

SHADOW ECONOMY AND POSSIBLE WAYS TO DECREASE IT AS A FACTOR OF INCREASING TAX REVENUES IN THE BUDGETARY SYSTEM OF THE RUSSIAN FEDERATION

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Abstract: *The main goal of the research was to analyze problems of the shadow component of the Russian economy and to estimate possible ways of its legalization as a factor of the growth of tax revenues in budgets of all levels. During the research the following methods were applied: abstraction, induction and deduction, economic and statistical methods (observation, generalization, grouping, comparison, etc.). Techniques, principles of the factor analysis, system and comprehensive approach were used. The minimum losses of budgetary revenues due to the shadow activity as a whole in the Russian Federation, and in the Republic of Dagestan in particular were calculated. Progressive elements of the experience of foreign countries in solving problems related to the decrease in the shadow economy were analyzed in terms of their possibilities of using in the Russian Federation. The research novelty of the work lies in the development of offers and recommendations of the research and applied nature focused on the decrease in the scale of the shadow sector as a reserve of the growth of tax revenues to budgets of various levels. It is offered to estimate the efficiency of the taxation policy with a taxation safety coefficient, and a regional taxation safety coefficient (ability of the taxation system to meet the increasing social needs due to stable and efficient return of duties in the budget) as applied to regions. It reveals ways of improving mechanisms of the interrelation of law enforcement and fiscal administrators with other bodies of the executive power in relation to the movement of property, financial assets, and income as a basis of the counteraction to the tax violations.*

Keywords: *tax reserves, shadow economy, problems, specific features, estimation methods, the Russian Federation, the Republic of Dagestan, unaccounted GDP, ways of decrease, taxation administering.*

INTRODUCTION

At the contemporary stage, due to the increase in the scale of shadow economy and growing problems related to forming revenues of the budget, the shadow

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economy attracts more and more close attention of researchers both in Russia and foreign countries. Objective estimation of the shadow economy scale, revealing reasons of its destructive impact on the economy development, and analysis of ways to eliminate it are among key problems of the national and world practice. It is also a basic task that must be solved to develop measures of returning shadow activity to the legal course.

Researches offer a lot of interpretations of the notion “shadow economy”. In spite of a great number of interpretations, the approach based on considering shadow economy as “a complex of types of activity that provides market income that is not declared” can be considered as the most laconic (*L'économie informelle - Cairn.info*, 2011). Among the works of the 20th century, the article of the American researcher P. Guttman “Shadow Economy” researched the problems of the shadow economy in the most detailed manner (Guttman, 1977). Later the shadow economy is considered in works of such foreign researches as B. Kontini, K. Morris, V. Tansey, H. Peterson, and many others.

Shadow economic relations in post-Soviet countries have started being actively researched since 1980s after the work of A. Katsenelinboygen (Katsenelinboygen, 2002). Such researchers as S. Menshikov, A. Krylov, Yu. Korchagin, S. Golovnin, N. Bokun, A. Abalkin, A. Ponomarenko, etc. made a considerable contribution to researching problems of shadow economy. In spite of numerous researches related to the shadow component of economy, the current growth of its scale and destructive impact both on political and economic component of the state stipulate the necessity to continue research in this area. Researches focused on looking for ways to legalize the shadow income as an important resource of increasing tax revenues of the budgetary system acquire special urgency.

Contemporary researches confirm that the level of impact of the shadow sector on the social and economic relations weakens as the economy develops (Burov, 2012). The developed industrial countries of the European Union as well as the USA have a comparatively low level of shadow economy (in average, it does not exceed 17% of GDP). However, in the developing countries the respective rate reaches 40-45% (Aliev and Musaeva, 2013). According to the official data of statistical bodies of the Russian Federation about 40% of employable population of the country, i.e. 30 mln. of the Russian citizens are involved in the shadow sector. It accounts for 20% of GDP (twice more according to unofficial data). In many regions of the Russian Federation, especially in the North-Caucasian Federal District, these indicators are much higher. Thus, according to the researches carried out by Dagestanian researchers, the shadow economy reaches 60-70% of GDP in the Republic of Dagestan (Akhmeduev, 2015).

At the modern stage of the Russian Federation, financial resources of the Reserve Fund and the National Welfare Fund are considerably used for solving

many financial problems of the budgetary system. In case of such approach financial resources of these funds can come to the end during the nearest years. Due to it, it is necessary to search for additional resources of income. It intensifies the urgency to analyze reasons behind the shadow economy and search for ways to eliminate it as a factor of increasing tax revenues both to the federal budget and consolidated budgets of subjects of the Russian Federation.

Researches show that shadow economy has a special impact on the life of the regions with traditionally strong family and clannish relations. The Republic of Dagestan is undoubtedly one of such regions. The importance of strategic position of the North Caucasus for Russia, and Dagestan for the North Caucasus, and the comprehensive nature of threats on the part of the shadow relations existing in the region make it necessary to analyze peculiarities that cause this phenomenon in the region, and define possible ways to decrease it.

METHODOLOGY

Various estimations of shadow economy scale stipulate the necessity to research and analyze methods of defining it. Direct (used basically on the micro-level) and indirect methods (macro-level) of estimating shadow economy are differentiated.

Sampling observation in the form of *ô* inquiry is the most wide-spread direct method in the world practice. It is used in many European countries, particularly in Norway. We will note that the level of shadow economy in Norway is only 6% (Isachsen, 1985). These methods are inconvenient because of inquiries disadvantages. For example, the average accuracy and results depend on the respondent's readiness to cooperate and provide objective and true information. Estimations of shadow economy can be also based on the incompliance between the income declared for taxation and the income calculated during sampling inspections. In such cases taxation auditing inspections are especially efficient. As these inspections are meant to measure the amount of the undeclared tax revenues, they can be also used for calculating shadow economy. However, in case of such a method based on the biased sampling, discrepancies are possible. Another inconvenience of the above methods (inquiries and taxation audit) is the impossibility to cover all shadow actions. That is why they can represent the low boundary of estimates. These methods do not allow to determine the estimation of the shadow economy development and growth for a longer period of time. Nevertheless, they have a considerable advantage because they allow to provide detailed information about shadow economic actions, structure and composition of those who work in the shadow economy (Perov, 2015).

On the macro-level indirect methods are used to measure shadow economy. They are based above all on indicators of official statistics, data of law enforcement, credit, fiscal and financial bodies. Herewith, shadow economy is estimated by

using such methods as income and expenditures comparison, the method based on calculating employment indicators (“Italian” method), monetary, technological coefficients, expert, structural methods, and the method of soft modeling (estimation of determinants). The method of income and expenditures comparison is based on the supposition that the excess of expenditures over income is an indicator of the shadow economy. Data about the actual income are obtained as a rule from the information about the paid taxes, and data about the actual expenditures are obtained as a result of inspecting the activity of organizations, individual entrepreneurs, and households.

The method based on calculating employment indicators (“Italian” method) was developed and applied in Italy and other foreign countries. When developing it, specialists were based on the fact that it was quite difficult to collect true data about the actual production of goods, works and services (especially in the production of small-sized business). One of the reasons of it is conscious understatement of the production indicators for the purpose of evading tax payments. The estimation of shadow economy by using the “Italian” method lies in the fact that statistics defines the number of filled up working positions by using data of census, regular statistical, taxation, and social reporting. Based on it, the number of employees in the equivalent of complete employment is assessed. The number of employees in the equivalent of full working day and performance per one employee allow to estimate the output and the value added taking into account shadow employment as additional income of relevant sectors. The advantage of such approach is in the fact that people who are not asked about income have no sense to conceal information about their working hours. The use of the “Italian” method is also limited. Best of all it works in case of low mobility of population.

Monetary methods are based on using such a peculiarity of illegal economy as the preference given to cash when making transactions (in illegal economy cash is mainly used as a means of payment). This method is based on the supposition that in the legal sector of economy during the specific period of time the correlation between the number of population’s banknotes, on the one hand, and total investments of population in credit organizations, on the other hand, remain constant. The method of technological coefficients is an approximate determination of the volumes of goods (works, services) production on the basis of observations over production and consumption of electric power, water, cargoes transportation and other indirect indicators that can be accounted rather easily in order to compare the obtained data with the official ones. The structural method of estimating the shadow economy is based on using information about its size in various sectors of economy by comparing “sectoral” estimations according to the share of these sectors in GDP (Kormishkina and Lizina, 2009).

The variety of methods says about the complexity of estimating the shadow component of economy and rather conditional boundaries of the results veracity when using one method. As a rule, direct methods underestimate the shadow economy. Indirect methods overestimate. The most objective estimation of the shadow economy is possible with a comprehensive use of various methods. It is necessary to note that when analyzing the shadow economy, it is necessary to use methods related not only to economy and sociology, but other, too, including historical aspect. The comprehensive interdisciplinary approach allows to most objectively analyze the roots of the shadow economy and to estimate its scale.

As it was mentioned above, as a whole in the Russian Federation the share of the shadow sector of economy comprises about 20% of GDP (Federal Service of State Statistics, 2016). Some expert estimations often include illegal economic activity in the calculations and mention the figures that exceed the official ones 2-3 times. To our mind, this approach is incorrect because illegal (shadowy) economic activity is not a reserve of forming the budget revenues. Such economic activity must be eliminated but not legalized. In case of direct calculation of the budget losses, it is necessary to take into account all legally permitted types of economic activity within whose there is production of goods (works, services) that is not taken into account by the official statistics in the process of taxation. At the same time it is necessary to state that shadowy economic activity, which is subject to legalizing in republics of the North Caucasian Federal Districts including the Republic of Dagestan, has much larger scale as compared to other regions of the Russian Federation.

The efficiency of taxation policy can be defined by using the taxation safety coefficient and the regional taxation safety coefficient (ability of the taxation system to meet the growing social needs due to stable and efficient return of taxes to the budget) as applied to regions.

It is necessary to differentiate the regional taxation safety coefficient as an actual and real value. Regional taxation safety coefficients estimate the actual and potentially possible level of the taxation self-provision of the region. The relation of all tax revenues mobilized from the territory of a specific subject of the Russian Federation to the expense side of the consolidated budget is defined as an actual regional taxation safety coefficient. Taking into account the fact that the Russian Federation is a federative state and is based on the principles of the taxation federalism (whose key principle is budgets independence), it is necessary to introduce such a notion as "coefficient of real taxation safety of the region" (whose calculation must be based only on those tax revenues that are mobilized in the consolidated budget of the region).

Calculations show that in the 2015 the actual current level of the regional safety of the Republic of Dagestan was 0.48% (Directorate of the Federal Service of State

Statistics in the Republic of Dagestan, 2016). This value says about the level of the subsidized component of the regional budget. The value of the coefficient of real regional taxation safety cedes 6% to the value of actual regional safety coefficient (2015). The research we made says about the low level of taxation safety of the Republic of Dagestan, and consequently, inability to meet needs of the region not only at the expense of its own revenues but also at the expense of all tax revenues mobilized from the territory. There are several reasons of low level of the above coefficients. The most important ones include the factors that have an impact on the amount of tax revenues (shadow economy, low level of taxation culture of population, low level of economy profitability, etc.), and factors that stipulate the inefficiency and growth of expenses of the regional budget.

RESULTS

The calculations we made in relation to the estimation of the budgetary losses due to the shadow activity displayed in Table 1 show that as a whole in the Russian Federation above 3.5% of GDP of tax revenues fail to get to the budgetary system. In 2014 it made up RUB 2.54 tln. And it does not take into account the insurance charges to extra-budgetary social funds, whose administrating is beyond the obligations of the Federal Fiscal Service (FFS) of Russia. Due to the large scale of shadow activity every year the budgetary system of the Republic of Dagestan fails to get about extra 4% of GDP or above RUB 17 bln. of tax revenues (excluding the insurance charges to extra-budgetary social funds).

Table 1
Dynamics of Lost Tax Revenues of the Consolidated Budget of the Russian Federation due to Shadow Activity of Economy Subjects for 2011-2014

<i>Indicators</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
GDP of the Russian Federation, tln. RUB	54.6	62.6	66.5	70.9
Tax revenues of the consolidated budget of the Russian Federation, tln. RUB	9.7	10.9	11.3	12.7
Tax revenues of the consolidated budget of the Russian Federation, in % as to GDP	17.7	17.4	17.0	17.9
Unaccounted GDP due to the shadow activity (potential reserve of taxation, (GDP*20%)), tln. RUB	10.92	12.52	13.3	14.18
Tax losses of the consolidated budget of the Russian Federation due to the shadow activity, tln. RUB	1.94	2.18	2.27	2.54
Tax losses of the consolidated budget of the Russian Federation due to the shadow activity, in % as to GDP	3.54	3.48	3.5	3.58

* Author's calculations according to the official data of the Federal Service of State Statistics of Russia and Federal Fiscal Service (FFS, 2016). Revenues of the consolidated budget of the Russian Federation are given without taking into account the insurance charges to extra-budgetary social funds.

Taking into account the continuing crisis situation in the economy (in spite of some features of its relief), the losses for the Russian budget as well as those for budgets of subjects of the Federation are considerable. Thus, it is necessary to apply the system approach for taking a set of measures focused on decreasing the scale of the shadow activity and its negative impact on various institutes of the state, including the budgetary system of the Russian Federation and its regions.

The official level of the taxation burden (the ratio of the actually collected taxes to the gross regional product (GRP)) in the Republic of Dagestan is less than 7% (2013 – 6.1%, in 2014 – 6.4%, and in 2015 – 6.5%). To compare, in the North Caucasus it is above 10.6%, and in the Russian Federation it is 18% excluding the insurance charges to extra-budgetary social funds (Table 1). Taking into account the fact that above 70% of all expenditure commitments of the republican budget of the Republic of Dagestan is covered at the expense of the uncompensated funds from the federal budget, this situation is inadmissible for the region. According to the authors' calculations, the accounting of all revenues of the republic that make up GRP would allow to decrease almost twice the uncompensated transfers from the federal budget.

At the modern stage the system of the actual measures on legalizing the shadow sector is required above all for efficient management of social and economic development, growth of the investment activity of the region, provision of employment, improvement of the citizens' lives, fuller realization of the human potential, and on this basis, expanding of the taxation basis. It is known that the shadow activity is based on the wish to earn additional income. In addition to the wish to earn surplus income, it is necessary to acknowledge the objectively existing financial and economic difficulties of the current state of the region that make subjects of the economic activity evade taxes to maintain their business, which is the basic reason of the shadow activity. This situation is enhanced by the absence of demand for a considerable part of employable population in the legal sector of economy. The analysis of information of the law enforcement, statistical and fiscal bodies about forms of the shadow activity in the Republic of Dagestan allowed us to make the conclusion that the objectively existing reasons were based on personal economic interests of economic subjects. The shadow area is basically attractive because of the easiness to access entrepreneurial activity and possibility to more entirely meet personal economic interests in it. Here there is a large economic and taxation potential that, if supported, can be used for the benefit of the region and the state as a whole.

The experience of economic relations established on the principles of the mutual trust and meeting economic interests of both a separate individual and the state is implemented in many developed countries (Germany, Austria, and Norway), and in some post-Soviet countries like Kazakhstan. It causes positive results in the form of the development of top priority areas of economy and return of a part of

non-formal economy to the legal course. Both the growth of production in basic areas of economy and the growth of tax revenues to the GDP prove this. They occurred on the background of the considerable decrease in the taxation burden for specific subjects of economy. The experience of Kazakhstan is related to simplifying the registration of subjects of economic activity, levying of taxes according to the declared taxation base, decreasing the taxation burden in top priority areas of economy subject to simultaneous improvement of taxation administering. It would be reasonable to use it in Russian regions, too, including in the Republic of Dagestan where traditional methods do not allow to decrease the high level of the shadow sector (Musaeva and Lachenilaeva, 2015).

The implementation of the declarative principle allows to neutralize bureaucratic obstacles and simplifies access to the legal area of economic activity. Such approach also contributes to the involvement of own material resources in economy, and thereby partially solves the problem of financing investment activity. However, own resources of the population of the Republic of Dagestan, which features one of the lowest levels of life in the Russian Federation, can be insufficient. That is why it is necessary to create the mechanism of state support for investing in legal economy. On the regional level it is possible to credit innovational activity from budgets of various levels according to the accumulative principle. As a result of such crediting, the double task is solved. The entrepreneurship is developed, and non-formal economy is legalized. When implementing this approach, the state gets a law-abiding tax payer who becomes both his own investor and guarantor.

DISCUSSION

With the course of time scientific references started specifying a new approach to studying the role of the shadow economy in the life of the society. One of the approaches is reflected in the work of the American economist M. Olson (Olson, 1995). He interprets the state as a “stationary bandit”, and thereby considers the criminal activity as an organic element of the political genesis. Among national researchers, V.V. Volkov (Volkov, 2005) considers the shadow economy as an organic element of the economic life, and S.Yu. Barsukov (Barsukov, 2006) interprets it as a key component of the shadow mechanisms of the political life. L.Ya. Kosals and R.V. Ryvkina consider it to be an institute that plays a system forming role in the post-Soviet economy (Kosals and Ryvkina, 2002).

To our mind, disadvantages of the shadow activity are so much large-scale and obvious (violation of the market motivation of the activity of economic subjects because of the decrease in the competitiveness of goods (works, services) produced by a law-abiding subject of the economic activity, decrease in the level of revenues to the budget, growth of social tension in the society, occurrence of resources of financing that are not controlled by the state, including the ones of the extremism nature, etc.) that they do not cover its possible positive features.

In Russia the basics of the shadow economy were laid at the Soviet time due to the deficit of a number of goods (in particular, produced abroad). During the accelerated development of the market economy of the Russian Federation, the deficit of the law occurred. It became the breeding grounds for the growth of the scale of the shadow economy. At the modern stage the shadow activity still has an impact on the economy and causes the growing interregional social and economic differentiation and increase in the state safety threat. The analysis of the shadow economy manifestation in subjects of the Russian Federation allows to reveal a number of specific features of its manifestation that are to a great extent stipulated by the social and economic structure of various regions. In Moscow and Saint-Petersburg this is mainly credit and financial area and operations with real estate. In many regions they are related to the export-focused rough manufacture: Yakutia (diamonds, gold), the Tyumen Region (oil), the Kemerovo region (coal), etc.

In seaports and border towns (Vladivostok, Khabarovsk, Novorossiysk, Murmansk, and Kaliningrad) the shadow economy is mainly related to illegal fish production and frauds with the property of shipping companies. Thus, according to the official data, the Kaliningrad Region considerably lags behind Russia as a whole, and many regions according to the volumes of investments in basic capital (twice), level of life of the population (1.4 times), the volume of the gross product per head (1.5 times) (Federal Service of State Statistics, 2016). At the same time in this region it is possible to observe active construction of elite real estate; there are expensive shops, restaurants, etc. It says that official and real income of citizens of Kaliningrad differ greatly. According to various estimations, in the region the shadow sector accounts for 40-60% of the internal regional product.

Specific features of the shadow activity peculiar of the Republic of Dagestan include involvement of all segments of people of the Republic from workers to politicians in the shadow economy, implementation of personal economic interests within national clans, and domination of ethnic interests over state ones. The minimum estimations of various ministries and departments of the Republic of Dagestan say about considerable reserves of the growth of the taxation potential of the region. The lowest taxation burden is observed in the public catering area. Herewith, losses are related both to the income tax and according to the simplified taxation system. For example, in Makhachkala as on 01.01.2015 there were 60 restaurants. RUB 95 thous. of the paid taxes per year was accrued per one restaurant, i.e. RUB 7 thous. per month. It does not reflect the real situation. The official level of the average salary as on the beginning of 2015 in this sector of economy was from RUB 4 to 13 thous. (Department of the Federal Service of State Statistics in the Republic of Dagestan, 2016). More than half of the employed citizens have the level of salary that is lower than the minimum rate of labor payment (MRLP). A similar situation is observed in many other sectors and areas of activity.

In 2015 the tax revenues in the budgetary system of the Republic of Dagestan in terms of basic types of activity per one employed citizen (RUB 15.6 thous.) were almost 2.6 times lower than the analogous indicator in the Stavropolskiy Krai (RUB 40.5 thous.), and almost twice less than that in the Republic of Ingushetia (RUB 29.6 thous.). However, according to the turnover of small-sized enterprises the Republic of Dagestan occupies the leading positions in the North Caucasian Federal District – RUB 137.6. It is possible to observe a similar situation in the construction area. In the structure of construction and assembling works not less than 30% of the expenses are allotted for the labor payment fund. This area must provide only the income tax in the amount of more than RUB 2 bln., including all possible deductions. In fact, the budget gets almost 4 times less.

To a great extent, such practice is caused by a wide spread occurrence of various schemes to evade taxes in Dagestan, including the payment of shadow salary, and a low level of financial competence. In many areas of economy (especially in construction) the majority of employees work without concluding a labor agreement. Incomes of this category of individuals are not levied with the income tax. These difficulties can be solved by fiscal bodies by inspecting organizations that pay backdoor salaries, revealing organizations that do not conclude labor or civil law contracts with employees, as well as organizations where the official salary of employees is lower than the average sectoral level (Abdulgalimov, Sultanov G.A. *et al.*, 2015). Besides, when taking control measures in relation to individuals, it is efficient to use the information from extremal sources, above all, about owners of transportation means, and owners of property (method of technological coefficients).

In many regions of the Russian Federation, in addition to salary, other types of income is not levied in the majority of cases. Data about both the structure of the accrued taxation base according to the income tax and the composition of the actual payers of income tax give prove this. Thus, for example, in 2015 on average in all subjects of the Russian Federation the reporting data of the FFS of Russia say that the greatest share (95.3%) in the taxation base accounts for the income levied at the rate of 13% (Federal Fiscal Service, 2016).

The extremely low tax revenues from other types of individuals' incomes, excluding salary, say about the under-use of the income tax potential. Professor V.Z. Petrosiants indirectly states about it: "in the structure of monetary income of population, official salary, income from the entrepreneurial activity, social payments (aids, pensions, and grants) make up only 45%, and the rest is referred to "miscellaneous". Herewith, a considerable share of them is within the shadow sector of economy" (Petrosiants, 2012). Thereat, the Republic of Dagestan has the lowest indicator among the subjects of the Russian Federation according to the level of official salary, and the highest according to the "miscellaneous" category in the structure of monetary income of population. It is proved by the low level of

the population employment and the high level of the shadow business in the Republic of Dagestan.

Rather low revenues according to the income tax obtained not from the salary income can be a consequence both of the financial competence of the population and purposeful evasion of income taxes. Due to it, measures on strengthening the taxation administering and responsibility of tax payers for evading the tax must be taken together with the measures focused both on increasing the trust to the state institute, providing the transparency and efficiency of budgetary expenditures, and increasing financial incompetence, and based on it bringing up the population's taxation culture.

Considerable under-used tax reserves are found in the area of small-sized business. Almost 2/3 of small organizations of the Republic of Dagestan are not registered and function as shadow businesses. Owners of enterprises understate or conceal qualitative and financial data related to the sector of small entrepreneurship. That is why only a small part of small enterprises in the area of small-sized business is reflected in the statistical data about the Republic of Dagestan (Imanshapieva, 2013). As it is known, in foreign countries small businesses play an important role in solving problems related to unemployment and increasing the population employment. In subjects of the Russian Federation, especially in the Chechen Republic, Ingushetia, Kalmykia, and the Republic of Dagestan, the role of small organizations in providing the population's employment remains inconsiderable. In 2015 in Dagestan it was 6.5%, and 12.2% as a whole in the Russian Federation. At the present time the use of the potential of small- and medium-sized business can be also increased due to the tax revenues to regional and local budgets, because the development of entrepreneurship enhances new working places and the life level of the regional population.

Taxation crimes committed with the participation of large multi-sectoral holdings that were established in the early 2000s are another type of evading taxes. In the aggregate with natural monopolies these holdings control not less than 40-50% of all financial flows of the country. Herewith, they provide a considerable share of taxes and other payments in the budget (Ermakova, 2007). As a result of providing taxation preferences, the state and subjects of the Russian Federation fail to get additionally from 45 to 55% (according to various estimations) of all tax payments administered by the FFS of Russia. Due to it, as it was stated in the researches made by us before, the liquidation of the preferences that are not justified in terms of social and economic efficiency but herewith provide separate tax payers with considerable advantages and opportunities to evade taxes and grow the shadow economy is an important area of reforming the taxation system. However, the refusal from some privileges as well as the process of introducing new ones must come with their prior expertise about their usefulness and reasonability (Musaeva *et al.*, 2015).

The key area of improving the taxation administering is the implementation of new forms and methods of taxation control based on the leading informational technologies. One of the global problems of Russian markets is the existence of firms that are established for a short period of time and evade taxes. The current mechanism of registering subjects of economy of the Russian Federation has got possibilities to commit such crimes. As a consequence of free selection of the place to register the activity by subjects of economy, fiscal bodies cannot always control their activity. In the current situation it is reasonable to amend the basic legislative act about taxes (Taxation Code of the Russian Federation) and to provide the obligatory procedure of registering subjects of economy at the place of their actual activity.

CONCLUSION

The research we made in relation to the analysis of the shadow activity, its destructive impact on the social and economic development and possible ways of its decrease allowed us to make the following conclusions and offer a number of recommendations:

- The development of measures on struggling against the shadow economy stipulates the necessity to estimate its scale. Various states use various methods to estimate the shadow economy (that are analyzed in details in this research). Each of them has both advantages and separate disadvantages. It is possible to give the most objective estimation of the shadow economy only in case of using various methods.
- The analysis of the experience related to using methods to struggle against the shadow business allows to single out two approaches to solving problems related to the shadow economy. The first one is liberal. It is based on full legalization of the entire shadow economy. Solving problems of the shadow economy when using this method caused the establishment of financial clans that get to the highest levels of management, and suppress normal entrepreneurial activity. Another approach that occurred on the background of negative results of the liberal one is repressive. Under the conditions of forming the market relations in the Russian Federation, the use of the repressive method caused the further growth of the shadow activity because it did not aim at eliminating the conditions that caused it. As our calculations have shown, only according to the minimum estimations, because of the shadow economy the Russian budget fails to get additional RUB 2.5 bln. every year.
- It is necessary to implement a new approach to solving problems related to limiting the scale of the shadow activity in the Russian Federation. To a great extent it must be defined by establishing healthy integration of the shadow and official economy. It provides the formation of conditions

that would become non-advantageous for the shadow business on the basis of improving the development of entrepreneurship and human capital, development and implementation of efficient measures of state protection of population from financial fraud, and ensuring their savings safety.

- For the purpose of increasing the efficiency of the counteraction to the shadow economy, it is necessary to make drastic changes in the macro-economic policy aimed at transferring not to the gross growth of investments but to the growth of efficient investments that establish the competitive production. It is important to provide transparency, increase the efficiency and quality of budgetary expenditures as a factor of overcoming psychological reasons of problems related to collecting tax payments in the budgetary system of the Russian Federation that center around the distrust of tax payers to the policy pursued by the state. However, it is necessary to acknowledge that it is impossible to entirely liquidate the shadow business. The ratio of the shadow economy that does not exceed 10% of GDP must be an approximate parameter. The experience of industrial countries shows the feasibility of such level of the shadow economy. The decrease in the shadow economic activity down to 10% must be projected as a strategic task of the Russian Federation at the modern stage of the social and economic development. It is necessary to single out the necessity to more fully take into account economic interests of the personality (taking into account the specificity of the region) as an important way to return the shadow activity to the legal sector of economy of subjects of the Russian Federation. The reason behind this is that the potential of the economic activity of subjects of economy can be used in interests of the state if, as a result of such activity, the personality will be able to earn the income that is sufficient for his/her development.
- Measures on fuller accounting of economic interests of the individuality must come with the improvement of forms and methods of organizing the taxation administration, a wide use of mechanisms of interdepartmental interrelation of tax administrators with other bodies of the executive power, establishment of the system of total control, possession and movement of property, financial assets and income as a basis of counteracting taxation crimes. It is necessary to increase the level of using alternative (indirect) methods of defining the taxation base in organizing the taxation control. It must occur on the basis of the data obtained from the organizations that provide transportation services, power and gas supply organizations, suppliers of goods and services. Improvement of forms and methods of organizing the taxation administration, taking into account studying the most progressive

elements of the taxation control organization used by foreign countries, create the basis for the growth of the collected taxes, financial independence of regions, and the growth of the state safety.

- To our mind, the work of law enforcement bodies on struggling against the shadow economy must be performed according to the sectoral and territorial principles. The sectoral principle assumes the establishment of special subdivisions within the structure of the law enforcement bodies. These subdivisions must specialize in revealing and investigating crimes in various sectors of economy. The use of the territorial principle allows to take into account regional conditions of the economic activity, focus the law enforcement bodies attention on more dangerous types of the shadow economic activity in various locations. Herewith, not forceful actions of law enforcement bodies but self-development and conscious constructing of non-formal institutes that deny the shadow economy must play the key role in the struggle against the shadow economy.

The necessity of comprehensive solving of the above problems requires to deeply research the issues related to legalizing the shadow economic activity at the modern stage of the Russian Federation development taking into account the specificity of regional development.

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