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**M. S. Kruglaya**, Undergraduate Student, Faculty of Training Specialists for the Judicial System, Russian State University of Justice. St. Petersburg, Russia.

**Daria A. Lobanova**, Undergraduate Student, Faculty of Training Specialists for the Judicial System, Russian State University of Justice. St. Petersburg, Russia.

### Problems of Calculating Value-Added Tax

*Abstract:* The value-added tax is a regulatory federal tax. The article discusses value-added tax. The concept is given, as well as common mistakes that Russian citizens make when calculating VAT. The value-added tax is defined in this paper as one of the central federal taxes, which has both problems and solutions. The concept of “Paper VAT” is given, and the meaning of its role in the tax system is revealed. The issue is raised about the need to amend the Tax Code of the Russia, which would reduce tax losses in the future. The authors conclude that today, VAT is one of those taxes that is not fully regulated by the state. The modern Russian tax system has many problems that hinder the effective implementation of VAT tax administration. These problems are different.

*Keywords:* VAT, value added tax, value added tax rate, federal budget, value added tax, paper VAT, tax legislation, taxpayer.

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**М. С. Круглая**, студентка 4 курса, факультет подготовки специалистов для судебной системы, Российский государственный университет правосудия. Санкт-Петербург, Россия.

**Дарья Лобанова**, студентка 4 курса, факультет подготовки специалистов для судебной системы, Российский государственный университет правосудия. Санкт-Петербург, Россия.

### Проблемы исчисления налога на добавленную стоимость

*Аннотация:* Налог на добавленную стоимость – это регулируемый федеральный налог. В статье рассматривается налог на добавленную стоимость. Приводится понятие, а также распространенные ошибки, которые граждане Российской Федерации допускают при исчислении НДС. Налог на добавленную стоимость определяется в данной работе, как один из основных федеральных налогов, который имеет как проблемы, так и пути их решения. Приводится понятие “Бумажный НДС” и раскрывается смысл его работы в налоговой системе. Поднимается вопрос о необходимости внесения изменений в Налоговый кодекс Российской Федерации, что позволило бы уменьшить налоговые потери в будущем. Авторы делают вывод, что на сегодняшний день НДС является одним из тех налогов, которые в полной мере не регулируются государством. Современная налоговая система Российской Федерации имеет ряд проблем, которые препятствуют эффективному осуществлению налогового администрирования НДС. Эти проблемы носят разный характер.

*Ключевые слова:* НДС, налог на добавленную стоимость, ставка налога на добавленную стоимость, федеральный бюджет, налог, добавленная стоимость, «бумажный НДС», налоговое законодательство, налогоплательщик.

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### **Abbreviations:**

*CIT* is corporate income tax,

*CPT* is corporate property tax,

*PIT* is personal income tax,

*TC* is Tax Code of the Russian Federation,

*VAT* is value added tax.

### **Introduction**

VAT is a regulatory federal tax. It constitutes a form of revenue withdrawal from the budget from the added value generated at all stages of production. This added value is the difference between the value of goods, works, and services sold and the cost of material expenses included in production and distribution costs. VAT is levied on all goods, works, and services throughout the entire production cycle, and serves as a stable and consistent source of income for the budget (*Tedeiev & Paryhina, 2025*).

### **Results**

In the Russian Federation, a so-called “turnover tax” existed prior to the introduction of VAT. During the economic crisis, a team of specialists, headed by the Russian economist and political figure Yegor Timurovich Gaidar, was formed to implement a series of anti-crisis measures. With the involvement of experts, a “tax for the poor”—the value—added tax—was introduced in the country. VAT came into effect in Russia on 1 January 1992. At that time, the highest rate was set at 28%.

According to data from the Federal Tax Service, VAT provided the largest share of revenues to Russia’s consolidated budget: 52% (1,234.5 million roubles), PIT—28% (660.1 million roubles), CIT—12% (289.9 million roubles), taxes under special tax regimes—4% (88.4 million roubles), and CIT—1% (16.8 million roubles).

The place of supply for services is Russia’s territory. The tax base is determined according to the rules set out in Article 153 of the TC.

The objects of taxation include the following operations:

1. The supply of services (work and goods) within the territory of the Russian Federation, including the sale of pledged property and the transfer of property rights, as well as goods under agreements for compensation or novation;
2. The transfer of services (goods) for personal use within Russia, where related expenses are not deductible for corporate profit tax purposes;
3. The importation of goods into the Russian Federation.
4. Other operations listed in Article 146 of the Tax Code of the Russian Federation (*Krokhina, 2024*).

VAT payers may be both individual entrepreneurs and legal entities. VAT calculation is governed by Article 166 of the TC: the tax amount is calculated based on the tax base specified in Articles 154–159 and 162 of the TC and represents a percentage of that tax base (*Tax Code, 1998*). If the organisation keeps separate accounts, the total tax payable is determined as the sum of taxes calculated at each applicable rate as a percentage of the corresponding tax bases

An analysis of the composition of VAT payers can reveal common errors in its calculation:

- errors in identifying the taxable object (e.g., incorrect application of tax rates; failure to fulfil obligations as a tax agent);
- unlawful tax deductions (e.g., improper use of exemptions; unlawful application of VAT relief).

Proper application and calculation of VAT help mitigate risks and avoid penalties from the tax authorities. Therefore, it is crucial to carefully verify all calculations and documents related to VAT.

The formula for calculating VAT often encourages taxpayers to develop tax avoidance schemes. For example, the profit tax base is determined by subtracting allowable expenses from income, per paragraph 1, Article 247 of the TC. In contrast, the VAT base is defined as revenue only, according to paragraph 1, Article 154 of the TC (*Tax Code, 1998*). Deductions, which reduce the amount of VAT payable by a specific taxpayer, do not affect the tax base itself—they shift part of the tax liability to the supplier. The set of transactions carried out by taxpayers does not reduce the total VAT payable to the state. Thus, although deductions may reduce an individual taxpayer's payments, the overall tax obligation to the state remains unchanged.

In this sense, deductions redistribute the responsibility for tax payment but do not alter the total amount of tax to be paid.

Despite the implementation of the VAT Automated Control System 2 (ASK VAT–2), the practice of “paper VAT” persists (*Modern software tools..., 2019*). In an attempt to deflect attention from their clients, some firms extend supply chains which ultimately terminate in a shell company, creating a significant gap in unpaid VAT (*Larichev & Pankratyev, 2021*).

“Paper VAT” is a tax optimisation scheme whereby an honest taxpayer, wishing to reduce “input VAT,” engages in fictitious contracts with suppliers. These suppliers issue invoices for non-existent deliveries (services or works), report these operations in their tax returns, and simulate a supply that never occurred (*Chernik et al., 2024*). In reality, no actual supply takes place — the supplier merely provides the customer with documents for goods (works or services) that were never delivered. This is why such VAT is referred to as “paper VAT.”

To address the issue of shell companies in supply chains that effectively evade tax payments, it would be appropriate to tighten regulations on the registration of legal entities and individual entrepreneurs and amend the TC accordingly. This would help prevent or reduce the formation of fictitious companies at the initial stage (*Farkbutdinov, 2024*). This also applies to the registration of companies with multiple directors or founders.

Initial screening during the company registration process would greatly ease tax administration at the inspection level, reduce inspectors' workloads in collecting evidence against shell companies, and lower tax arrears.

A similar situation arises with companies engaged in questionable activities. It is necessary to amend the TC concerning the acceptance of tax reporting. The tax authorities are obliged to

accept tax returns from all taxpayers who submit them. However, since introducing the ASK VAT–2 system, it has become possible to detect taxpayer schemes in which discrepancies in VAT amounts arise across supply chains, leading to significant sums not being paid into the federal budget. Amending the TC about dubious organisations would help reduce tax losses.

Taxpayers are subject to mandatory registration with the tax authority.

### Conclusion

In conclusion, it can be said that, as of today, VAT remains one of the taxes that is not fully regulated by the state. The current tax system faces several issues that hinder the effective administration of VAT. These problems vary in nature—they may stem from certain inaccuracies in tax legislation, shortcomings in the organisation of audit activities by the authorities, taxpayers' intent to evade taxation, or challenges arising in the practical application of tax calculation.

To reduce instances of VAT evasion, it is necessary to tighten control over potential taxpayers by establishing a unified database that would monitor all of a taxpayer's payments, not limited to VAT alone. Furthermore, measures are worth adopting to prevent taxpayers from creating or using any VAT evasion schemes in the future.

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