

**TYPES OF TAXES IN THE WORLD**  
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Do you really know your tax types? Whether or not you do, it's always a good idea to make sure you understand the Russian tax system so you know where your hard earned cash is actually going.

Taxes are a financial levy taken by governments around the world from citizens of their country. Taxes are used to finance the work of the government such as building roads, paying government employees or providing welfare or social security. Usually taxes are levied from income, business profit, property ownership or sales—either personal sales like property or everyday sales like those in a supermarket.

Russia experienced various upheavals in the process of establishing a stable taxation system in the country. Taxation in Russia underwent a reform in 2001. Tax reform in Russia was undertaken in order to incorporate a system of taxation, which was taxpayer friendly. The main objective however was to establish a transparent evaluation method of taxation in the country.

Taxation in Russia- at a glance:

In Russia, income tax is payable at the rate of 13 percent, which is a flat tax rate. This rate is applicable for residents of Russia. However, a non resident Russian is required to pay 30 percent as personal income tax. Income on dividend attracts 9 percent. This was the scenario in the year 2006. Corporate tax in Russia was 24 percent in the year 2006. There are different types of taxes in Russia. These are imposed on Russians by the government. There are different criteria for the payment of taxes.

Different types of taxes in Russia:

A) Personal income tax:

Depending on the salary of an individual, amount of personal income tax is determined in Russia. An individual who has his own business firm is also required to pay tax on the profit earned by him. An individual who is not a Russian but is residing in the country for the purpose of employment is liable to pay tax only for the taxable income. A tax payer who is self employed is also required to make payments to the government in advance. Since, the payment is made in advance, if the taxpayer is entitled for a refund, this is done at the time of filing tax returns.

B) Corporate tax:

There are two tax rates pertaining to corporate tax in Russia. Federal tax rate is 6.5 percent and regional tax rate is 17.5 percent in the country. Profit tax can be imposed by the maximum rate of 24 percent in Russia. Alternatively, one can also opt for the “simplified tax system”. Under this system, the individual tax, value added tax, profit tax and the property tax are replaced. The tax rate applicable for this alternative system of taxation is 6 percent on profit and 15 percent on “profit less listed expenses”.

C) Capital gains tax

- In case of an individual:

In case of a citizen, the capital gains tax rate is 13 percent and in case of a foreign national, the tax rate is 30 percent.

- In case of a corporation:

Capital gains are not inflation adjusted. Depending on the profit earned, the corporations are liable to pay the tax.

D) Withholding tax:

With regard to royalties, tax rate payable is 20 percent. The same applies for interest. In case of dividends, 9 percent is the tax rate for Russians and for foreigners, the tax rate has been fixed at 15 percent.

#### E) Value Added Tax or VAT:

In majority of the cases, the value added tax is 18 percent. Value added tax applicable for food products and other products used by children is 10 percent.

#### Cases of VAT Exemption:

Import of medicines and other medical items are exempted from VAT. Income earned from rendering medical services and sale of medical goods also enjoys VAT Exemption. Export activities are not taxed with VAT. Profits earned from banking services as well as income earned from insurance are exempted from value added tax.

#### Mode of payment of value added tax or VAT:

If the amount to be payed as value added tax is above R2 million, then the tax is paid by the 20th of every month. If the amount of the tax is below R2 million, then the tax is paid after every three months or quarterly.

#### F) Property tax in Russia:

Depending on the depreciation, property tax is levied on movable assets as well as immovable assets. Maximum rate of property tax imposed in Russia is 2.2 percent.

Given above are the different types of taxes in Russia. History of Russian taxation reveals that prior to tax reform in Russia, confusion about taxation ruled supreme in the country. It was Mikhail Motorin, who took up the strain to pave way for an established taxation system in the country. His efforts were maintained by Minister Boris Yeltsin and is now being upheld by Vladimir Putin.

Let us consider the UK tax system. Taxation in the United Kingdom may involve payments to a minimum of two different levels of government: the central government (Her Majesty's Revenue and Customs) and local government. Central government revenues come primarily from income tax, National Insurance contributions, value added tax, corporation tax and fuel duty. Local government revenues come primarily from grants from central government funds, business rates in England and Wales, Council Tax and increasingly from fees and charges such as those from on-street parking.

#### The five types of taxes:

- Income Tax on pensions, earnings and benefits.
- Income Tax on savings and investments.
- Tax on certain types of transactions.
- Tax on goods and services.
- Tax for local services.

#### 1 Income Tax on pensions, earnings and benefits

This is the most common of all the UK taxes and you have to pay it on:

- The wages you earn if you're an employee.
- The profits you make if you're self-employed and have your own business.
- Any benefits you claim like Jobseeker's Allowance, Carer's Allowance and Incapacity Benefit.
- Your state, private or company pension.

Without meaning to rub it in, you also have to pay National Insurance Contributions (NICs) on top of the income tax you've paid. If you're an employee this should be deducted off your wages by your employer. If you're self-employed you will have to pay this when filling out your self-assessment form.

#### 2 Income Tax on savings and investments

If you own any properties, receive dividends from shares or gain interest from a bank or a building society then you will have to pay Income Tax.

So, if you invested in a property recently, for example, and you decide to rent it out you have to pay income tax on the incoming payments you receive.

### 3 Tax on certain types of transactions.

This may seem somewhat vague. But essentially it's a tax on certain things you buy or sell, or give away. This includes:

- Inheritance tax – If you receive any money or property from anyone deceased you have to pay tax on this.
- Capital Gains Tax – For those that sell or give away goods.
- Stamp Duty – This applies when you buy a property or shares.

### 4 Tax on goods and services.

When you're shopping or buying goods or betting on the dogs, you might not realise the different types of taxes you're actually paying, like:

- General Betting Duty.
- Value Added Tax (VAT) – applied to most goods.
- Excise Duty on tobacco and alcohol.
- Fuel Duty on petrol, diesel and LPG.

The reason why you may not notice paying this type of tax is because much of it, unlike the US, comes as a flat rate and is added on to the commodity you're buying.

### 5 Tax for local services.

Another term for this, and perhaps the most common, is Council Tax. How much you pay depends on what 'valuation band' your property falls under – Band I being the highest and A the lowest.

In conclusion it can be said that taxation is the process by which the government imposes charges on citizens and corporate businesses. The charges collected by the government are used to fund different government projects that would in the end benefit the citizens of the country as a whole. The taxation process can benefit both the society and business as a whole.

Taxation is important to society because the government use the tax collected to fund projects related to health care systems, education systems, and public transports. Also, the money collected can also be used to give unemployment benefits, pensions, and other matters that can benefit the society as a whole. Without tax, the government would not be able to fund the essential projects and services that people need.

The government allocates the money collected from the taxpayers to different areas of the country. The areas picked are rural areas. Some rural areas may have resources that might be beneficial for both the country and its economy. Therefore, the government would allocate part of the tax money to provide the essential services required and to improve the standards of such places.

Other important role taxation has is it can affect the rate of economic growth of a country. Although taxation may discourage investors from investing in a country with a strict tax rules, however, a recent study made by Prof. Myles, suggests both the positive and negatives affects of tax would be offset, and thus, only a very small result would be noticed. In his study, he discovered in developing countries, tax contributes to almost 10% of the gross domestic product of the economy. Thus, resulting in an economic growth.

Moreover, another tax benefit on society is it discourages certain undesirable activities such as; liquor, tobacco and gambling. On such activities the government imposes excise tax, discouraging individuals from selling such commodities. Other important role tax provides to the society other than funding of government expenditure is information about the total price for the government projects.

Taxes are objectively necessary for filling the budgets at all levels. Funds that come from the collection of taxes involved in funding programs state budget law for a specified year. Taxes - an essential part of economic relations in society.

Today the issue of taxation is very acute for many states. Population does not want to pay taxes so they do not see any sense of this. Naturally, this is the fault of the authorities. But citizens need to also look after themselves and perform their duties to the country.