benefits for residents for a certain period of time. The introduction of preferential regimes is always associated with a loss of budget revenue. But subsequently, losses should turn into an increase in tax revenues due to the expansion of the tax base and the gradual abolition of benefits. This pattern is precisely reflected in the data of *Table 1*. The TASED “Kondopoga” was established in December 2017, TASED “Nadvoitsy” in September 2016, and TASED “Kostomuksha” in February 2019.

The debt burden of the Republic of Karelia is presented in *Table 2*. This indicator is calculated by dividing the regional government debt by the actual revenue performance of the entity, excluding non-repayable receipts. The presented values of this indicator require measures aimed at increasing regional tax and non-tax revenues,

¹⁰ Calculated by the authors based on data from the Unified Portal of the Budgetary System of the Russian Federation. URL: <https://budget.gov.ru/%D0%91%D1%8E%D0%B4%D0%B6%D0%B5%D1%82/%D0%94%D0%BE%D1%85%D0%BE%D0%B4%D1%8B/%D0%98%D1%81%D0%BF%D0%BE%D0%BB%D0%BD%D0%B5%D0%BD%D0%B8%D0%B5-%D0%B1%D1%8E%D0%B4%D0%B6%D0%B5%D1%82%D0%B0-%D0%BF%D0%BE-%D0%B2%D0%B8%D0%B4%D0%B0%D0%BC-%D0%B4%D0%BE%D1%85%D0%BE%D0%B4%D0%BE%D0%B2> (accessed on 05.12.2023).

Table 1

Financial Stability Coefficient of the Budget of the Republic of Karelia

| Financial Stability Coefficient | 2018 | 2019 | 2020 | 2021 | 2022 |
|---------------------------------|-------|-------|-------|-------|-------|
| | 0.526 | 0.507 | 0.404 | 0.517 | 0.487 |

Source: Calculated by the authors based on the data in Fig. 1 and 2.

Table 2

Debt Burden of the Republic of Karelia, %

| Debt Burden | December 2018 | December 2019 | December 2020 | December 2021 | December 2022 |
|-------------|---------------|---------------|---------------|---------------|---------------|
| | 79.8 | 68.5 | 76.6 | 50.1 | 64 |

Source: Единый портал бюджетной системы РФ / Unified portal of the budget system of the Russian Federation. URL: <https://budget.gov.ru/%D0%91%D1%8E%D0%B4%D0%B6%D0%B5%D1%82/%D0%93%D0%BE%D1%81%D1%83%D0%B4%D0%B0%D1%80%D1%81%D1%82%D0%B2%D0%B5%D0%BD%D0%BD%D1%8B%D0%B9-%D0%B4%D0%BE%D0%BB%D0%B3/%D0%93%D0%BE%D1%81%D1%83%D0%B4%D0%B0%D1%80%D1%81%D1%82%D0%B2%D0%B5%D0%BD%D0%BD%D1%8B%D0%B9-%D0%B4%D0%BE%D0%BB%D0%B3-%D1%81%D1%83%D0%B1%D1%8A%D0%B5%D0%BA%D1%82%D0%BE%D0%B2-%D0%A0%D0%A4> (accessed on 05.12.2023).

as well as optimizing expenditures to enhance budget sustainability.

The budget provision level of the Republic of Karelia before the distribution of subsidies from 2020 to 2022 was, respectively, 0.589; 0.575; and 0.578. After the infusion of the corresponding funds from the federal budget, the values of the indicators increased to 0.722, 0.71, and 0.701¹¹, respectively. There is an opinion among domestic scholars [23] that subsidies are not an effective instrument for increasing budgetary security. As follows from the analysis of the provided data, there is no improvement in the dynamics of the indicator after the distribution of subsidies, despite the increased amounts.

In our opinion, the reserve for growth in self-financing lies in the tax potential

of the region. In the tax revenues of the studied entity of the Russian Federation, the main role belongs to the corporate profit tax and the personal income tax (PIT), but their share in the total volume is gradually decreasing (Fig. 3). Therefore, the most effective measures will be economic incentives aimed at expanding the tax base by increasing the turnover of companies and their numbers. The increase in the number of employed individuals consistently leads to an improvement in the collection rates of personal income tax.

About 40% of the territory of the Republic of Karelia is located in the Arctic zone, where both federal and regional fiscal preferences apply to residents. Thus, at the federal level, residents of this territory benefit from a zero corporate income tax rate, reduced insurance contribution rates to extrabudgetary funds, as well as tax incentives for mineral extraction tax. The region also offers benefits on corporate income tax and property taxes for a period of 5 to 10 years. In addition, reduced rates apply under the simplified taxation system (STS), which increase after 5 years, but

¹¹ Data from the Unified Portal of the Budgetary System of the Russian Federation. URL: <https://budget.gov.ru/%D0%A0%D0%B5%D0%B3%D0%B8%D0%BE%D0%BD%D1%8B/%D0%91%D1%8E%D0%B4%D0%B6%D0%B5%D1%82%D0%BD%D0%B0%D1%8F-%D0%BE%D0%B1%D0%B5%D1%81%D0%BF%D0%B5%D1%87%D0%B5%D0%BD%D0%BD%D0%BE%D1%81%D1%82%D1%8C-%D1%81%D1%83%D0%B1%D1%8A%D0%B5%D0%BA%D1%82%D0%BE%D0%B2-%D0%A0%D0%A4> (accessed on 08.12.2023).

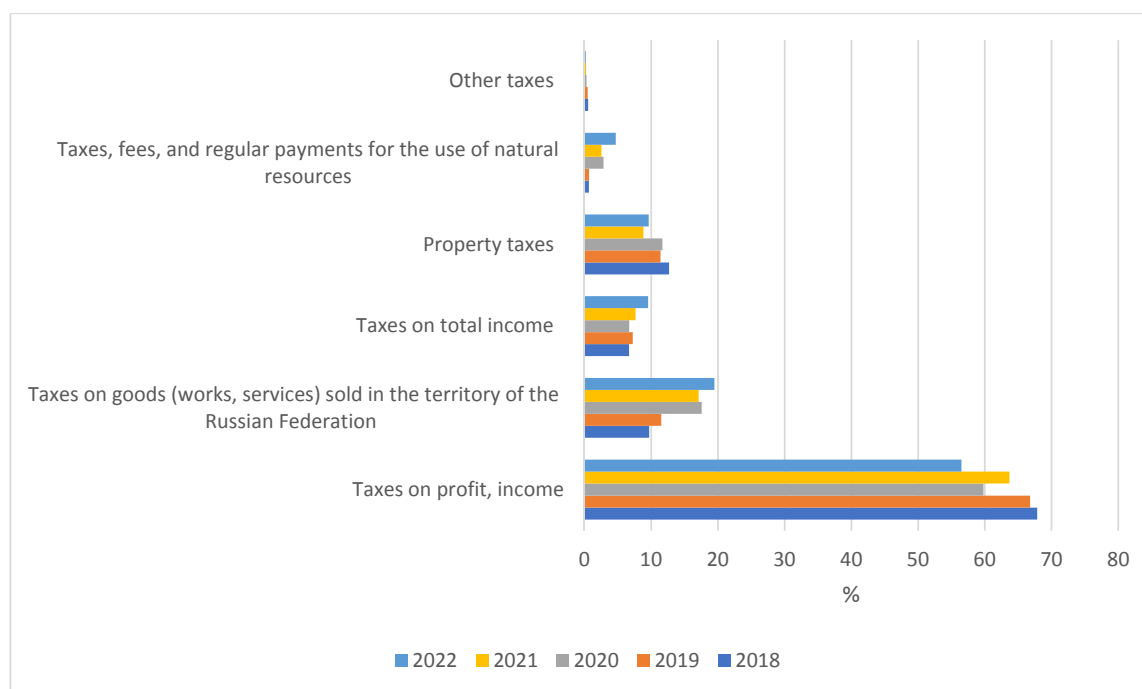


Fig. 3. Structure of Tax Revenues of the Budget of the Republic of Karelia, %

Source: Unified portal of the budget system of the Russian Federation. URL: <https://budget.gov.ru/%D0%91%D1%8E%D0%B4%D0%B6%D0%B5%D1%82/%D0%94%D0%BE%D1%85%D0%BE%D0%B4%D1%8B/%D0%98%D1%81%D0%BF%D0%BE%D0%BB%D0%BD%D0%B5%D0%BD%D0%B8%D0%B5-%D0%B1%D1%8E%D0%B4%D0%B6%D0%B5%D1%82%D0%B0-%D0%BF%D0%BE-%D0%B2%D0%B8%D0%B4%D0%B0%D0%BC-%D0%B4%D0%BE%D1%85%D0%BE%D0%B4%D0%BE%D0%B2?regionId=86000000> (accessed on 05.12.2023).

still remain at a level that is half that of other taxpayers¹².

The mechanism of the investment tax deduction for corporate profit tax is applied in the territory of the studied subject of the Russian Federation concerning organizations engaged in land and pipeline transportation, scientific research, waste disposal, as well as those related to manufacturing industries. The established restrictions on the use of this benefit, such as the absence of tax debt and compliance with a certain legislatively defined minimum level of accrued employee wages, enhance the effectiveness of tax regulation. However, the maximum amount of the deduction established by the Law of the Republic of Karelia No. 384 is only 50% of the corresponding expenses.

¹² Law of the Republic of Karelia from 30 December 1999, No. 384 "On Taxes (Tax Rates) in the Territory of the Republic of Karelia". URL: https://www.nalog.gov.ru/rn10/about_fts/docs/6413540/ (accessed on 11.12.2023).

The aforementioned benefits contribute to creating a favorable tax climate for potential investors. The effect of these preferences extends to priority areas and is time-limited (5–10 years). These circumstances provide grounds to believe that after the grace period, tax revenues should increase.

In addition, Fig. 3 shows an increase in the share of the tax on total income. Therefore, measures to promote the development of small businesses that use the simplified tax system and the tax on professional income are promising.

Throughout almost the entire study period, the share of taxes on goods (works, services) sold in the territory of the Russian Federation has been increasing (Fig. 3). These are excise taxes on alcohol, tobacco, and gasoline, as it is specifically for this group of goods that they are allocated to the regional budget¹³. In this

¹³ Art. 56 Budget Code of the Russian Federation. URL: https://www.consultant.ru/document/cons_doc_LAW_19702/0f3dd11480b2a82098ac79197ac977ee50a2f983/ (accessed on 08.12.2023).

case, the health of the nation should take precedence over budgetary interests.

The data from Fig. 3 also indicate a gradual decrease in the value of property taxes. This is primarily due to the increase in revenue from the corporate property tax, as the collection of the transportation tax, on the contrary, is decreasing¹⁴. The potential for growth here lies both in the expansion of the property complex of organizations and in the improvement of the administration of the transport tax. Moreover, it makes sense to conduct an inventory of regional benefits for these taxes. The cancellation of ineffective preferences will lead to an increase in budget revenues. Regional preferences for property tax for organizations are granted not only to residents of territories of advanced development but also to other organizations implementing investment projects in the Republic of Karelia, for the period of payback, but not exceeding 5 years. At the same time, this category of taxpayers is not exempt from the transport tax.

Resource payments of the Republic of Karelia consist of the mineral extraction tax and fees for the use of wildlife and aquatic biological resources. These payments demonstrate the highest growth¹⁵ and dynamics of the increase in their share of the total revenues of the studied regional budget. The budgets of the federal subjects primarily

receive revenue from the mineral extraction tax on commonly used minerals, as well as a 60% rate on hydrocarbon raw materials and ores, provided certain conditions are included¹⁶. The Republic of Karelia is rich in wildlife resources, which attract hunters to the region and could serve as a stimulus for tourism development with the appropriate provision of a developed infrastructure.

CONCLUSION

As already mentioned earlier, the use of tax regulation tools, in our opinion, is the most promising for achieving budget sustainability in the Republic of Karelia. In order to attract investors and expand the tax base in the future, a number of tools have already been employed in regional tax policy, as mentioned earlier. To enhance their effectiveness and broaden the range of potential users of the preferences, it is advisable to make the following clarifications in the regional tax legislation:

- To increase the size of the investment tax deduction for profit tax from 50% to 90% of current period expenses;
- To provide the opportunity to apply the investment tax deduction on corporate income tax to companies engaged in mineral extraction (section B of the OKVED), considering the priority of the industry for the Republic of Karelia;
- To introduce an additional condition for the application of regional property tax benefits for organizations in the form of the requirement to maintain minimum employee payments at a level not lower than the federal minimum wage, increased by the coefficients applied in the regions of the Far North;
- To allow organizations implementing investment projects in the Republic of Karelia to be exempt from paying transport tax for the period of payback, but not exceeding 5 years.

¹⁴ Data from the Unified Portal of the Budgetary System of the Russian Federation. URL: <https://budget.gov.ru/%D0%91%D1%8E%D0%B4%D0%B6%D0%B5%D1%82/%D0%94%D0%BE%D1%85%D0%BE%D0%B4%D1%8B/%D0%98%D1%81%D0%BF%D0%BE%D0%BB%D0%BD%D0%B5%D0%BD%D0%B8%D0%B5-%D0%B1%D1%8E%D0%B4%D0%B6%D0%B5%D1%82%D0%B0-%D0%BF%D0%BE-%D0%B2%D0%B8%D0%B4%D0%B0%D0%BC-%D0%B4%D0%BE%D1%85%D0%BE%D0%B4%D0%BE%D0%B2> (accessed on 08.12.2023).

¹⁵ Data from the Unified Portal of the Budgetary System of the Russian Federation. URL: <https://budget.gov.ru/%D0%91%D1%8E%D0%B4%D0%B6%D0%B5%D1%82/%D0%94%D0%BE%D1%85%D0%BE%D0%B4%D1%8B/%D0%98%D1%81%D0%BF%D0%BE%D0%BB%D0%BD%D0%B5%D0%BD%D0%B8%D0%B5-%D0%B1%D1%8E%D0%B4%D0%B6%D0%B5%D1%82%D0%B0-%D0%BF%D0%BE-%D0%B2%D0%B8%D0%B4%D0%B0%D0%BC-%D0%B4%D0%BE%D1%85%D0%BE%D0%B4%D0%BE%D0%B2> (accessed on 05.12.2023).

¹⁶ Art. 56 Budget Code of the Russian Federation URL: https://www.consultant.ru/document/cons_doc_LAW_19702/0f3dd11480b2a82098ac79197ac977ee50a2f983/ (accessed on 08.12.2023).

The approach proposed in the study is applicable to other regions of the Russian Federation and involves analyzing the effectiveness of tax incentives by calculating the financial stability coefficient and subsequently comparing the changes in this indicator with the periods during which tax preferences were in effect. The effectiveness of the implemented tax policy is confirmed by the initial decline in this indicator (immediately after the introduction of benefits), followed by a gradual increase.

Moreover, in order to reduce the debt burden on the regional budget, it seems

necessary to expand the practice of replacing commercial loans with budgetary ones. Such an opportunity is provided for in the Budget Code of the Russian Federation following the amendments made by Federal Law from 28 June 2021 No. 228¹⁷. Budget loans can be used both for repaying commercial debts and for financing infrastructure projects.

¹⁷ Federal Law from 28 June 2021 No. 228 "On Amendments to the Budget Code of the Russian Federation and on the Suspension of Certain Provisions of the Budget Code of the Russian Federation". URL: <http://publication.pravo.gov.ru/Document/View/0001202106280034> (accessed on 01.02.2024).

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M.E. Kosov — setting the goals and objectives of the study, development of the hypothesis of the article and its confirmation on the basis of the obtained data.

E. V. Golubtsova — analysis and description of the obtained results in terms of fiscal sustainability of the region considered in the article.

E.S. Novikova — literature review on the issues under study, research of current problems and challenges in terms of fiscal sustainability both at the level of the country and one region.

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