Assessment of the Tax Potential of the Constituent Entities of the Russian Federation

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ABSTRACT

The subject of the study is factors influencing the formation and use of the tax potential of regions of the Russian Federation. **The purpose of the study** is to determine the tax potential of the regions of the Russian Federation and identify the factors that determine it. Tax potential is presented as an indicator of the efficiency of the tax system in the region. This factor is critically important for the financial sustainability of both individual regions of the Russian Federation and the state as a whole. Analysis of regional statistical data showed that tax potential varies significantly among the regions of the Russian Federation. Its level is influenced by factors such as the volume of gross regional product (GRP), economic structure, investment levels, demographic indicators, and others. However, the main determinants are economic growth and development of the region, effective tax and social policies, and the dynamics of tax rates. The assessment of tax potential across regions of the Russian Federation revealed its uneven distribution. Economically disadvantaged regions exhibit high tax potential. This is explained by high population density, low levels of financial literacy, a significant volume of shadow economy, and other problems characteristic of regions with weak economic development. To enhance the efficiency of tax revenue use in economically disadvantaged regions, practical recommendations are proposed. These include measures to reduce tax and levy arrears and implement a system for attracting investment. It is expected that these measures will help ensure sustainable development and the realization and use of the high tax potential of economically disadvantaged regions.

Keywords: tax potential; regions of the Russian Federation; formation of tax potential; tax policy; tax burden; economic development; factors of tax potential; assessment of tax potential

INTRODUCTION

The assessment of tax potential and the analysis of the factors influencing it are attracting the attention of economists. This is important because tax potential plays a key role in the financial stability of regions and the country. Studying these aspects will help identify reserves for increasing tax revenues in each region. The identified factors contribute to the optimization of tax processes in the region, its development through increased efficiency in collecting tax revenues for the budget of the constituent entity of the Russian Federation, as well as the search for additional resources. According to the Federal Tax Service, in 2022, the difference between the subjects of the Russian Federation with the highest and lowest levels of tax potential is 28.31 points. This clearly demonstrates the significant inequality in the development of the country's regions.

As a result of the study, not only were the factors influencing the country's tax potential identified, but practical recommendations were also proposed for government bodies on the effective management of regional tax potential. This can contribute to the sustainable socio-economic development of territories. The findings will help identify more effective ways to utilize tax revenues in the budgets of all regions of the Russian Federation.

However, despite the topic of tax potential assessment being sufficiently developed in scientific and research publications (D. M. Gadzhikurbanov, V. A. Bubnov, N.K. Okisheva, et al.), there is a problem of the absence of a unified approach to defining and assessing tax potential, as well as the factors that influence it. The authors of this paper refine the concept of tax potential and propose a system for its assessment using the cluster method, which is a scientific novelty.

The purpose of the study is to assess the level of tax potential in the regions of the Russian Federation and identify the factors that determine it. The authors have taken into account not only quantitative but also qualitative factors that influence the level of a country's subject's tax potential. These are socio-economic factors such as the level of education of the region's population, the development of social infrastructure; demographic factors, including population size and age structure; the tax climate, etc. Additionally, the paper assesses the impact of the shadow economy and the level of corruption on the region's tax potential, which allows for the identification of reserves for increasing tax revenues to regional budgets and the development of a set of measures to optimize tax administration and reduce the scale of shadow economic activity.

The results obtained can be used to improve tax policy and increase the efficiency of using budget tax revenues in a separate region of the state. The practical significance lies in the possibility of using the work's materials by government authorities in developing measures to improve tax policy, as well as during tax control in a specific region of the country.

THEORETICAL APPROACHES TO DEFINING TAX POTENTIAL

Studying theoretical research on the concept of tax potential as an economic category allows us to identify the main approaches to its study, reveal its distinctive features, and establish the conditions for the effective use of tax revenues by the regional budget. In his study of tax potential as an economic category, D. M. Gadzhikurbanov identified some key approaches to its interpretation: in terms of content and volume [1, p. 98]. However, this classification does not cover all the essential features of tax potential, and therefore is incomplete.

V. A. Bubnov and N. K. Okisheva [2] consider that tax potential is a complex and multifaceted phenomenon. Its study requires the participation of all stakeholders: from government bodies to taxpayers.

A. J. Musagaliev identifies four main approaches to defining tax potential: the

Resource
- Tax potential is considered as the totality of economic resources available for taxation.
- It focuses on the potential to mobilize funds into the budget through tax payments.
- It only considers actual tax revenues, without taking into account the possibilities for their increase.

Fiscal
- Focuses on maximizing tax revenue for the budget.
- Uses fiscal policy tools to achieve revenue mobilization goals.
- Does not consider the dynamics of changes in tax potential under the influence of various factors.

Inter-budgetary
- Assesses tax potential at the level of a specific region.
- Considers not only actual tax revenues but also the potential to mobilize additional income.
- Takes into account changes in the economy and institutional environment.

Fig. 1. **Basic Approaches to Determining Tax Potential**
Source: Compiled by the authors.

resource approach, the effective approach, the resource-targeted approach, and the process-resource approach [3, p. 1316]. This position more comprehensively reveals the essence of tax potential.

After conducting a theoretical analysis of the existing field of research on tax potential, we can reduce the theoretical approaches to defining tax potential to three main approaches that are most frequently found in the works of economists (*Fig. 1*).

Let's consider specific authors who support these approaches to defining tax potential. The resource approach, which defines tax potential as a component of a region's financial potential [3], representing the sum of potentially available tax resources [4], divided into shares of created and consumed value. In other words, the resource approach views tax potential as the total value of a region's (or other object of study) economic resources available for taxation. The main focus of the resource approach is the search for and assessment of the region's available resources for mobilizing tax revenues. A. J. Musagaliev

defines this approach as the simplest and most understandable for research, but he also notes a limitation to its use: this approach is limited to the framework of a specific research object and does not take into account external environmental factors of functioning [3].

The fiscal approach views tax potential from the perspective of ensuring the maximization of possible tax revenues for the research object's budget [5]. At the same time, many researchers cite compliance with legislation when maximizing tax revenues for the budget [6–8].

The inter-budgetary approach defines tax potential as the financial capabilities of a particular object of study [9] that can be used to ensure the balance of the budget system at different levels, as well as to equalize inter-regional asymmetry across the entire state [10–12].

For the purposes of this study, the resource approach is taken as a basis, and the definition of tax potential is clarified. Thus, by tax potential, we mean the sum of all potential tax revenues established by the legislation of the

┌───┐
│ External factors   │
└───┘

- Inflation
- Informational and methodological influence
- Tax allocation rates by level of the budget tax system
- Level of tax burden
- Changes in tax legislation

┌───┐
│ Internal factors   │
└───┘

- Regional tax revenues
- Population size
- Level of population income
- Value of tax and fees
- Level of economic shadowing
- Population education level

Fig. 2. **Classification of Factors Influencing the Tax Potential of the Region**
Source: Compiled by the authors based on [15–17].

Russian Federation (i.e., the maximum value of receipts from specific taxes and fees) in a particular region of the country.

FACTORS INFLUENCING TAX POTENTIAL

Studying the factors influencing tax potential is a key task in forming a balanced system for the development of the regions of the Russian Federation. Identifying the most significant factors, classifying them, and conducting a comprehensive assessment will allow for the most effective and accurate construction of a model for evaluating the tax potential of the country's regions.

Foreign research emphasizes the primacy of the tax system's efficiency factor [13, p. 940; 14]. At the same time, as the authors note, the remaining factors are only additional conditions for changes in tax potential: these factors include the individual economic, social, and managerial conditions of a country or region. Examples of these include: the level of GNP, the level of education in a country or region, and the extent of corruption [14, p. 4].

A similar, but more extensive and detailed classification is proposed by E.A. Murzina, T.V. Yalyalieva, and M.S. Shemyakin [4]. They highlight:

• social factors (such as demographics and their characteristics, population size, level of industrial development, credit and financial infrastructure);

• natural and climatic factors (natural disasters, environmental threats, and the condition of mining sites);

• technological factors, divided into extensive (new results obtained through the use of existing regional technologies) and intensive (implementation of new technologies);

• political factors, to which, unlike the previous classification, factors of political stability have been added;

• economic factors (the authors point out the significant influence of the region's entire economy on its tax potential, which is why a detailed characterization of economic factors is not provided in the paper) [4].

An important aspect is considering the interrelationship of factors in influencing tax potential. It is necessary to add here that the influence of each factor on the value of a region's tax potential is manifested not only individually but also collectively. Therefore, identifying specific factors and studying them in combination will allow

for the most accurate conclusions regarding the dependence of the effectiveness of regional budget tax revenue utilization on its social, cultural, political, and economic components.

The next classification is the division of factors not only into specific groups but also according to the environment of influence — internal and external (*Fig. 2*). Internal factors are determined by the environment of the research object itself; they operate exclusively within the region and are defined by its elements and the structure of the budget system. These include: the region's resources, its economic and budgetary structure, social and cultural factors, and the development of the shadow economy. External factors that influence a region's tax potential from outside are beyond the region's control and manifest as government policy direction, fluctuations in world prices, and the degree of integration of the region's economy into the global economy [15–17].

A similar classification is presented in the scientific research of V. A. Bubnov and N. K. Okisheva. This classification implies dividing factors into regional (income levels in the region, natural and demographic conditions, implementation of targeted programs, dependence of the consolidated budget, etc.) and federal, which include political factors, the inflation rate and its fluctuations, macroeconomic factors, and others [2]

In addition to this, researchers [18, 19] suggest taking the following factors into account:

1) changes in legislation in the budgetary and tax spheres;

2) current tax contribution rates to the regional budget;

3) the development of social and economic processes in the region;

4) the federal level of changes in budgetary and tax policy.

In other words, it is assumed that the main changes concerning regional development in the economic sphere, as well as at the legislative level, will be taken into account.

This implies that the assessment of the tax potential of the regions of the Russian Federation must be carried out taking into account the factors of their internal environment. The results obtained can be used to implement budgetary and tax measures. This will allow government bodies to influence those aspects of the region's activities that are subject to control. External factors, as mentioned earlier, are practically impossible to change at the regional level.

RESULTS OF THE ASSESSMENT OF THE TAX POTENTIAL OF THE RUSSIAN REGIONS

A comprehensive analysis of regional economic development is the basis for developing effective state regional policy, supporting territorial development, and ensuring the rational use of the country's resources. To determine the tax potential of Russian regions, taking into account their development characteristics, an initial assessment of the economic condition of the territories was conducted based on multidimensional analysis using a cluster approach.

The formation of clusters was based on a complex of socio-economic indicators for Russian regions over the period from 2017 to 2022 (*Fig. 3*).

These indicators cover key aspects of the economic and social development of the Russian Federation subject.

The basis for the assessment is the application of the k-means non-hierarchical clustering method [20]. Using the "elbow method", it was determined that the optimal number of clusters for solving the given problem is 5. When clustering using the k-means method, regions were grouped into clusters based on the proximity of their values across the entire set of indicators $X_1 - X_{11}$. The final clustering was performed based on the principle of the majority of years the subject

Unemployment rate (X_1)

- Reflects the level of unemployed working-age population

Average per capita money income of the population (X_2)

- Shows funds per capita in the region

Population with incomes below the poverty line(X_3)

- It reflects the level of well-being and social protection of the population

Per capita consumer spending (X_4)

- Consumer spending is a major component of aggregate demand, which drives economic growth

Gross regional product per capita (X_5)

- The indicator allows for comparing the level of economic development across different regions and countries, highlighting differences in productivity and prosperity

The share of fixed capital investment in gross regional product (X_6)

- It is an indicator of the region's investment attractiveness

Retail turnover per capita (X_7)

- It reflects the level of consumption and well-being of the population

Ratio of average per capita cash income of the population to the subsistence level, % (X_8)

- The indicator reflects the level of population well-being and income inequality in society

Fixed capital investment per capita (X_9)

- Investments in fixed capital are an important factor in economic growth and development

Consumer price index (X_{10})

- The indicator reflects the purchasing power of the population and has a direct impact on people's standard of living and well-being

Real GDP volume index (X_{11})

- The index reflects the change in the real volume of goods and services produced in the region

Fig. 3. **Indicators Underlying the Clustering of Russian Regions by Level of Socio-Economic Development**
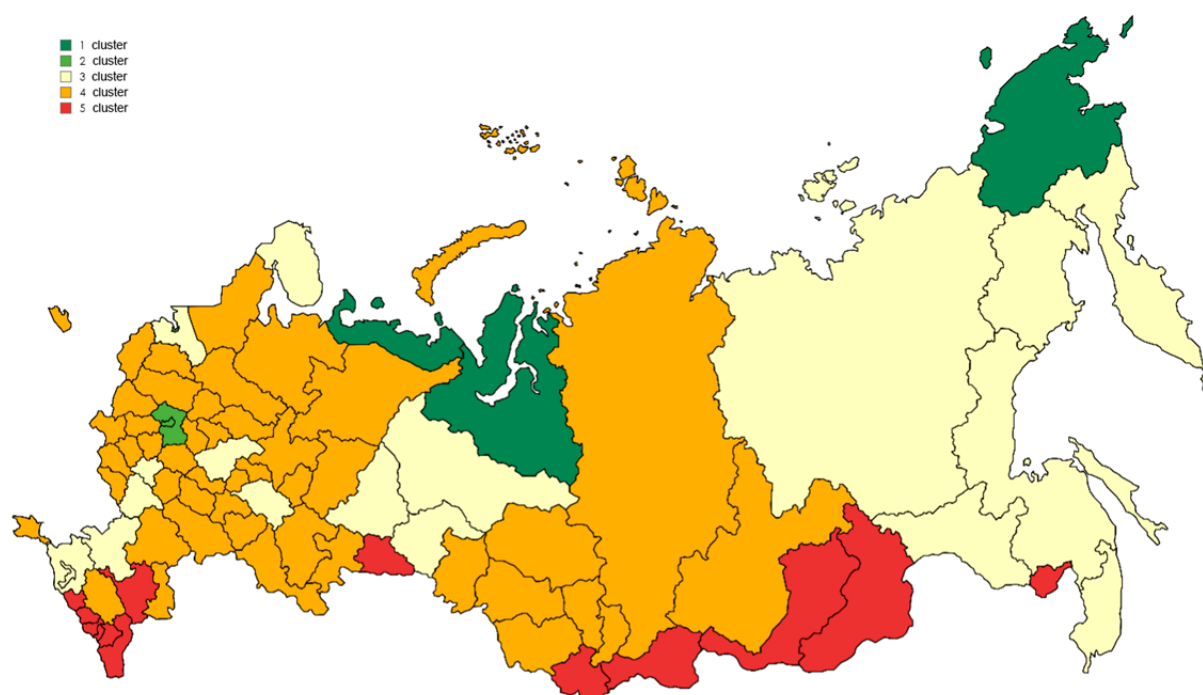*Source:* Compiled by the authors.

was in a specific group during the analyzed period.

Fig. 4 shows a map of the distribution of regions of the Russian Federation by level of economic development. Due to the lack of economic indicators for the entire analyzed period, statistical information on the Donetsk People's Republic (DPR), Luhansk People's Republic (LPR), Zaporizhzhia Oblast, and Kherson Oblast was not taken into account.

To calculate the tax potential using the per capita income method, it is necessary to

Fig. 4. **Map of Clusters of Russian Regions by Level of Socio-Economic Development of the Territory**
Source: Compiled by the authors.

analyze the dynamics of key macroeconomic indicators of the regions by cluster for the period from 2017 to 2022. The results obtained are presented in *Table 1*.

The analysis of the obtained data allows us to note the following changes. Firstly, the decline in the population growth rate in clusters 1 and 4 indicates a reduction in potential labor resources, which could affect the economies of the regions. Secondly, significant income growth rates are observed across all clusters of the population. At the same time, the growth rates in the 5th cluster are average, which characterizes the depressed subjects of the Russian Federation as developing. Thirdly, the increase in tax contributions to the federal budget is happening against the backdrop of rising incomes and indicates an increase in economic activity in the regions. Fourthly, there is an unstable trend in revenues to regional budgets across all clusters. Fifthly, significant increases in the growth rate of tax and fee arrears are a serious problem for the regions of the Russian Federation. The

highest values are observed in clusters 2, 3, and 4.

The results obtained allow us to note the relatively low values of population size and tax revenues to the budgets of the fifth cluster, which allows us to classify the regions included in it as regions with significantly below-average socio-economic development compared to the country as a whole. However, Cluster 5 shows quite high rates for indicators such as population income and tax revenues to the regional budget, which suggests the presence of potential for the development of these regions.

To determine the tax potential of Russian regions by cluster based on their level of socio-economic development, an assessment method using per capita income was applied. This method provides clearer and more understandable information about the financial situation of citizens and their ability to pay taxes (*Table 2*).

Based on the assessment of the tax potential of the constituent entities of the Russian Federation, it has been established that a

Dynamics of the Main Indicators Characterizing the Tax Potential of the Russian Regions in the Context of Clusters by Level of Socio-Economic Development for 2017–2022

| Кластер / Cluster	2017	2018	2019	2020	2021	2022	Annual average	Average growth rate, %
Population share by Russian regions, % of total population								
1	0.43	0.43	0.43	0.44	0.44	0.41	0.43	−0.89
2	17.18	17.35	17.50	17.59	17.66	18.56	17.64	1.58
3	25.11	25.13	25.17	25.20	25.23	25.25	25.18	0.11
4	49.87	49.65	49.43	49.27	49.11	48.29	49.27	−0.64
5	7.41	7.44	7.46	7.51	7.55	7.49	7.48	0.22
Average per capita income by Russian region, thousand ruble								
1	32.5	34.3	42.2	44.5	55.9	57.9	44.5	12.61
2	34.0	39.6	43.3	40.9	45.2	51.6	42.5	8.98
3	29.3	31.7	32.5	34.8	36.9	39.2	34.1	6.02
4	21.7	22.6	24.0	25.5	27.0	29.1	25.0	6.02
5	16.0	17.2	18.6	19.5	20.9	23.4	19.3	7.81
Taxes transferred to the Federal budget of the Russian Federation, million roubles								
1	1 225 498	1 595 347	1 709 143	1 236 867	1 921 550	2 686 555	1 605 570	21,0
2	3 948 080	4 797 378	5 419 591	5 891 123	6 363 447	7 797 499	9 212 715	14,1
3	5 172 389	6 913 612	7 075 642	5 539 809	8 024 927	9 849 694	6 668 438	16,4
4	5 410 915	6 558 878	6 895 160	6 120 882	8 983 277	10 697 231	6 991 708	16,2
5	203 482	221 959	237 575	214 303	290 495	314 743	239 991	10,0
Taxes transferred to the Regional budgets of the Russian Federation, million roubles								
1	223	181	147	138	174	160	170	−5,1
2	31 816	31 199	31 824	29 724	32 398	34 415	31 896	1,7
3	17 701	15 338	13 569	13 429	14 259	14 702	14 833	−3,3
4	32 250	27 311	24 064	23 159	24 518	25 288	26 098	−4,4
5	5 754	5 683	5 596	5 875	7 454	8 182	6 424	7,8
Tax and fees to the budget of the Russian Federation, million roubles								
1	1052	502	505	603	889	966	753	4,8
2	66 064	54 845	44 134	34 705	62 767	105 855	61 395	18,3
3	11 981	10 286	7980	7518	13 418	44 363	15 924	53,3
4	19 113	15 633	12 822	15 041	42 624	49 359	25 765	14,9
5	2017	1913	1717	1544	2443	2816	2075	9,6

Source: Compiled by the authors.

Assessment of Tax Potential of the Russian Regions by the Method of Average Per Capita Income in the Context of Clusters by the Level of Socio-Economic Development of the Territory

Cluster	Value, %						Growth rate, %				
	2017	2018	2019	2020	2021	2022	18/17	19/18	20/19	21/20	22/21
1	15.47	16.25	19.88	20.85	26.04	28.88	5.04	22.36	4.85	24.93	10.90
2	0.40	0.47	0.51	0.48	0.53	0.57	15.22	8.42	−5.86	10.55	8.09
3	1.51	1.64	1.68	1.79	1.91	2.01	8.29	2.46	7.03	6.25	5.59
4	1.39	1.46	1.56	1.66	1.77	1.93	4.52	6.86	6.59	6.73	8.94
5	1.92	2.05	2.21	2.30	2.46	2.76	6.76	7.83	4.22	6.97	12.21

Source: Compiled by the authors.
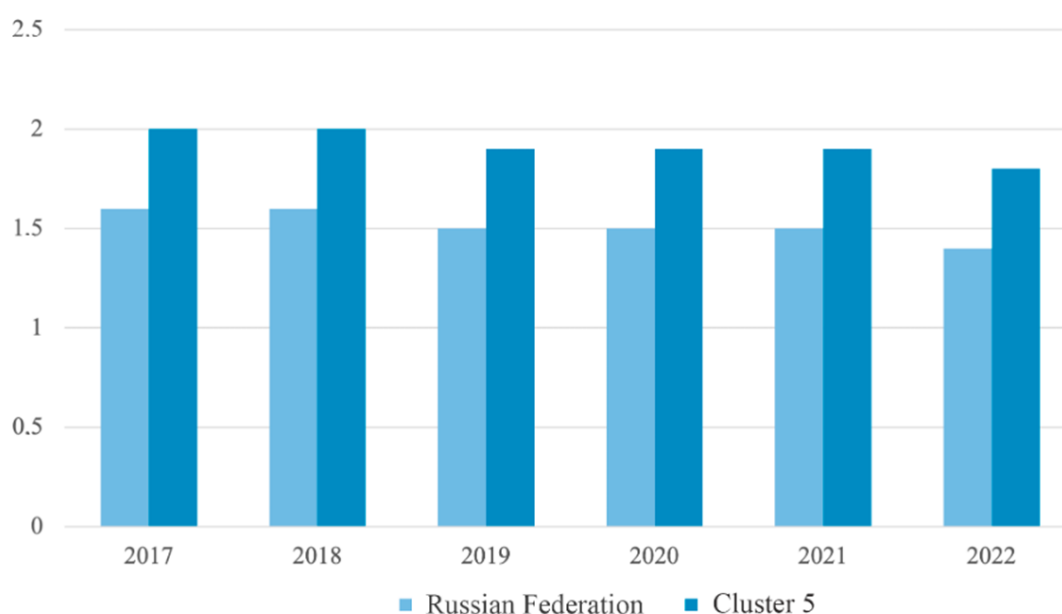
*Fig. 5.* **Dynamics of the Total Fertility Rate**
Source: Compiled by the authors based on data from the Federal State Statistics Service.

number of regions (clusters 3 and 4) have a moderate level and a stable growth rate of tax potential throughout the entire study period. Almost all clusters are experiencing an increase in tax potential. Nevertheless, the depressed regions forming the 5th cluster are of particular interest. They are second in terms of tax potential after the first cluster and also showed the largest increase in tax potential in 2022.

The main reasons for the high tax potential in depressed regions of the Russian Federation as a whole are:

1. High birth rate. This factor influences the population growth in the region, and consequently, the potential tax base in the future.

Fig. 5 shows the total fertility rate in the Russian Federation as a whole and in cluster 5 in particular. As can be seen from the diagram, the total fertility rate in cluster 5 consistently exceeds the national average throughout the study period. In depressed regions, high birth rates are due to high urbanization, cultural characteristics, and norms (such as traditional
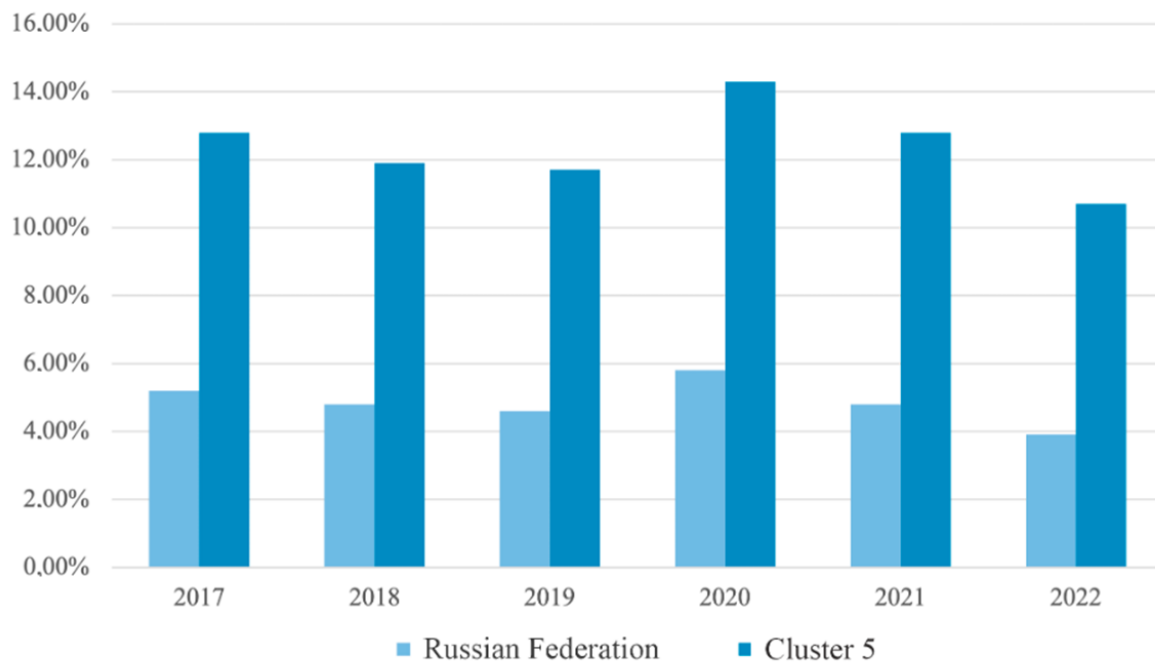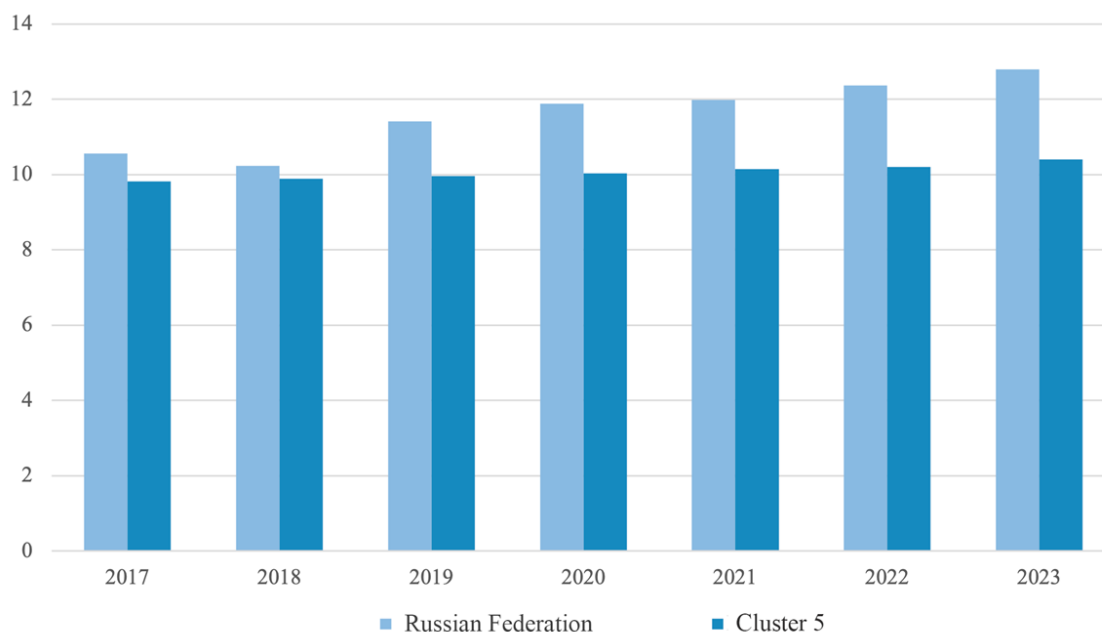
Fig. 6. Dynamics of Unemployment, %
Source: Compiled by the authors based on data from the Federal State Statistics Service.
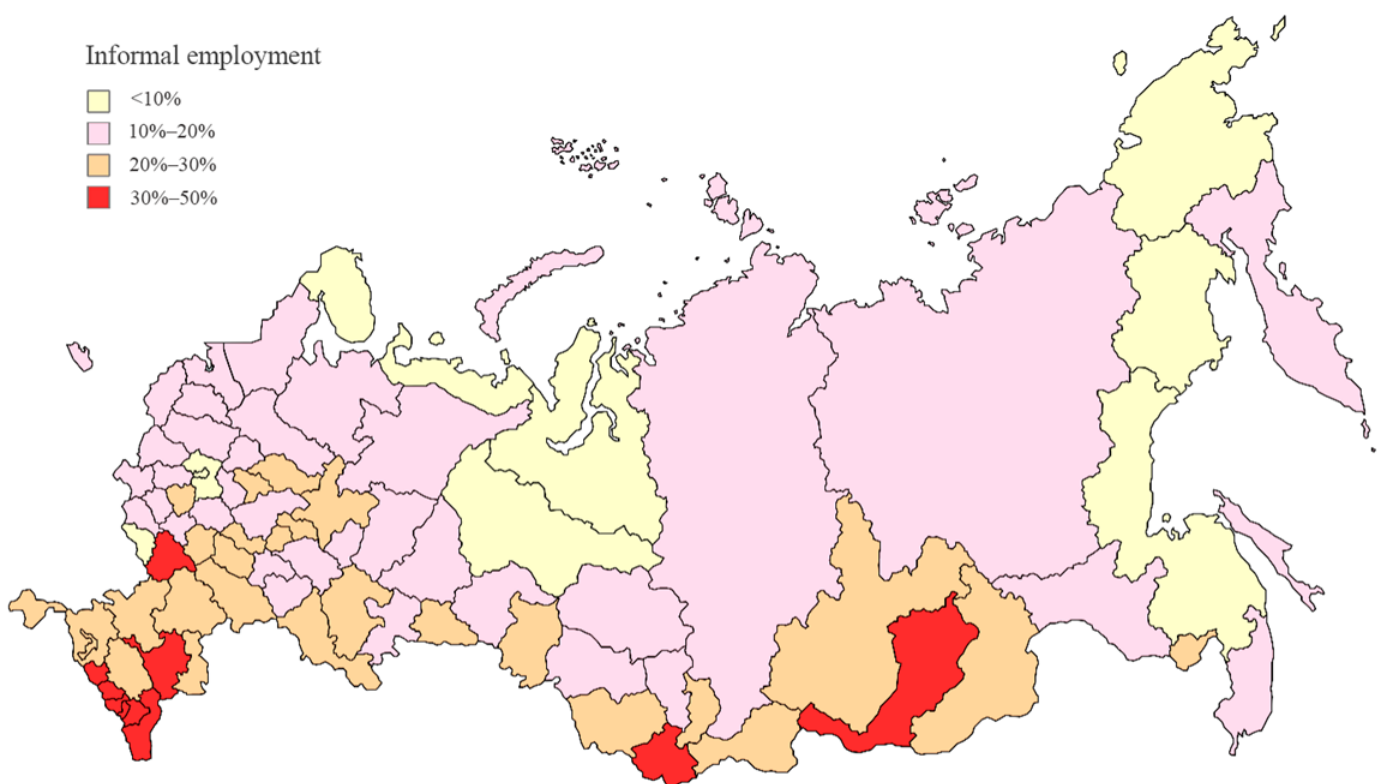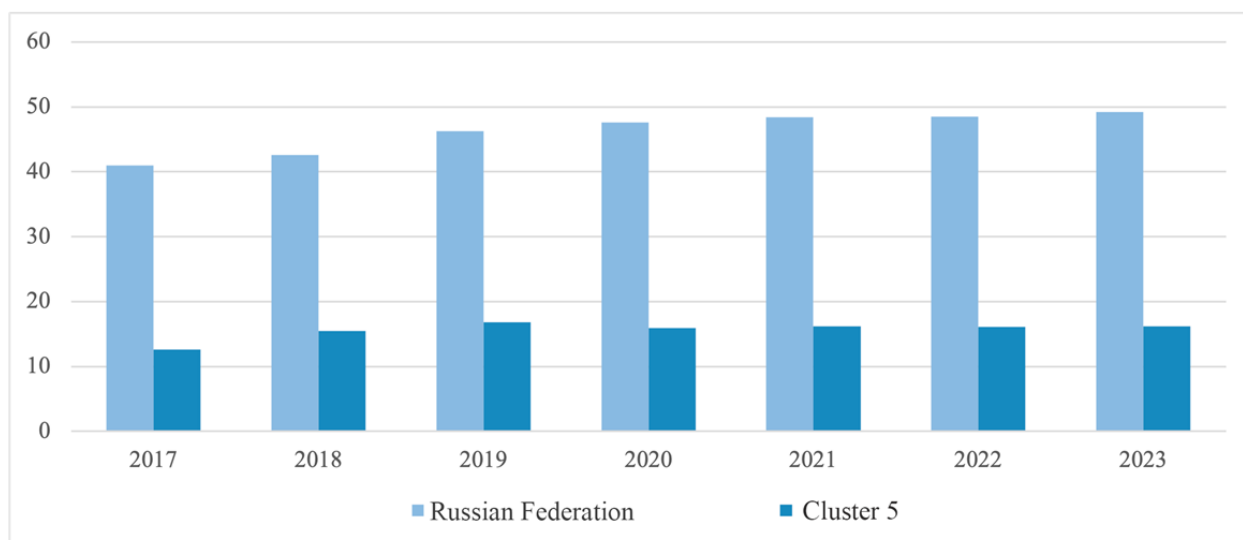

Fig. 7. The Level of Prevalence of Informal Employment in the Russian Federation
Source: Compiled by the authors based on data from the Federal State Statistics Service.

Fig. 8. **Dynamics of the Financial Literacy Index in the Russian Federation, %**
Source: Compiled by the authors based on data from the Federal State Statistics Service.


Fig. 9. **Dynamics of the Education Quality Index, %**
Source: Compiled by the authors based on data from the Federal State Statistics Service.

values and women being less career-oriented).

2. A significant proportion of the unemployed working-age population (*Fig. 6*) is due to the mono-structural and poorly diversified economy (the prevalence of agricultural production), weak territorial mobility, and the outflow of skilled personnel to more prestigious regions.

The diagram (*Fig. 6*) shows a significant gap between the unemployment rate values in the analyzed cluster and the overall value for the Russian Federation. High unemployment in such regions is a serious problem, not only reducing the level of business activity in the country's subject but also indicating a decline in the quality of the regional workforce. The
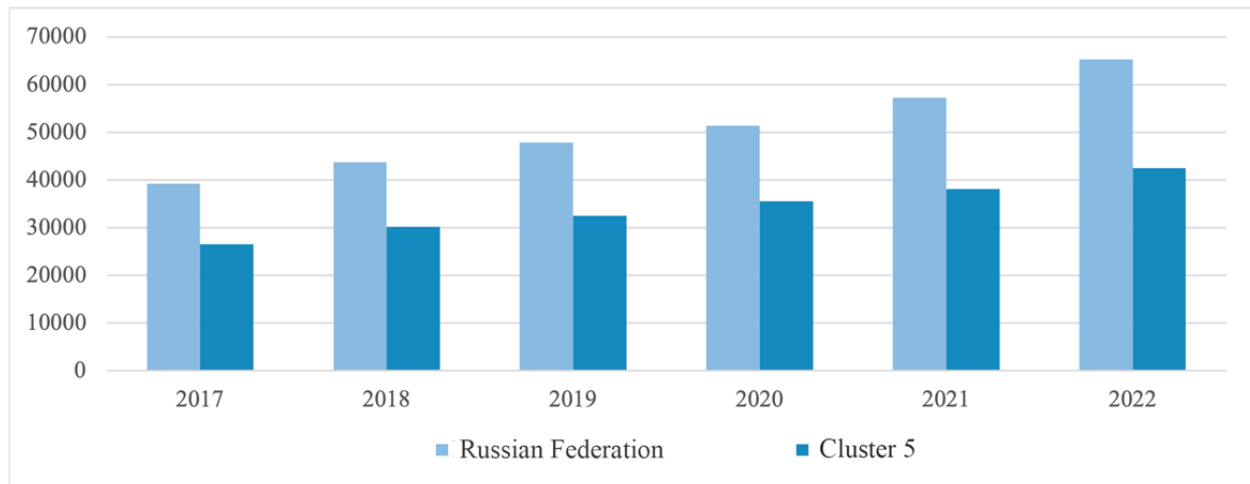
Fig. 10. **Dynamics of Wage Level, %**

Source: Compiled by the authors based on data from the Federal State Statistics Service.

persistence of high unemployment rates in depressed regions hinders their social and economic development. At the same time, the influence of this factor on the tax potential of regions is manifested in the aspect of having a sufficient number of reserves for employment growth, which will allow for the expansion of the taxable base for personal income tax.

A high degree of shadow economy means a lack of tax revenue flowing into the regional budget from existing activities in the shadow sector. Legalizing the shadow economy will allow for the expansion of the tax base and an increase in tax revenues to the budget. In the absence of a comprehensive solution to the problem of the shadow economy in depressed regions, there is a risk of perpetuating the backwardness of regions in the 5th cluster due to the deprivation of a significant portion of funds for the development of the country's subjects, the exacerbation of negative trends, and the preservation of the existing unfavorable economic structure, thus hindering its diversification.

The level of informal employment is presented in *Fig. 7*. When constructing the map, statistical information on the Donetsk People's Republic (DPR), Luhansk People's Republic (LPR), Zaporizhzhia Oblast, and Kherson Oblast was not taken into account due to its absence.

The low level of financial literacy among the population significantly impacts the tax situation in the region. This is due to several factors: a lack of knowledge about taxes and financial processes leads to an increase in tax violations among citizens; stereotypes about taxation often cause people to evade paying taxes.

In depressed regions, lower values of the financial literacy index are observed (*Fig. 8*) compared to the all-Russian averages. In more economically developed regions with well-developed infrastructure and information environments, more favorable conditions are created for improving citizens' financial literacy.

The level of education of the region's population, its quality, and accessibility are also of significant importance for the overall level of financial literacy (*Fig. 9*).

Improving the quality of education, as well as the financial literacy of the population, will help increase financial well-being and reduce tax evasion in depressed regions.

3. Low wages (*Fig. 10*).

The low level of wages in the 5th cluster indicates limitations in current personal income tax revenues. However, when addressing this regional problem (legalizing "gray" wage schemes), the aforementioned tax potential factor is capable of significantly increasing tax
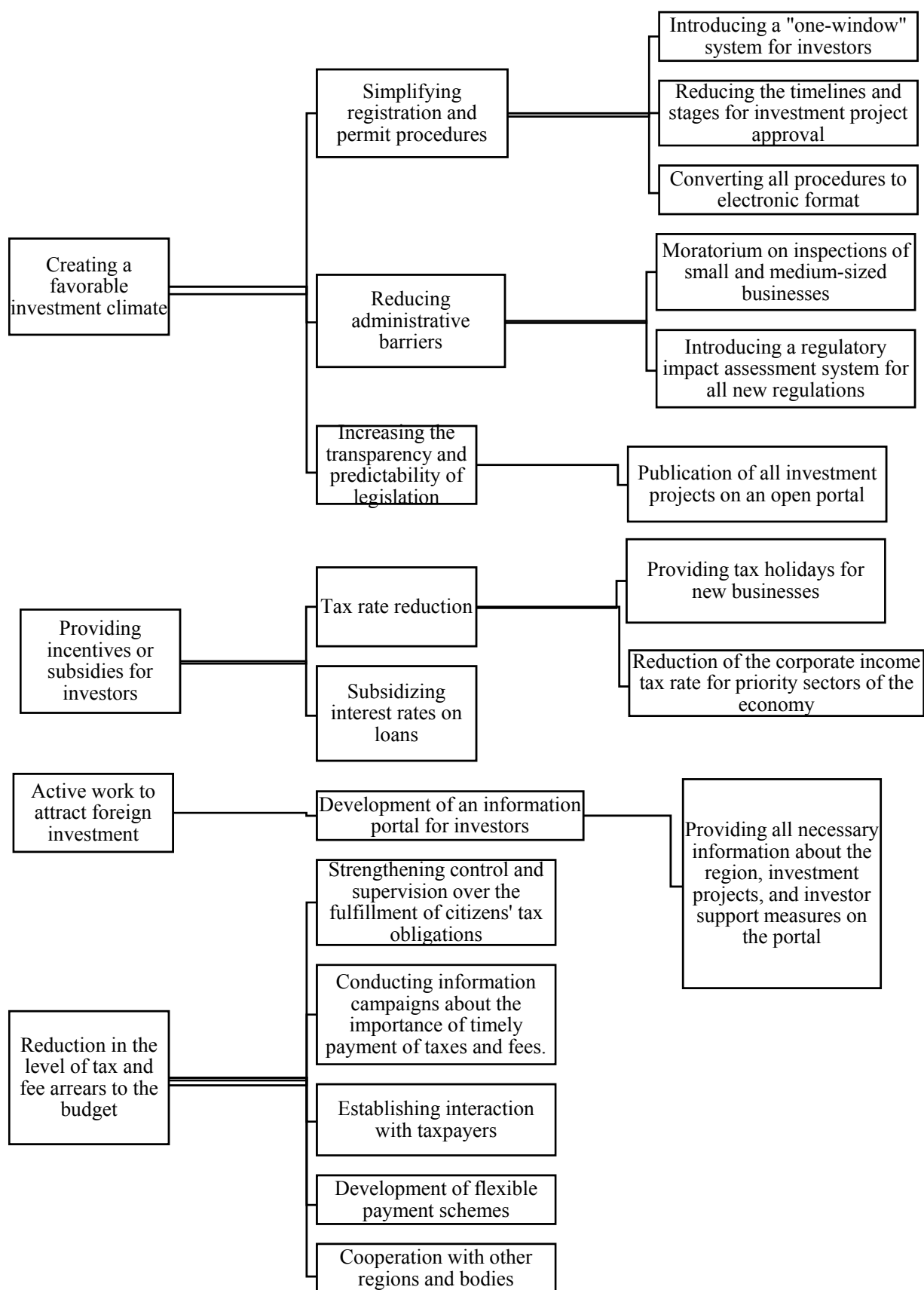
Creating a favorable investment climate

- Simplifying registration and permit procedures
  - Introducing a "one-window" system for investors
  - Reducing the timelines and stages for investment project approval
  - Converting all procedures to electronic format
- Reducing administrative barriers
  - Moratorium on inspections of small and medium-sized businesses
  - Introducing a regulatory impact assessment system for all new regulations
- Increasing the transparency and predictability of legislation
  - Publication of all investment projects on an open portal

Providing incentives or subsidies for investors

- Tax rate reduction
  - Providing tax holidays for new businesses
  - Reduction of the corporate income tax rate for priority sectors of the economy
- Subsidizing interest rates on loans

Active work to attract foreign investment

- Development of an information portal for investors
  - Providing all necessary information about the region, investment projects, and investor support measures on the portal

Reduction in the level of tax and fee arrears to the budget

- Strengthening control and supervision over the fulfillment of citizens' tax obligations
- Conducting information campaigns about the importance of timely payment of taxes and fees.
- Establishing interaction with taxpayers
- Development of flexible payment schemes
- Cooperation with other regions and bodies

Fig. 11. **Measures to Improve the Tax Potential**

Source: Compiled by the author.

revenues. All the aforementioned factors indicate the presence of significant reserves for the growth of the tax base in the regions of the 5 cluster. The combined effect of these factors results in a colossal tax potential. To implement and improve the efficiency of tax revenue distribution to the state budget, specific problem areas in the region should be identified. However, general solutions to increase the efficiency of utilizing tax potential include: legalizing the region's shadow economy, improving financial literacy and education levels, and implementing effective tax policy. Let's systematize the main measures to improve tax potential (*Fig. 11*).

Based on these measures, it can be noted that improving the region's tax potential involves a comprehensive approach aimed at creating a favorable investment climate, simplifying administrative procedures, ensuring the transparency and predictability of legislation, and actively working to attract investments, including foreign ones.

Thus, high values of tax potential in depressed regions indicate the possibility of attracting significant tax revenues to the budgets of the constituent entities of the Russian Federation, which, taken together, can have a positive impact on the economy of the state as a whole. The formulated measures contribute to increasing the efficiency of tax potential, which will have a positive impact not only on the tax policy of the region and the country as a whole, but also on other areas of activity — economic, social, cultural, demographic, political — as prerequisites for the multifaceted and comprehensive development of the region of the Russian Federation are being formed.

CONCLUSION

Tax potential serves as a key indicator of the maximum possible volume of tax revenues to the regional budget. The main factors in the formation of tax potential are demographic and labor factors, the level of population income, the effectiveness of the region's tax policy, and its business activity. The tax potential of regions is a complex and multifaceted characteristic that depends on virtually all spheres of regional activity. An analysis of the tax potential of the constituent entities of the Russian Federation revealed uneven regional development in terms of tax administration and the realization of tax potential, against the backdrop of differentiation in socio-economic development levels. It was also found that depressed regions have a fairly high tax potential. The reasons for a potential increase in tax revenues in regions with low socio-economic development, provided tax administration is transformed and measures to enhance tax potential are implemented, are: a high birth rate, the development of informal employment, low indicators of education quality, financial literacy levels, and wage levels in the region.

Implementing the formulated measures (creating a favorable investment climate, providing incentives or subsidies for investors, actively working to attract foreign investment, reducing tax and fee arrears to the budget) will increase the investment attractiveness of the regions, stimulate economic growth, and expand the tax base, which in turn will lead to increased tax revenues to the budget and an overall enhancement of the regions' tax potential. In conclusion, it is worth noting that improving the tax potential in depressed regions of the Russian Federation is one of the key factors for achieving sustainable development and increasing the well-being of the population.

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N.A. Baburina — description of the research results, formation of the research conclusions.
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