

Fiscal Mechanism for Stimulating Domestic Production in Some BRICS and European Countries

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Abstract

The issue of stimulating domestic production is multifaceted and has a long history of study. At present, it is particularly relevant due to the introduction of restrictive measures, including the termination of supplies of a number of foreign goods to the Russian Federation.

As one of the possible measures to increase the production of goods by Russian companies and entrepreneurs, the authors consider a new incentive mechanism of redistribution of value added tax (VAT) received by the federal budget, which implies the direction of the amounts of social grants taking into account the economic activity of the region associated with the production of value added on its territory.

The purpose of the article is to justify a new methodology that includes a financial mechanism for redistributing the amounts of VAT in the form of grants to producers, aimed at creating effective budgetary incentives for regions to organize their own production of goods. For this purpose, the experience of VAT distribution in two BRICS countries – Brazil and China – is considered. In addition, the article summarizes effective measures of Germany, France, Greece, Austria and Norway to optimize calculation and payment of VAT, which resulted in economic growth.

Discussion. One notable approach proposed by the authors to create a new incentive mechanism for redistribution of VAT revenues to the federal budget. This mechanism involves the allocation of social grants depending on the economic activity of the regions, particularly related to the production of value-added goods on their territory. This approach represents a departure from traditional fiscal policies aimed at aligning incentives with local production.

Results. This research represents a significant contribution to the ongoing debate on stimulating domestic production. By advocating a new mechanism of VAT redistribution and drawing on international experiences, the study seeks to address the challenges posed by restrictive measures and promote economic growth in the Russian Federation.

Keywords: commodity production, stimulating, value added tax, social grants, economic activity, redistribution, budgetary incentives, BRICS countries, VAT distribution, economic growth

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INTRODUCTION

One of the priority tasks of modern Russia's development is to ensure sustainable growth of real incomes of citizens. This task is expressed, first of all, in the so-called May Decrees of the President of the Russian Federation, namely in the Decree "On National Goals and Strategic Objectives of the Development of the Russian Federation for the period up to 2024". To achieve these goals, it will be necessary to implement a set of measures that will require a significant increase in spending on socio-economic development of Russia, guaranteed in recent years by 90% of tax revenues to the budget.

In addition, it is necessary to take into account the new circumstances arising due to the economic sanctions imposed by a number of countries against the Russian Federation. Under the current conditions, it is especially important to study the process of increasing the Russia's own resources to maintain the stable development of the country's economy, both at the national and regional levels.

When addressing the issue of mobilization of additional internal reserves of the budgetary system, two aspects are primarily important: a) availability of reserves to increase tax revenues and b) incentives for regional authorities to use additional tax revenues to support the growth of domestic producers.

Hence, it is necessary to create special conditions for the development of domestic production, with the regional authorities being responsible for the results of their fiscal policy based on a system of indicators characterizing the growth of real production. Institutional rules of this kind should include mechanisms to stimulate producers to improve the quality of their own goods, in particular, to increase material resources and facilities, since the results of various studies show that the built-in mechanisms to stimulate the growth of domestic production only partially ensured the solution of this problem.

THE CURRENT STATE OF RESEARCH IN THE FIELD OF INTERGOVERNMENTAL FINANCING IN RUSSIA

The issues of stimulating domestic production are the subject of numerous financial, economic and legal studies. At the same time, research literature traditionally points out the inefficiency of existing measures, and emphasizes the lack of stimulation of economic development in the regions. Thus, analyzing the system of intergovernmental relations, D.G. Valieva notes its imperfection, pointing to the lack of incentives for regions to increase their own tax base as the reason for it [Valieva, 2011]. A. Yushkov, L. Savulkin and N. Oding also focus on the lack of incentives for the constituent entities of the Russian Federation to increase the tax potential and economic growth, and analyze the inefficient structure of the regional economy [Yushkov et al., 2017]. In turn, N.S. Trusova notes that the potential of tax policy in terms of creating conditions for self-organization and self-development of regions as elements of an integral mechanism of their adaptation to the ongoing changes, taking into account the strategic priorities of innovative modernization of the economy, is not properly used [Trusova, 2017]. Thus, the above examples as well as other sources allow us to conclude that researchers are mostly unanimous in the issue of inefficiency of the regions' own fiscal policy, which is one of the reasons for inefficient development of domestic production in Russia.

Many Russian authors also propose additional to the existing mechanisms for increasing the incentive impact on regional authorities [Fedotova, 2016]. For example, M.A. Pechenskaya and T.V. Uskova rightly note the need to improve the efficiency of tax revenue distribution between the levels of the budget system. In their opinion, an effective measure could be the introduction of a new algorithm for the distribution of tax revenues by deducting 15% of tax payments to the region if the ratio of tax revenues collected in the region and received by the regional budget exceeds 100% [Pechenskaya, Uskova, 2016].

A number of studies substantiate the need to form a new concept of intergovernmental relations, which would allow creating effective budgetary incentives¹ for the regions [Eroshkina, 2016]. Thus, G.V. Soboleva and I.N. Popova, in the course of testing the hypothesis about the predominant influence of raw material and agglomeration factors as the main factors of differentiation of Russian regions, came to the conclusion that the existing measures of budgetary and tax incentives did not have a significant impact on the smoothing economic inequality between regions [Soboleva, Popova, 2014]. Yu.S. Ermakova argues that the mechanism of financial support to regions that have achieved the best values of tax potential does not work quite correctly, since economically developed territories will always outperform less developed ones [Ermakova, 2020]. It should be noted that the study of intergovernmental relations between Russian regions and federal authorities in terms of their functional efficiency is often reduced to the discussion of various types of financial assistance to Russian regions, as well as the effectiveness of its use. At the same time, the problem of finding new sources of budgetary funds in regional budgets through the creation of a new system of tax and budgetary relations has not been practically studied so far.

This conclusion is supported by the works on intergovernmental transfers. As A.V. Agibalov and V.I. Ternovikh [Agibalov, Ternovikh, 2016] note, gratuitous and irrevocable receipts do not have a stimulating effect on budgetary relations of subsidized regions and municipalities. V.I. Vladimirov [Vladimirov, 2016] believes that in order to improve the efficiency of the system of intergovernmental relations, it is necessary to continue the practical development of financial mechanisms that stimulate economic and budgetary reforms at the regional level. Similarly, the studies by I.V. Sugarova [Sugarova, 2015] conclude that the dependence of regions on the federal center within the framework of budget subsidies does not create conditions that encourage the respective territories to increase their own revenue potential. Some authors [Gritsyuk et al., 2015] looked for ways to increase the independence of regional and municipal budgets and increase their tax potential. As for tax incentives for the regions, the authors most often propose: a system of tax benefits, co-financing of investment projects, increasing budget independence by raising the share of federal taxes received by the regional budget [Ermakova, 2020].

It is important to note that a number of studies support the position on the ambiguity of tax incentives as an element of incentive mechanism. At the same time, for example, N.S. Trusova, highlights the strengths and weaknesses of the tax incentive policy, as well as indicates the opportunities and threats of applying the appropriate measures [Trusova, 2019].

BEST PRACTICES IN STIMULATING DOMESTIC PRODUCTION IN BRICS AND EU COUNTRIES

This research provides an overview of advanced practices for stimulating domestic production in several BRICS and European countries.

¹ *I.e. measures and incentives provided by the government through the budget to achieve certain goals or results in the economy.*

Comparison the BRICS countries' experience in redistributing VAT revenues with the Russian practice may be useful for making a decision on the application of certain practices from the experience of other countries in this area. In fact, only certain BRICS countries have the best practice in of VAT redistribution between budgets within the country to stimulate producers. For example, in Brazil VAT is known as *Imposto sobre Circulação de Mercadorias e Serviços* (ICMS) and has a complex system of federal and regional distribution. An important feature of the Brazilian system is that part of the funds from ICMS remains at the local level, which contributes to the financing of priority sectors. Looking at similar issues in European countries, we note the diversity of taxation systems and VAT revenue redistribution mechanisms. The best practice in VAT redistribution is considered to be that of Germany where the VAT system is known as *Mehrwertsteuer* (multiple value added tax).

Germany has a strong focus on innovation, encouraging research and development, particularly in the automotive and engineering industries. Its export-oriented economy is supported by efficient logistics and trade agreements, making it a global economic powerhouse. France also has policies that support entrepreneurship and innovation, especially in the technology and aerospace sectors, contributing to its economic growth and competitiveness.

Greece is promoting renewable energy and sustainable agriculture projects, joining global efforts to build a greener future. The government is also focusing on reducing bureaucracy and making it easier to do business in order to attract investment and foster economic growth. Austrian economic policies also support small and medium-sized enterprises (SMEs) and family businesses, recognizing their importance in the country's economic landscape. Norway, although heavily dependent on oil and gas exports, is committed to sustainable development and a clean energy transition by investing in renewable energy. In addition, Norway prioritizes research and development, especially in the maritime and coastal industries, utilizing its natural resources.

The issues of stimulating economic growth are studied mainly in the aspect of international rather than domestic relations, as well as in the context of a particular industry and region [Zhang, 2021; Suvaryan et al., 2018]. As for the stimulation of domestic production, this issue has been studied in an extremely fragmentary way, as scientists, discussing the economic self-sufficiency of territories, often focus on the development of business entrepreneurial activity of the region's population, but not the production of goods.

The methodology of stimulating production growth in the country is supplemented with indicators characterizing VAT dynamics as a sign of economic development and production growth in the region. The possibility of such an interpretation of VAT follows from the analysis of the economic theory. However, it should be noted that economic growth is a process of development of the national economy characterized by changes in a set of macroeconomic indicators. One of the main indicators is Gross Domestic Product (GDP) which, in accordance with the recommendations of neoclassical theory, can be calculated by the production method by summing up the value added of goods of all industries, adding to them net taxes [Matveeva, 2008].

The category of value added as a basis for determining key macroeconomic indicators of economic development is examined both in the works of Russian and foreign experts. The topic of tax incentives at the subnational level is extremely relevant for Russia. The goals, structure and significance of intergovernmental transfers for the socio-economic development at the subnational level are examined in numerous studies by foreign authors. As an example of such studies containing a detailed analysis of the practice of intergovernmental transfers in developing and transition economies, we can name the study of R. Bahl [Bahl, 2000]. If we turn to the experience of economically developed countries, the specifics of the organization of intergovernmental transfer systems and the directions of their stimulating impact on the subnational economy can be found in the study of M. Köethenbürger [Köethenbürger, 2008].

Since 2016, the Organisation for Economic Co-operation and Development (OECD) has published annual reviews called *Tax Policy Reforms: OECD and Selected Partner Economies*. To date, eight such reviews have been published. Each of the collections covers a wide range of issues, which invariably include the most pressing issues in the field of VAT. Prior to that, for 20 years, OECD published (every two years) specialized reviews on trends in consumption taxation, in which significant place was also devoted to the analysis of trends in VAT². In China, despite the high degree of decentralization of the budget system, there are problems with the optimization of methods for calculating intergovernmental transfers [Kadochnikov, 2018]. At the same time, the incentives of local authorities in China in terms of gross domestic product growth are minimal [Tsui, 2005].

Macroeconomic effects from the introduction of VAT (instead of or in addition to the existing sales tax) are studied in the works of many American specialists [Carroll et al., 2010]. In Russian practice, a team of authors led by N.Z. Zotikov [Zotikov, Savderova, 2022] analyzed the efficiency of regional development in the Russian economy using specific criteria, including GDP per capita, investment in regional infrastructure and other economic indicators. The impact of changes in budget policy on regional development indicators was analyzed. O.V. Dynnikova, A. Kyobe, and S. Slavov [Dynnikova et al., 2022] revealed in detail investigated regional differences and fiscal federalism in Russia, and provided quantitative estimates of the impact of budget policy on the level of economic unevenness between regions.

In recent years, foreign researchers have paid more and more attention to the study of the optimization of intergovernmental transfer systems and the use of VAT in connection with the transition to a sustainable development model and ensuring inclusive growth of national economies [Brys et al., 2016].

During the 2019 pandemic, many countries have started to actively utilize various VAT-related business support measures. The number of such countries continues to grow steadily. It can be said that reducing the VAT burden is becoming a global trend for the BRICS countries as well.

One of the leading countries in redistributing VAT to stimulate the economy is Brazil. In the state of São Paulo, Brazil, VAT is charged at a rate of 18%. Some products are taxed at a higher rate (usually up to 25%). But after 2017, a preliminary measure to stimulate domestic production was approved, which involves a gradual reduction of the VAT percentage for the northern, northeastern and midwestern, southeastern and southern regions³:

- 7% from January 1, 2017 to December 31, 2022;
- 6% from January 1, 2012 to December 31, 2023;
- 5% from January 1, 2013 to December 31, 2024;
- 4% from January 1, 2025, etc.

In 2016, at the same time, a tax reform was carried out, which assumed the following distribution of VAT by region, presented in Table 1.

Table 1

Distribution of VAT by regions

Sender	Destination	Bid (%)
South and Southeast	South and Southeast	12
North, Northeast and Midwest	North, Northeast and Midwest	12
South and Southeast	North, Northeast and Midwest	7

Source: *Brazil Corporate – Other taxes* (<http://taxsummaries.pwc.com/uk/taxsummaries/wwts.nsf/ID/Brazil-Corporate-Other-taxes>).

² See, for example: *Tax Policy Reforms 2023: OECD and Selected Partner Economies*. OECD Publishing, Paris. Available at: <https://doi.org/10.1787/d8bc45d9-en>; *Consumption Tax Trends 2022: VAT/GST and Excise, Core Design Features and Trends*. OECD Publishing, Paris. Available at: <https://doi.org/10.1787/6525a942-en>.

³ See: *ICMS Rates by State. The Brazil Business*. Available at: <http://thebrazilbusiness.com/article/icms-rates-by-state>.

The arguments in favor of the decision to redistribute VAT are quite obvious. VAT directly affects the prices of goods and services, and its reduction allows businesses to offer them to customers cheaper, without losing profitability. Thus, VAT reduction allows to support both consumers and producers. Reducing the tax on products purchased by companies, transferring VAT to the cash basis and providing deductions allow businesses to divert less working capital for its payment, both in the form of payments to the budget and in the form of payments to suppliers when purchasing products subject to VAT.

Germany is another example of good practice for VAT allocation in European countries. In Germany, joint (general) taxes are distributed between the levels of government. At the same time, the norms for the distribution of income tax and corporate income tax are set out in Article 106 of the Basic Law (Constitution), while the distribution of VAT is set by the Financial Equalization Act, which requires the approval of the Bundesrat (Federal Council, see table 2). The share of VAT may change when the expenditure ratio between the federation and the states changes.

Table 2
Distribution of general taxes between levels of government

General taxes	Federal government, %	Lander, %	Local authorities, %
Income tax:			
– from wages	42.5	42.5	15
– on declared income	42.5	42.5	15
– from interest on deposits	44	44	12
– on capital income	50	50	–
Corporate income tax	50%	50%	–
VAT	4.45 + 5.05		2.2**
(the balance after compensation of contributions to social funds and contributions to local budgets)	50.5 + Δ*	49.5 – Δ	

* Δ set in absolute values (values for each year are different, e.g. €223,212,000 in 2017, €977,712,000 in 2018, €1,077,712,000 in 2019).

** Plus €500 million and €1,500 million in subsequent years.

Source: Article 106 of the Basic Law, Financial Equalization Act.

Since the share of contributions to the federal budget has varied in recent years, the actual distribution of VAT revenues in Germany differs from year to year (see table 3).

Table 3
Approximate distribution of VAT between levels of government

Year	Federal government, %	Lander, %	Local authorities, %
2014	53.5	44.5	2.0
2015	53.2	44.6	2.2
2016	53.1	44.8	2.1
2017	53.2	44.8	2.0
2018	53.9	44.1	2.0
2019	53.9	44.1	2.0
2020	53.9	44.1	2.0

Source: German Ministry of Finance.

In a number of countries, instead of reducing VAT rates, VAT deductions have been introduced for certain categories of businesses. This means that the buyer will still pay VAT, but the company will be able to keep a certain amount at its disposal. In Greece, the prerequisite for a deduction of 25% of the VAT payable is continued employment with the company, while in France the criterion is the amount of loss of income compared to previous periods.

A common measure has been the easing of VAT payment terms. Most often it is a postponement. For example, in Italy, deferral is granted to small businesses, in China – to residents of special economic zones when importing products, in Norway – to almost everyone, i.e. the tax is charged not upon shipment, but upon receipt of funds.

Thus, quite a popular support measure is the reduction of VAT rate on goods and services of industries. In countries with a developed tourism sector, these are public transportation services, hotels, catering, and entertainment services.

METHODOLOGY OF FORMATION AND DISTRIBUTION OF VAT SUBSIDIES IN RUSSIA

As for the use of tax on corporate property or on personal income as grants, this seems to be an acceptable solution, since these taxes are not credited to the federal budget. Taxes paid in connection with the application of special tax regimes (simplified taxation system, unified agricultural tax, patent taxation system) also do not go to the federal budget.

VAT is closely related to the gross regional product. Based on the definition of the latter, it is a general economic indicator of value added created in the region, and VAT determines the scale of taxable value added. It is the growth of added value that characterizes the level of economic development of the region, its business activity. To achieve sustainable economic development of the region, to maintain and increase the tax base, regional authorities should actively contribute to the growth of value added through public expenditures.

One of the options for stimulating the growth of tax potential could be the provision of grants to regions at the expense of the growth of VAT revenues. Additional financial assistance in the form of grants can be aimed at supporting existing value-added producers or creating new industries, which in turn will bring additional taxes to regional budgets. Grants are necessary for the regions to ensure the development and preservation of economic entities – producers of products (goods, works, services).

The use of VAT in the mechanism of distribution between the subjects of the Russian Federation of taxes additionally collected in the federal budget compared to the previous period ensures a relationship between the measures of regional authorities stimulating the growth of the tax base and the results of economic activity of organizations in the region. Such an instrument should be additional targeted grants to support small businesses, but in no case – to support social infrastructure.

We have to mention that in a number of constituent entities of the Russian Federation economic activity is closely related to export. On a the national scale, foreign economic activity contributes to currency fill rate of payment balance filling the balance of payments with foreign currency, while. But VAT formed generated in the region with active where export-oriented organizations operate is reduced due to the use of VAT refunds, received by them on export operations transactions by such organizations.

When distributing grants, indicators are formed that show the return from additional injections from the state – growth of tax revenues from VAT and indicators that characterize the increase in value added and production volume. We propose to distribute the total amount of grants between the regions according to the following methodology:

1) integral indicator which includes specific weights of the following indexes: a) the volume of actual VAT revenues to the federal budget per one business entity; b) the ratio of average wages per one small business entity; c) own revenues of regional budgets per one small business entity; d) investment in fixed capital per one small business entity;

2) specific weight of each index is determined, defined as the ratio of the totality of values of the indexes involved in the calculation to their number;

3) distribution of the total grant amount based on the integrated values of the share of each index.

Next, we divide the total amount of grants allocated (the amount of VAT increase due to a 2 percentage point increase in the VAT rate from 18 to 20 percent) by the total amount of all integral indicators. Then we multiply the total amount of grants by each integral indicator. We take the total sum of indicators as 100 percent, then multiply by each indicator and get the distribution base for each region by multiplying the indicator by the total amount of grants for distribution.

According to the methodology, the first step is to determine the share of each of the four main indicators described above. At stage 2, the integral value of the specific weight is determined, defined as the ratio of the set of values of the indicators involved in the calculation to their number. At stage 3, the total amount of VAT grants is distributed on the basis of integral values of the share of each indicator.

PROBLEMS OF IMPLEMENTATION OF THE PROPOSED METHODOLOGY IN RUSSIAN REGIONS

Taking into account the identified problems, the methodology proposes an incentive mechanism for redistribution of financial resources by increasing the VAT rate. The mechanism proposed assumes the distribution of VAT revenues to the federal budget among the subjects of the Russian Federation based on the following criteria: a) fiscal capacity, b) level of debt burden, c) increase in tax revenues.

At the federal level, measures are being taken to stimulate regions to increase tax revenues. Thus, the stimulation of sustainable development of the subjects of the Russian Federation is carried out by the following methods:

- 1) providing subsidies to the subjects of the Russian Federation in the amount of 20 billion rubles annually for achieving the highest figures of tax potential;
- 2) use of incentive mechanisms contained in the methodology of distribution of subsidies to equalize fiscal capacity of the subjects of the Russian Federation.

The income tax subsidy is distributed in proportion to the positive increase in income tax revenues. At the same time, the increase in income tax revenues in 2022 should exceed the average increase in income tax for 2020–2021. In accordance with this methodology, the distribution of the share of subsidies to stimulate the growth of tax potential for income tax exceeds the average threshold of 1.18% in 22 regions. In 13 regions the threshold is determined in the range from 1.18% to 3%; Among the leading regions, the threshold of 3% is exceeded by the city of Moscow (17.93%), the Kemerovo Region (9.66%), the Moscow Region (9.00%), the Astrakhan Region (8.67%), and the Krasnoyarsk Region (5.38%).

At the same time, it should be noted that many regions cannot influence the growth of income tax potential for the following reasons:

- 1) The current system of corporate income taxation allows vertically integrated companies to form profit centers not only in the regions where production or mining is directly carried out.
- 2) Legal schemes of contractual relations with affiliated, dependent and/or established structures (trading houses, suppliers of goods and materials and services) reduce the tax base for corporate income tax in the regions where production is located and withdraw it at the location of the parent organization (founder), trading house, etc.

In addition, there are facts of clarification of corporate income tax declarations not only in the direction of increase, but also reduction of tax on separate subdivisions (branches) located in the regions, in connection with the clarification of the overall financial result of the parent organization.

As a rule, the increase in income tax is associated not with the implementation by the executive authorities of additional measures aimed at the development of tax potential, but with the annual increase in income tax revenues due to changes in the conditions of financial and economic activities of organizations.

Traditionally, the leader in terms of revenues to the consolidated budget of the subject of the Russian Federation is the city of Moscow, and the Kemerovo and Astrakhan Regions are the leaders in terms of growth rates of income tax, which increased income tax revenues almost twofold. The increase in income tax revenues of the Kemerovo Region is primarily due to the growth of coal prices in 2019–2020. At the same time, there are risks of return of income tax overpayments in 2020–2021, as well as a decrease in income tax revenues by the amount of losses from previous years without adjustment of income tax subsidies in the future.

Due to the fact that since 2019 the value added tax rate has been increased by 2% from 18 to 20 percent, it is proposed to distribute additional revenues from the VAT increase between the regions according to the following methodology:

1) the average growth rate of VAT charges for the last three reporting years (R_i) is determined using the formula:

$$R_i = (R_{i0} + R_{i+1} + R_{i+2})/3, \quad (1)$$

where: R_{i0} , R_{i+1} , R_{i+2} – the amount of VAT accruals to the federal budget of the i -th subject of the Russian Federation in the corresponding financial year.

2) The increase in the volume of VAT charges, calculated on the basis of the above formula, and the share of each of the 3 indicators are determined: by fiscal capacity, by debt burden, by the increase in tax revenues transferred to the federal budget.

For example, the share of fiscal capacity of the i -th region is defined as the ratio of the level of fiscal capacity of the i -th region to the totality of the values of the security of all regions eligible for additional funds.

When determining the amount of additional funding for the subjects of the Russian Federation, we suggest using 3 main criteria to identify those most in need of additional funding:

- the level of fiscal capacity of the region is below the national average of 1. Out of 85 regions, 72 subjects of the Russian Federation meet this criterion.
- the growth rate of tax revenues transferred to the federal budget in the total amount of taxes collected in the region in the reporting fiscal year is higher than the national average of 21% in 2022. 57 regions meet this criterion.
- the level of the region's debt burden at the end of the reporting fiscal year is higher than the national average, which is 30.5% in 2022. 65 regions meet this criterion. Taking into account the above criteria, the right to receive additional funds is clearly provided for the following subjects of the Russian Federation: the Kaliningrad Region, the Astrakhan Region, the Saratov Region and the Krasnoyarsk Region.

We consider it expedient to select regions based on the accrued VAT and to distribute additional revenues from the increase in the VAT tax rate (from 18 to 20 percent) in proportion to the VAT paid to the federal budget according to the presented methodology. In addition, it is proposed to select regions based on a positive growth in VAT revenues:

$$TR_{vat2021i} > \frac{TR_{vat2020i} + TR_{vat2019i}}{2}, \quad (2)$$

where: $TR_{vat2019i}$ – the amount of income from VAT at the tax rate established by paragraphs 2 and 3 of Article 164 of the Tax Code of the Russian Federation as of January 1, 2020;

$TR_{vat2020i}$ – the amount of income from VAT at the tax rate established by paragraphs 2 and 3 of Article 164 of the Tax Code of the Russian Federation as of January 1, 2021;

$TR_{vat2021i}$ – the amount of revenues from VAT at the tax rate established by paragraphs 2 and 3 of Article 164 of the Tax Code of the Russian Federation as of January 1, 2022.

This condition is not fulfilled for the Astrakhan region, so at this stage this subject of the Russian Federation is to be excluded from the list of selected regions.

Thus, according to the methodology, at stage 1 the share of each of the 4 main criteria is determined: fiscal capacity, growth in tax revenues transferred to the federal budget, debt burden and VAT receipts for the last reporting year. At stage 2, the integral value of the specific weight is determined, defined as the ratio of the set of values of the indicators involved in the calculation to their number. The maximum value is in the Krasnoyarsk Region, which is 0.292, and the minimum value is in the Saratov Region.

CONCLUSIONS

In this article we have explored the fiscal mechanism of stimulating domestic production in several BRICS and European countries. The primary objective of this research was to justify a new methodology that involves the use of a new financial mechanism of redistribution of VAT revenues in the form of grants to producers. This innovative approach is aimed at creating effective budgetary incentives at the regional level to encourage the development of regional production. To achieve the goals, we drew upon the experience of VAT distribution in the BRICS countries, particularly Brazil and China. In addition, we compiled a set of effective measures⁴ aimed at optimizing the calculation and distribution of VAT. The ultimate goal of these efforts is to stimulate economic growth and create favorable conditions for the development of commodity production in Russia.

Improving such an incentive mechanism in Russia means creating additional incentives for regional authorities to increase their tax potential. Recommendations based on the results of the study can be summarized as follows:

1. There is no doubt that the legal structure of certain taxes (including VAT) and their redistribution among state entities require special in-depth analysis. In economic terms, changes in this field may create additional risks for the regional economy by reducing fiscal interest, which will hamper the proposed changes in legal regulation. Our analysis covers a long-term perspective.

2. As for the incentive mechanism, there are two alternatives: either to reduce the VAT rate by 2% and provide a deferral of VAT payment, or to establish deductions for certain categories of business under certain conditions. But these measures are ineffective, as they are associated with additional financial losses. These measures should be taken to support additional allocation of grants derived from VAT revenues.

3. The methodology for the distribution of VAT grants was developed on the basis of the amounts of VAT accrued and paid. It is proposed to select regions by 3 indicators, including the value of growth in VAT revenues. When distributing grants, it is necessary to take into account the positive growth of VAT revenues, as well as the amount of tax revenues for the last reporting year.

4. The growth in income tax is associated not to the implementation by the executive authorities of additional measures aimed at the development of tax potential, but with the annual increase in income tax revenues due to changes in the conditions of financial and economic activities of organizations.

⁴ Measures i.e., those that lead to the desired results, by optimizing the use of additional resources to achieve the goals set objectives.

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Фискальный механизм стимулирования внутреннего производства в некоторых странах БРИКС и европейских странах

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Аннотация

Проблема стимулирования внутреннего товаропроизводства является многогранной и имеет довольно долгую историю исследований. В настоящее время она актуальна в связи с введением ограничительных мер в отношении Российской Федерации, включая прекращение поставок ряда иностранных товаров на территорию России.

Одним из возможных мероприятий по повышению активности производства товаров российскими предпринимателями в современных условиях может стать новый механизм перераспределения налога на добавленную стоимость (НДС), поступающего в федеральный бюджет. Этот механизм предполагает выделение сумм грантов с учетом уровня экономической активности региона, связанной с наличием на его территории предприятий, производящих товары с высокой добавленной стоимостью. Его реализация создаст эффективные бюджетные стимулы для регионов развивать собственное товарное производство. Авторы обосновывают свое предложение, опираясь на прогрессивный опыт распределения НДС в странах БРИКС, таких как Бразилия и Китай, а также на эффективные меры по оптимизации НДС с целью стимулирования экономического роста в Германии, Франции, Греции, Австрии и Норвегии.

Новый механизм перераспределения доходов федерального бюджета от НДС предполагает выделение грантов на основе региональной экономической активности, связанной с производством добавленной стоимости в соответствующих регионах.

Таким образом, данное исследование ориентируется на решение проблем, возникших из-за ограничительных мер, и предлагает меры, которые могут содействовать экономическому росту в Российской Федерации.

Ключевые слова: товаропроизводство, стимулирование, налог на добавленную стоимость (НДС), распределение НДС, страны БРИКС, экономическая активность, перераспределение, бюджетные стимулы, экономический рост

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