Influence of the Income Taxation in the Quality of Life of the Population

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Abstract — In the article the question of influence of a progressive rate of an income tax on social moods and level (quality) of life of the population is investigated. Importance of consideration of influence of taxes on social and economic processes in society is caused by need of the solution of a problem of economic growth and increase in level of real income (purchasing power) in citizens. It is noted that the progressive rate of a tax is the most fair for the population of the country in general. The minimum rate of a tax has to be established for the population which income does not exceed the level of the average salary. The authors recommend for increase of the social importance of a progressive rate establishment of a free minimum according to a living wage and family composition. It is noted that determination of level of rates at the progressive taxation has to be carried out taking into account requirements of the budget system.

Keywords — income, tax, progressive rate, population, quality of life.

I. INTRODUCTION

The relevance and the scientific importance of a research of retrospective and perspective state decisions in the field of the taxation in the context of social moods, level and quality of life of the population is caused by a possibility of implementation of tax reforms minimum loss for the state in the form of negative social responses of society. As a rule, by development of the directions of tax policy public authorities are guided by need of addition of revenues of budgets first, and by social consequences of reforms – in the second queue. Tax changes taking into account level and quality of life of the population and social moods in society are capable to result in necessary positive results for the country and not to cause rejection of these changes from citizens.

In scientific publications it is marked that a social directivity in tax policy is characteristic of many developed countries of the world, such as Sweden, Germany, Canada, USA [1, 2, 3]. A similar directivity expresses that in case of decision-making in the field of the taxation the level of income of different social groups in society is considered.

The extensive scientific discussion is carried concerning an entity and criteria of quality of life of the population. Under quality of life Mukhacheva A.V. understands a level of satisfaction with life, level of compliance of the valid living conditions with expected [4]. Bazhenov S.A. and Malikov N.S. read that the quality of life is defined as the level and a level of satisfaction of all complexes of needs and the interests of people [5]. Mstislavski P. S. defines that quality of life – the level of development and a completeness of satisfaction of all complexes of needs and the interests of people, which is shown as different forms of activities, and in the attitude [6].

II. RELEVANCE, SCIENTIFIC IMPORTANCE, REVIEW OF LITERATURE

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Taxes, in turn, play not a prime role in regulation of quality of life of the population, but can exert impact on his level. At achievement of a certain level of development by society much attention is paid to a possibility of regulation of various economic and social directions through taxes. In addition, practically all taxes raised in the territory of the state can exert impact on level of quality of life. Indirect taxes – due to rise in price of cost of goods, works, services. The taxes included in prime cost influence price level, participating in process of their formation. The taxes raised from persons directly withdraw a part of income of the population.

One of important aspects of the taxation of income of citizens is the principles of establishment of rates: equal, proportional, progressive.

The equal principle assumes that taxpayers pay the equal sums in favor of the state. By the most of economists this principle is considered unfair as it is not connected with the income of taxpayers [7]. This principle is used seldom.

The question of justice of the proportional and progressive taxation was debatable at all times. The complexity is in what that taxes represent not only a financial instrument, but also the political phenomenon that significantly affects views of the scientists reflecting the interests of these or those classes. Proportional rates are represented fair for propertied (rich) segments of the population at which with a gain of income loading significantly decreases. While for needy citizens justice is implemented in an ascending scale of the taxation.

The proportional principle formulated by A. Smith meant that each citizen has to give to the state the sum proportional to the income. The lack of this principle seems in the following. First, the higher welfare of the population, the are less weight of a tax burden [7]. Secondly, most the well-to-do of the population gains considerable income not in a type of the salary, therefore, the efficiency of the income taxation decreases [8]. Thirdly, tendencies of concealment of a considerable part of income remain [8, 9].

The progressive principle assumes that the income level is higher, the tax rate is higher. A number of economists consider this option the most correct from the point of view of social and economic justice [1, 7]. Other representatives of economic science and real practices object as they see the following shortcomings of high tax rates: the incentive to earn money is lost and the efficiency of work decreases; there are a considerable number of the persons evading from the taxation [8, 9].

We will note that rather wide range of scientific publications of the last years is also devoted to questions of reforming of tax system taking into account social consequences, in particular, of social support of the population, social justice [10-20].

III. RESEARCH PROBLEMS
The problem of this scientific research consists in justification of advantages of transition to the progressive taxation of income of citizens in modern economy taking into account need and a possibility of improvement of quality of life of the population.
In Russia as of 01.01.2017 years was 71,6 million people of the efficient population that makes about 50% of total number. The living wage as of 2017 has been established of 10329 rub a month. The average salary has been defined in a size 38848 rub a month.

Proceeding from the socially important indicators influencing level of quality of life of the population, 20% of the efficient population have income below, or equal to a living wage on indicators. Potentially, it is that group of taxpayers who should be exempted from payment of a personal income tax.

In our opinion, release of a part of the population of the country from payment of income tax can become the important decision directed to creating favorable conditions on increase of level and quality of life of the population. Besides, this decision has to exert positive impact on indicators of solvent demand (at the expense of a conclusion to the consumer market of the income released due to establishment of tax-free level of income).

Further, it is necessary to define group of the taxpayers assessed by the minimum rate at the progressive taxation. It is that category which income is defined to the level of the average salary. By approximate calculations this group will include 56,9% of the efficient population.

The minimum rate of a tax on income for the specified category of citizens is capable to render the same positive effect as release from a tax of the previous category of the population. At the same time the citizens having income from the level of a living wage and to the level of the average salary can make more essential impact on goods and services market and also on the volume of income of the budgetary system as the lowered rate of a tax will stimulate the population to income generation, brought closer to the size of the average salary (i.e. significantly higher, than a living wage).

The following rate of a progression, suppose, established of 20%, will be defined for the income exceeding the average size of the salary will concern 16% of taxpayers.

Such size of a rate exceeds the level established today in Russia (13%) that has to affect positively the size of income of the budgetary system at preservation at the necessary level of degree of trust of the population to the government, social stability in society. Application of a progressive scale actually has to begin with that part of citizens who can earn more, than the average level on economy – since this part of the population is inclined to increase in own income, high consumption level which it isn't ready to refuse even against the background of the growing tax burden.

For the remained 7% will be expedient to define the maximum rate of a progression, from excess of income over the set limit.

The maximum tax burden for citizens with the high level of income answers (in traditional understanding) to the purposes of social policy of the state and can positively affect volumes of financial resources of budgets of various levels.

Determination of level of rates at the progressive taxation demands an additional research taking into account requirements of the budgetary system. At establishment of the maximum rates of the taxation of income it is necessary to consider also social tendencies which are shown in group of the population with the high level of income.

Such approach to formation of tax base on an income tax is represented economically reasonable from a position of social justice.

VI. CONCLUSIONS

The offered conceptual approach to reforming of the income taxation in the Russian Federation is focused on overcoming the social inequality caused by application of a proportional rate of the taxation (at which the increased tax burden lays down on category of citizens with low income). However by consideration of a question of possible introduction of the progressive taxation it is necessary to consider a number of the essential moments.

First, it is impossible to resolve an issue of increase in level of income of needly categories of citizens and decrease in level of poverty only by transition to an progressive scale of the taxation of income of citizens – i.e. to reach one of the key purposes of social policy of the state. Therefore, for improvement of quality of life of the specified categories of citizens complex social policy is necessary (financing of this policy will lay down on shoulders of other categories of taxpayers (including, with high income). Thus, there is a probability of transfer of social tension on other groups of the population.

Secondly, at increase in a rate of the taxation for categories of citizens with high income it is necessary to expect predictable reaction in the form of aspiration to concealment of income, a conclusion of the capitals out of borders of the country and also change of the country of residence with the state with more loyal mode of the taxation. At such succession of events the positive result of reform of the income taxation can be leveled by considerable losses of budgets due to falling of receipts of a tax from wealthy citizens.

Thirdly, the progressive taxation will be inevitable to mean need of stricter financial control of income and expenses of citizens with high income level. Without similar measures (as it has been told above) losses of the budgetary system will be more considerable and will limit possibilities of the state on realization of necessary measures of social protection of citizens with low income. Besides – as social expenses aren't the only direction of use of financial resources of the state – there will be problems with financing other directions of the budgetary expenses. At the same time introduction of additional drastic measures of financial control can be rather expensive for the state.

Fourthly, the expected problem at introduction of the progressive taxation of income will become the mobility of structure of the population on the level of income, i.e. instability of number of taxpayers whose income will be assessed at this or that rate or to be exempted from the taxation. In this case difficulties will arise when determining
losses and additional receipts of income tax in the budgetary system; besides, the problem of achievement of social justice can get a different context – if there is no opportunity to concretize, let us assume, the number of socially unprotected citizens, then to whom the specified task has to extend and how many it can cost to the state?

Fifthly, introduction of any fiscal decision increasing tax burden both on physical and on legal entities, it is necessary to make taking into account existing at the moment and expected social and economic indicators, stages of a business cycle at which there is a state at present. In the conditions of an economic crisis there is always a need of additional measures of social support that, at first sight, unambiguously testifies in favor of establishment of free level of income for needy citizens. However at a crisis stage the need for financial means (which can be not always provided with receipt of a tax from citizens whose income will be assessed at the high rate) sharply increases. In a situation of economic growth the progressive taxation can limit inflow of financial means from citizens with high income on commodity markets with high cost, thus, limiting a possibility of replenishment of budgets and enhancing social tension. On the other hand, economic growth will promote the general inflow of means to national economy, providing receipts in the budgetary system even at establishment of a free minimum of income and leaving «in a shadow» to a part of income of natural persons.

Taking into account the above, it is offered to realize reform of the income taxation in Russia in a format of establishment of various rates of a tax for income of category of citizens, various on level, and introduction of a free minimum of income to the size of the living wage determined by the Government of the Russian Federation

References