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### The Essence of Corporate Income Tax

*Abstract:* Taxes are one of the main sources of financing for government activities, as well as an economic tool that serves to implement the priorities of the state. Taxes perform two functions: fiscal and regulatory. Both functions are interconnected and interdependent, and neither should be developed at the expense of the other. As a category of the economy, a tax is a mandatory payment that the state collects from both individuals and legal entities. The importance of profit has increased with the transition of the Russian Federation's economy to a market economy. Profit is a generalized indicator of the financial results of economic activity, determined by the difference between the revenue from the activities of the firm and the losses incurred. The study's relevance is due, on the one hand, to the great interest in the topic of corporate income tax in modern science, and on the other hand, to its insufficient elaboration. Consideration of issues related to this topic has both theoretical and practical significance. The study object is the income tax. The study subject is the taxation of corporate profits. The study aims to examine the content and role of income tax in the tax system of the Russian Federation. The methodological basis of the study is scientific, general scientific methods such as analysis, synthesis, etc. The study's theoretical basis was Russian scientists' works on taxation. The author concludes that the main task of the tax authorities is to monitor compliance with tax legislation, the correctness and completeness of tax calculations and mandatory payments, and timely payments to budgets of various levels of the Russian Federation.

*Keywords:* income tax, value added tax, income tax, tax code.

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### Сущность налога на прибыль организаций

Аннотация: Актуальность исследования обусловлена, с одной стороны, большим интересом к теме налога на прибыль организации в современной науке, с другой стороны, её недостаточной разработанностью. Рассмотрение вопросов, связанных с данной тематикой, носит как теоретическую, так и практическую значимость. Объектом исследования является налог на

прибыль. Предметом исследования является налогообложение прибыли организаций. Целью исследования является изучение содержания и роли налога на прибыль в налоговой системе РФ. Методологической базой исследования являются научные, общенаучные методы, такие как анализ, синтез и т.п. Теоретической базой исследования послужили труды отечественных учёных в области налогообложения. Автор делает заключение, что главной задачей налоговых органов является контроль за соблюдением налогового законодательства, правильность и полнота исчислений налогов и обязательных платежей, своевременностью уплаты в бюджеты различных уровней Российской Федерации.

Ключевые слова: налог на прибыль, налог на добавочную стоимость, налог на прибыль, налоговый кодекс.

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### ***Abbreviations:***

*MET* is a mineral extraction tax,

*R&D* is research and development,

*SEZ* is a special economic zone,

*UTII* is a unified tax on imputed income,

*VAT* is value-added tax.

### **Introduction**

Taxes are one of the main sources of financing for government activities, and they are an economic tool that serves to implement the priorities of the state. Taxes perform two functions: fiscal and regulatory. Both functions are interconnected and interdependent, and neither should be developed at the expense of the other. As a category of the economy, a tax is a mandatory payment that the state collects from both individuals and legal entities. The importance of profit has increased with the transition of the Russian Federation's economy to a market economy. Profit is a generalised indicator of the financial results of economic activity, determined by the difference between the revenue from the activities of the firm and the losses incurred.

Taxes have always been important for government activities. Today, taxes are a revenue part of the state budget and a tool for regulating the economy and the social sphere. By using taxes, the state influences the distribution of income. The developing non-governmental sector of the economy and the reduction of the sphere, directly regulated by the state itself, influenced the increasing role of taxation in the Russian Federation as a tool for regulating economic policy.

Having emerged together with the state, the tax system develops along with it. Taxes are one of the necessary links in economic relations in society. The state uses the tax mechanism to effectively influence public production, the dynamics of development and activity, the structure, and the state of scientific and technological progress. When the form of the state structure changes, the tax system is transformed along with it. History has long known that when taxes were too high, the total amount of revenue to the treasury fell sharply, and when taxes were low, the collection amount increased. Both effects are the result of a certain state taxation policy and conditions.

Combining all the categories mentioned above into one will yield one of the types of taxes with, which the state tax system performs peculiar functions—it is the corporate income tax.

The study's relevance is due, on the one hand, to the great interest in corporate income tax in modern science and, on the other hand, to its insufficient elaboration. Consideration of issues related to this topic has both theoretical and practical significance.

The study object is the income tax.

The study subject is the taxation of corporate profits.

The study aims to examine the content and role of income tax in the Russian Federation's tax system.

To achieve the purpose, it is necessary to solve the following tasks:

- study the economic content and significance of income tax;
- investigate the role of income tax in budget revenues at different levels of the Russian Federation;
- consider the characteristics of the main elements of income tax;
- investigate the specifics of calculating and collecting income taxes.

The methodological basis of the research is scientific, general scientific methods such as analysis, synthesis, etc.

The study's theoretical basis was Russian scientists' works on taxation.

## **Results**

### **The Theoretical Foundations of Income Tax in the Russian Federation's Tax System**

#### ***Economic Content and Significance of Income Tax***

Taxes are one of the many ways the government influences the economy.

In market relations, the tax system is one of the most important economic levers of influence; it is the basis of the financial and credit mechanisms the state uses to regulate the economy. The state widely uses tax policy to regulate negative market phenomena.

Income tax is a direct tax, the amount of which directly depends on the final financial results of the organisation. This tax is charged on the difference between income and expenses. It is also a federal tax. The base rate is 20%. Of this amount, 3% is allocated to the federal budget, and the remaining 17% is allocated to the regional budget. Companies make payments in advance every year and submit corporate income tax returns. Companies that have switched to a special regime do not pay income tax.

For further study and clarification of income tax, you should know that there is a "tax" in the broadest sense of the word. A tax is a mandatory, gratuitous individual payment levied by state authorities from legal entities and individuals in order to financially support the activities of the state or subjects of the Russian Federation (*Bondareva et al., 2023*).

In the period from 1984 to 1990, Russia underwent a change in distribution from discretionary, in which officials distributed profits between enterprises and the country's budget, to the tax system. The current system was becoming what it is now, acquiring its characteristic features and clear, unchangeable rules for the distribution of funds. In 1990, corporate revenues allocated to the budget were replaced by a single income tax rate for all. At that time, the base

rate was set at 45%, of which 23% was allocated to the federal budget, and the remaining 22% to local budgets.

The income tax, introduced in 1991, was calculated from the actual results of the organisation's activities over the past quarter. There was also an advance payment, which helped to balance tax revenues to the budget over time and partly manipulated possible inflation, which is a depreciation of the funds received by the tax for the period between the payment of the tax and its receipt into the budget.

In 1991, the income tax had a progressive scale, depending on product profitability. This approach to taxation artificially reduced investment in many sectors of the economy, distorting decision-making about investing in industries. In practice, this type of taxation was little used (*Semenova, 2024*).

In addition to the progressive tax scale, the legislation provided for manipulating the tax pricing process. The introduced maximum profitability level for some types of products was used to prevent price increases for industrial and technical goods due to the transition from administratively controlled prices to negotiated prices.

Profits received above this level is worth withdrawing, but accountants' methods allowed organisations to quickly eliminate unexpected differentiation in the profitability of specific products they produce.

By the end of 1991, Russia had passed an income tax law setting the income tax rate at 32%. Most of the provisions did not differ much from those in force earlier. The main difference was the progressive nature of the scale and the taxation procedure, due to the profitability above the norm.

The main feature of income tax in Russia is that a large number of types of expenses were not included in the cost list due to restrictions, such as current and capital expenditures. In this regard, only a part of the company's costs were taxed. The result of such taxation was the adjustment of decisions on the size of the company's output and the amount of investment.

Technically, it is impossible to eliminate all economic costs from the tax base. At the same time, restrictions were introduced in the Russian Federation, and even when estimating the costs was difficult, the withdrawal of one's benefits remained unlimited.

Taxes differ from duties in that the collection of the latter is not gratuitous, but is a condition for certain actions to be performed against their payers.

The Russian Federation's Tax Code regulates tax collection. The state's tax system is formed by a set of established taxes and the principles, forms, and methods of their establishment.

A tax is understood as the forced withdrawal by state tax structures of funds from individuals and legal entities necessary for the state or subjects to perform their functions.

Federal taxes include income tax, the leading direct tax for legal entities. The taxable object is an organisation's gross profit, reduced or increased according to regulations.

Gross profit is the amount of profit or loss from the sale of products, work or services provided, fixed assets, other assets of the enterprise and income from non-operating operations, reduced by the amount of lost funds for these operations. Profit or loss from the sale of products, works or services provided by an organisation is calculated as the difference from revenue minus the sale of products, works or services provided by the organisation, except VAT

and excise taxes, as well as production and sales expenses included in the cost of products, works or services provided by the organisation.

A full calendar year is a tax period for income taxes. The first quarter, the first half, and the first nine months of the calendar year will be the reporting periods. For taxpayers who make advance payments every month, the accounting periods will be one month, two, three, and so on until the end of the calendar year.

Based on the results of the reporting period, the taxpayer determines the amount of tax corresponding to the tax rate and the percentage of the tax base. Payers calculate the amount of the advance payment at the end of the reporting or tax period, based on the rate and taxable profit, calculated on an accrual basis from the beginning of the period to the end.

Currently, income tax in the Russian Federation provides large profits to the federal budget and the budget of the constituent entities of the Russian Federation, being one of the most significant taxes. It also allows you to regulate macroeconomics and redistribute income, making it an effective tool. There is a huge potential in income tax, which can influence the distribution of resources between regions. The issues arising from it, due to the fact that it is one of the largest payments, have significant weight for enterprises and the state (*Advokatorova et al., 2024*).

The legislation dealing with taxes is notable for its frequent changes and mobility. Due to the large number of adopted legislative acts, instructions, and other documents related to the calculation of income tax, there is a need for improvement. Due to their huge number and the differences between them, the number of violations in the calculation and payment of income tax is increasing.

### ***The Role of Income Tax in the Revenues of Budgets of Different Levels of the Russian Federation***

Corporate income tax is the most important source of revenue for regional budgets, and the effectiveness of government fiscal measures on economic activity in the country depends on the effectiveness of its collection mechanism. Since the income tax is budget-forming, its fiscal nature and purpose as a means of financial support for the activities of the state are indisputable. The role of corporate income tax in the revenues of the budget system of the Russian Federation is quite significant: it ranks third after VAT and MET. Its role in the formation of the revenue base of the budgets of the constituent entities of the Russian Federation is also high.

The corporate income tax is a tax on the financial result, formed in accounting upon the fact that the organisation has performed all economically significant actions in the past period. At present, profit occupies one of the important places in the market economy's general system of value instruments. It ensures the company's economic stability and guarantees its financial independence and completeness. In the traditional sense, profit is the most significant and practically the only indicator of the success of an enterprise and its good management. The analysis of scientific views on the nature of profit made it possible to summarize its main characteristics, reveal the content of its functions (stimulating, reproductive and control) and formulate a position on the place and role of profit in the modern market economy.

In particular, Professor B.H. Aliyev, noting the role of corporate income tax, indicates its leading fiscal importance in the formation of budget income, both federal (40%) and regional budgets (45%).

Professor G.B. Polyak notes the important role of corporate income tax in forming territorial budgets. During the study period, the share of income tax in regional budget revenues was about 30%.

In many works presented in economics, the main focus is on the dual nature of profit (the source of reproduction and the purpose of entrepreneurial activity), as well as the fact that in modern conditions profit has begun to act as a link in the mechanism of coordinating the interests of individual entrepreneurs and the state as a whole. In addition, the social role of profit is increasing in a market economy, as it becomes the most important source of meeting the social needs of society and the enterprise. The place of profit in the modern economy is presented in the Appendix (*Table 1*).

Income tax is one of the main modern forms of tax exemption. It occupies a special place in tax systems, as it directly reduces exactly what, by definition, is the purpose of entrepreneurial activity. The corporate income tax is the tax with which the state can most actively influence the development of the economy. The income tax has the most significant regulatory impact on the activities of business entities compared to other taxes. Through the use of differentiated tax rates for individual taxpayers and types of income, the provision of targeted benefits (for the development of R&D, capital construction, technical re-equipment, employment of disabled people, charity), the use of accelerated depreciation methods, income tax can quickly affect the activities of organisations, stimulate investment and innovation processes in the economy. By distributing the tax rate between the levels of the budget system, regional aspects of the state's economic policy are implemented (*Nikitin, 2022*).

Income tax belongs to the group of direct and proportional taxes. It occupies a leading place among the revenue sources of regional budgets and is used in the Russian practice of regulating inter-budgetary relations. The mechanism of distribution of income from corporate income tax between budgets of different levels of the budget system is contained in the system of rates of this tax. According to Article 284 of the Tax Code of the Russian Federation, the corporate income tax rate is set at 20%.

At the same time:

- (1) the amount of tax calculated at the tax rate of 3% is credited to the federal budget.;
- (2) the amount of tax calculated at the tax rate of 17% is credited to the budgets of the subjects of the Russian Federation.

The fiscal value of corporate income tax remains relatively high in the revenue structure of the Russian Federation's consolidated budget. According to Professor L.L. Igonina, despite the general trend of strengthening Russian enterprises' financial condition, a high proportion of unprofitable organisations remains in the country's economy.

In contrast to developed economies, where companies finance 70-80% of the investment resource needs from their sources, Russia's total share of its financial sources is significantly lower. The share of profit and depreciation charges in the structure of sources of financing investments in fixed assets is 39-42%.

Despite its significant role in forming regional budget revenues, the mechanism of corporate profit taxation needs to be improved in order to increase its fiscal component and stimulate the investment activity of enterprises and organisations.



The main objectives of income tax reform are to expand the tax base by legalizing a significant portion of the income of entrepreneurs in the shadow economy, attracted by low-income tax rates. And ultimately, this should lead to an increase in budget tax revenues, i.e., to maximise this tax's fiscal function.

The main reserves for increasing the income base for corporate income tax are the following:

- (1) overall improvement of the business and investment climate, the socio-economic situation in the region, and an increase in the investment activity of organisations;
- (2) improving the financial situation of low-profit enterprises;
- (3) to identify and prevent the use by taxpayers of illegitimate mechanisms for reducing the tax base and generally increasing the tax discipline of organisations. The primary way to illegally reduce the income tax base is to artificially underestimate an enterprise's profitability.;
- (4) increasing the validity of income tax benefits provided (planned to be provided), considering their economic, budgetary and social effectiveness;
- (5) optimisation of the tax control process, involving quantitative and qualitative improvement of tax audits and improvement of taxpayers' activity supervision.

According to I.V. Karavaeva, "assessing the overall situation in the Russian tax system with the change in the procedure for collecting income tax, it is worth noting that the decision taken carries both positive and negative potential for the domestic economy. On the one hand, minimizing the tax rate is in line with a promising direction for developing global tax practice, and is an attempt to stimulate the process of legalising significant amounts of profits in the shadow economy. On the other hand, the elimination of tax benefits means nothing more than the deprivation of the regulatory function of Russian tax policy in the investment sphere, the rejection of tax methods to stimulate and regulate investment entrepreneurial activity."

With the help of taxes, the state can create favorable and attractive conditions for certain business areas. At the same time, tax suppression of other sectors of the economy should not be allowed. In this regard, underestimation and overestimation by the state of the social importance of certain industries is unacceptable, since otherwise, freedom of competition and the principle of fairness are inevitably violated. Income tax, as a tax that reduces the profits remaining at the disposal of enterprises, is one of the most complex instruments for regulating the activities of enterprises. Therefore, the study of various opinions on the role of benefits and income tax rates as the main elements of regulating the activities of enterprises is of great importance for further assessing the prospects of tax in the Russian taxation system ([Maksurov, 2024](#)).

The existing Russian system of approaches to taxation of profits and calculations of a specific income tax has acquired specific features: the complexity of calculating the tax base, the presence of a number of broad-based inaccuracies in legislation that provoke a negative financial effect; an extensive tax base, respectively, is taxed not on the profit received by the enterprise, but on a certain "conditional income," since the enterprise According to the current Russian legislation, it cannot deduct from taxation all expenses related to the extraction of income. The most significant goal of improving the fiscal mechanism of income tax is to ensure the budget's socially and economically necessary tax revenues.

Expenses related to the acquisition, creation, reconstruction, modernisation, and technical re-equipment of depreciable property related to mobilisation capacities will be considered when forming the corporate income tax base through the depreciation mechanism. Other expenses (of a non-capital nature), including the cost of maintaining facilities and facilities necessary for the implementation of the mobilisation plan, are subject to one-time accounting as part of non-operating expenses. At the same time, the regulation on the procedure for applying the increasing coefficient to the basic depreciation rate for facilities used in an aggressive environment and/or increased shift capacity has been clarified. For this purpose, an amendment was made to the Code, according to which a special coefficient, but not higher than two, can be applied to fixed assets used for work in an aggressive environment and/or increased shifts, only if these facilities were registered before January 1, 2014.

At the same time, further improvement in corporate profit taxation is necessary. One significant goal in this direction is to replenish the budget with the necessary tax revenues to solve social and economic problems. The tax rate is the main tool for influencing the increase in income from income taxes.

Russia's income tax rate of 20% is one of the lowest in the world compared with other countries. This tax is progressive in many countries, and its rate depends on profitability. It serves as an effective tool to stimulate small businesses and allows them to withdraw sufficient budget revenues from the excess profits of large corporations.

When improving corporate income tax, analysing the validity and effectiveness of established tax benefits and taking measures to optimise them is necessary. Budgets of different levels receive less revenue due to the tax benefits and exemptions established by federal law. If the reasons for the insufficient or low economic or social effect of granting tax exemptions are not analysed, canceling tax preferences will continue. This is how the fate of the tax benefits granted to small businesses in the early years of the Russian tax system was decided, when they received preferential income tax rates in the first four years of their operation. Perhaps it would be more expedient not to cancel this benefit altogether, but to prescribe specific conditions for its receipt and use? For example, the percentage of released profits established by law is allocated to innovations, capital investments, R&D, etc.

The expansion of the economic rights of the subjects of the Federation urgently requires the formation of an active regional tax policy aimed at optimally combining the interests of the Federation and its subjects. The federal authorities of the Russian Federation have wide opportunities to influence the regional economy and the investment sphere by regulating tax conditions, introducing additional tax incentives to attract investment in priority areas of the region's economy, providing an investment tax credit, initiating the creation of free economic zones or the most-favored-nation regime in the region, etc. Regional authorities should have similar rights and opportunities in forming genuine economic and tax federalism in the Russian Federation (*Vasyutin, 2023*).

Implementing the entire range of proposed measures will make it possible to solve most of the key problems of the corporate profit taxation mechanism, and will increase the revenue base of regional budgets. In modern conditions, as you know, the tax system is designed to solve not only fiscal problems, but it should also contribute to the development of entrepreneurship, solving investment, economic, socio-cultural, environmental and other tasks.



## **Analysis of the Current Procedure for Calculating Corporate Income Tax**

### ***Characteristics of the Main Elements of the Tax***

Organisations have applied the income tax since January 1, 1992, which is valid everywhere in Russia. Tax payments on it go to the country's budget at various levels: to the federal budget and to the budgets of the constituent entities of the Russian Federation.

It is necessary to consider the main elements of this tax and give a description.

Taxpayers of income tax, according to Article 246 of the Tax Code of the Russian Federation, "are Russian organisations and foreign organisations operating in the Russian Federation through permanent representative offices and (or) receiving income from sources in the Russian Federation." (*The Tax Code...*, 2000)

"The object of corporate income tax is the profit earned by the taxpayer." (*Ilyin, 2021*) Profits can be obtained from the sale of products, the sale of goods, the performance of works, the provision of services, and income from non-sales operations, reduced by the expenses for these operations.

At the same time, profits for different categories of taxpayers may vary, respectively, and the object of taxation (income) will be different. There are rules for attributing income to a taxpayer's profit for income tax purposes (*Table 1*).

The Tax Code regulates the procedure for recognising income and expenses for tax accounting purposes, which often differs from the procedure adopted in accounting. Therefore, enterprises usually keep both accounting and tax records.

It is necessary to define tax accounting. "Tax accounting is a system of summarising information for determining the tax base based on data from primary documents grouped according to the procedure provided for by the Tax Code of the Russian Federation." (*The Tax Code...*, 2000)

Tax accounting at the enterprise must be conducted in accordance with the accounting policy of the organisation for taxation, which must be specifically approved for these purposes.

The object of taxation must have cost, quantitative, or physical characteristics. The tax base is determined on an accrual basis from the beginning of the year.

Taxpayers' organisations calculate the tax base based on the results of each tax period, based on data from accounting registers.

A taxpayer has the right not to pay tax based on the results of the tax period when a loss is received during this period, resulting in a negative difference between income and expenses. In this case, the tax base is considered to be zero.

"Taxpayers who suffered a loss in the previous tax period have the right to reduce the tax base of the current tax period by the entire amount of the loss they received or by a part of such amount, that is, to transfer the loss to the future." (*The Tax Code...*, 2000)

It is also worth noting that previously, organisations could only advance losses for 10 years. From January 1, 2017, the amount of the loss can be advanced for all subsequent years, not just for ten years. Losses can now be written off until they are fully repaid. Only losses incurred in more than one tax period are advanced in the order in which they were incurred. As a

confirmation of the fact of receiving a loss, the taxpayer must keep the relevant supporting documents for the entire period during which they reduce the tax base.

The tax base is calculated by the organisation independently and must contain the following data:

- the period for which the tax base is determined (from the beginning of the tax period on an accrual basis);
- the amount of sales income received in the reporting (tax) period;
- the amount of expenses incurred in the reporting (tax) period, reducing the amount of income from sales;
- profit (loss) from sales;
- the amount of non-operating income;
- the amount of non-operating expenses;
- profit (loss) from non-operating operations;
- total tax base for the reporting (tax) period;
- the amount of the loss transferred from previous tax periods, and reducing the tax base;
- the total tax base for the reporting (tax) period, minus the corresponding amount of loss. (*The Tax Code...*, 2000).

Thus, based on tax accounting data, organisations determine the tax base independently for each accounting and tax period.

The tax period is the period after which the tax base and the amount of tax to be paid are calculated. The tax is defined as the percentage of the tax base corresponding to the tax rate. The tax period for all groups of taxpayers is one calendar year.

The accounting period is the period after which advance payments are made. It is either a quarter (three calendar months) for taxpayers, or “taxpayers have the right to switch to calculating monthly advance payments based on the actual profit to be calculated.” (*The Tax Code...*, 2000)

The accounting periods for taxpayers who calculate monthly advance payments based on the actual profit received are one month, two months, three months, etc., until the end of the calendar year.

It is important to emphasize that when switching to the mode of making advance payments based on actual profit, this is fixed in the organisation’s accounting policy for the next tax period.

According to Article 284 of the Tax Code of the Russian Federation, the income tax rate is 20%, except for some exceptions. At the same time, 3% of accrued corporate income tax is paid to the Federal Budget, and 17% is transferred to local budgets of the Russian Federation.

The legislation establishes that the tax rate that goes to the budget of the subjects of the Russian Federation may be set lower for certain categories of taxpayers by the laws of these subjects of the Russian Federation.

In addition, there is a preferential rate of zero percent. This rate can be used by medical and educational institutions (if these institutions comply with Russian Federation legislation) (*Bushinskaya*, 2022).

For tax purposes, the income of an organisation can be divided into two groups:

- (a) income that is considered when taxing profits:

- income from the sale of products (goods, works, services),
  - non-operating income.
- (b) income that is not accepted for tax purposes.

Income is considered an economic benefit in monetary or physical terms, but not every economic benefit will be recognised as income. To do this, according to Chapter 25 of the Tax Code of the Russian Federation, the following conditions must be met: it was received in monetary terms or other property, its size can be estimated, and other rules of Chapter 25 of the Tax Code of the Russian Federation are observed.

The taxpayer has the right to reduce the income received by the amount of expenses incurred. Expenses are justified and documented expenses that relate to the organisation's ongoing activities.

By analogy with income, expenses in tax accounting are also divided into expenses related to production and sales and non-operating expenses. There are also expenses that the organisation does not consider when taxing profits.

Expenses related to production and sales are classified as follows: material costs are the type of costs that form the cost of production, such as materials, raw materials, fuel and other resources.

Labour costs include all types of remuneration in cash and/or kind. These include incentive charges and allowances, compensation charges, bonuses, one-time incentives, and other expenses.

Depreciation charges are the taxpayer's expenses on depreciable property. Depreciable property is defined as property owned by the entity, used by the entity to generate income, and for which the cost is recovered through depreciation.

Non-operating costs include expenses related to the production process, which the groups listed above do not recognise.

“There are two income and expense recognition methods—the accrual method and the cash method, each of which has advantages and disadvantages. With the accrual method, the organisation considers income and expenses in the period they occur, regardless of the actual cash flow in the account or the cash register. With the cash method, income and expenses are accounted for on the date of receipt or withdrawal of funds. However, the cash method can only be used by those organisations whose sales revenue, excluding VAT, for the previous four quarters did not exceed one million rubles on average for each quarter.”

Article 287 of the Tax Code of the Russian Federation describes in detail how and in what order to pay income tax. It also indicates the exact dates for transferring the amount of tax and advance payments to the budget.

Thus, the year-end tax should be paid no later than filing the tax return, no later than March 28 next year.

However, the deadline for making advance payments based on the results of the reporting periods depends on how the organisation calculates the advance payments. If a quarter is recognised as an organisation's reporting period, then the quarterly advance must be transferred by the 28<sup>th</sup> day of the following month.

Sometimes, the company pays monthly payments in addition to the quarterly advance. The organisation will then pay more monthly advance payments within the quarter until the 28<sup>th</sup> of the following month.

At the same time, monthly advances paid are credited to the quarterly advance, and quarterly advances are credited to the tax for the year. The same organisations that pay advances based on actual profits transfer them no later than the 28th day of the month following the one on which the tax is calculated.

Taxpayers must submit tax returns after each reporting and tax period ([Maksurov, 2024](#)).

Quarterly reports are submitted to the tax authority at the place of registration of the enterprise no later than the 28th day of the month following the reporting one, and the annual declaration is submitted no later than April 28.

### ***The Specifics of Calculating and Collecting Taxes***

Income tax is calculated according to the following basic formula:

$$T_i = T_b \times T_r,$$

where

$T_b$  is income tax base, ruble;

$T_r$  is income tax rate, ruble.

The monetary value of profit is called the tax base. As a general rule, profit is income earned minus expenses incurred. Profit is determined on an accrual basis from the beginning of the tax period. The base is determined at a total rate of 20%.

If the rate is different, then the tax base is calculated differently. According to them, the taxpayer keeps separate records of income and expenses. Accounting for income and expenses, as well as calculating the financial result of transactions that are accounted for in a special manner, are performed separately. For example, special features are provided for banks, insurance companies, and professional securities market participants to determine the tax base. These features are prescribed in Articles 290-299 of the Tax Code.

Taxpayers who use special tax regimes do not consider income and expenses related to such regimes when calculating the tax base. Gambling business organisations and organisations that have switched to the Unified Tax System keep separate records of income and expenses.

The calculation of the tax base is performed by the organisation independently based on tax accounting data on an accrual basis from the beginning of the tax period and must contain the following data:

- (1) the period for which the tax base is determined (from the beginning of the tax period);
- (2) the total amount of sales revenue that was received in the reporting (tax) period;
- (3) a set of expenses that reduce the amount of revenue from sales;
- (4) profit (loss) from sales;
- (5) the amount of non-operating income;
- (6) the amount of non-operating expenses;
- (7) profit (loss) from non-sales operations ([Nikitin, 2022](#)).

The tax base is formed in two well-known ways: the accrual method and the cash method. According to the cash method, revenue is recognised as goods are shipped, unlike the accrual method, recognising revenue as goods are paid for.

When a taxpayer chooses an accrual method, income and expenses are recognised strictly following the procedure in Articles 271 and 272 of the Tax Code. The procedure for determining income and expenses using the cash method is defined in Article 273 of the Code.

All organisations should use the first one as their main one. The cash method is used by organisations where the revenue from the sale of goods (works, services), excluding VAT, does not exceed the limit established by law.

The tax base is formed during the tax period, which is equal to a calendar year. In addition, there are accounting periods. They are recognised as the first quarter, half-year, nine months, and year. Accordingly, income tax is paid based on the calendar year's results.

The organisation may incur a loss based on the reporting or tax period results. In this case, the tax base is recognised as zero. According to Article 283 of the Tax Code of the Russian Federation, a legal entity may transfer to the current accounting (tax) period the amount of losses received in previous tax periods. A loss that has not been advanced to the next year may be advanced in whole or in part to the following years.

An important element of the tax is its rate. For most organisations, the tax rate is 20%, including the federal part (2.0%), and the regional part (18.0%). For the period 2017-2020, the tax distribution between the budgets of these two levels has been changed and amounts to 3% and 17%, respectively.

For certain categories of taxpayers, the tax rate to be credited to the budgets of the subjects of the federation may be lowered by the laws of these subjects to 13.5%. Concerning organisations that are residents of the SEZ, provided that they keep separate records of income and expenses from activities performed on the zone's territory and beyond, the regional authorities set a tax rate not higher than 13.5%.

The ultra-low rate (up to zero percent) is set by the Tax Code of the Russian Federation, subject to a number of conditions for organisations engaged in educational or medical activities; residents of the technical and innovation SEZ, agricultural producers, participants in regional investment projects, and other legal entities. The tax rates on income of foreign organisations that are not related to activities in Russia through a permanent representative office are set at the following amounts: 10%—from the use, maintenance or rental of vehicles in connection with international transportation; 20%—for the rest of the income of these organisations. Rates of 0, 13 or 15% are provided for dividends, depending on the situation, and for income from securities, 0, 9, 15, 30%.

There are several ways to calculate and pay income tax:

1. Based on the first quarter's results, six months, nine months and a year, plus monthly advance payments within each quarter.

That is, the organisation calculates an advance payment based on the results of each reporting period, based on the tax rate and taxable profit calculated on an accrual basis from the beginning of the tax period to the end of the reporting (tax) period. During the reporting period, it determines the amount of the monthly advance payment, assumed to be equal to

- the first quarter, the amount of the monthly advance payment that was due in the last quarter of the previous tax period;
- the second quarter, one-third of the amount of the advance payment, which was calculated for the first reporting period of the current year;

- the third quarter, one-third of the difference between the amounts of advance payments, which are calculated based on the results of the six months and the first quarter;
- the fourth quarter, there was a one-third difference between the amounts of advance payments calculated based on the results for nine months and six months.

2. Quarterly payments based on the results of the tax period, without paying monthly advance payments.

This method applies to organisations whose sales revenue for the previous four quarters did not exceed an average of 15 million rubles per quarter. The tax is also paid quarterly by budgetary and autonomous institutions (with some exceptions), foreign organisations operating in the Russian Federation through a permanent mission, and non-profit organisations that do not have income from the sale of goods and services.

3. Monthly advance payments based on the actual profit received.

In this case, the calculation is based on the tax rate and the actual profit received, calculated on an accrual basis from the beginning of the tax period until the end of the corresponding month. The amount of advance payments to be paid to the budget is determined considering the previously accrued amounts of advance payments. When switching to this payment method from the next tax period, the organisation notifies the tax authority no later than December 31 of the current year. At the same time, the payment system cannot change during the tax period. The method adopted by a legal entity should be worth fixing in its accounting policy ([Kameneva, 2024](#)).

Thus, corporate income tax is a special type of tax in the Russian Federation's tax system because it is the only one calculated according to accounting and tax accounting.

### Conclusion

Thus, in the modern world, tax revenues are mandatory deductions and form the majority of budget revenues at various levels; they are the main source of funds for any state. Timely payment of taxes and fees affects the economic security of the country and the quality of life of society as a whole.

Any state, including the Russian Federation, must develop and create a tax system that meets all the requirements.

The main task of the tax authorities is to monitor compliance with tax legislation, the correctness and completeness of tax calculations and mandatory payments, and timely payments to budgets of various levels of the Russian Federation.

The first part of the study examines the theoretical foundations of income tax in the Russian Federation's tax system. All organisations and enterprises registered in the Russian Federation must pay a direct tax to the state budget. Income tax, along with VAT, is the leading tax that performs a fiscal function, that is, fills the state treasury.

Income tax is a federal tax. During the year, companies pay advance payments and submit corporate income tax returns. Note that some categories of organisations do not pay income tax. These are the companies that have switched to a special mode. It has been revealed that, as for most taxes, the calendar year acts as the income tax period. After it is completed, the final annual payment is paid, considering the advance payments made during the year, and the tax return is submitted.



Income tax, like other taxes in force in the Russian Federation, makes a significant contribution to the country's budget. This is especially true of the structure of revenues to the consolidated budgets of the Russian Federation's constituent entities, where the share of income tax in the last year was about 31%.

The second part analyses the current procedure for calculating corporate income tax. Income tax is one of the most important sources of revenue for the State budget. The object of taxation is the profit received by the organisation. Income is an economic benefit in kind or in cash. The tax period is a calendar year. Reporting periods: 1<sup>st</sup> quarter, half-year, and nine months of the calendar year. The tax base is the monetary value of the profit that is taxable. If expenses exceed income by the end of the calendar year, the tax base is assigned a zero value.

According to Article 284 of the Tax Code of the Russian Federation, the income tax rate is 20%, except for some exceptions: 3% of the accrued corporate income tax goes to the Federal Budget, and 17% is transferred to local budgets of the Russian Federation. Local governments can reduce this tax rate for certain categories of taxpayers, but only to 13.5%.

In the course of further tax reform, it is necessary to improve the corporate income tax to increase not the tax burden on each specific enterprise but the number of taxpayers who have made a profit based on the results of their activities and have shown real income in their declarations. At the same time, it is necessary to ensure that medium and small businesses can quickly pay off their tax obligations without prejudice to their financial condition and invest the net profit for expanded reproduction.

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## Appendix

Table 1. Rules for attributing income to a taxpayer's profit

The taxpayer	Profit for tax purposes
Russian organisation	Income received, reduced by the amount of expenses incurred
A foreign organisation operating in the Russian Federation through permanent representative offices	Income received through permanent representative offices, reduced by the amount of expenses incurred by these representative offices
A foreign organisation	Income received from sources in the Russian Federation