Abstract. The authors provide a comparative analysis of theoretical and practical approaches to taxation of personal income in the Russian tax system and foreign tax systems. In our research we used a systems approach, methods of statistical, economic and comparative analysis in order to study taxation of individual income. Primarily, the increase of budgets revenues at the expense of income tax is possible by introducing higher tax rates with respect to individuals with high income. Most of the foreign countries with developed economies apply a progressive personal income tax rate scale, which fully corresponds to the principle of social justice, i.e. the rich pay more in absolute and relative terms. Based on the comparative analysis of theoretical and practical approaches to taxation of personal income in the Russian and foreign tax systems, the authors propose to improve personal income taxation in Russia. Income tax must not only fulfill a fiscal function, but also a social one.

Keywords: tax on individual income (personal income tax); tax deductions; progressive scale; tax-exempt minimum

JEL Classification: F65; Z23

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1. Introduction. The tax on individual income or income tax, as it is called in most foreign countries, is one of the main taxes in the system of personal income taxation. For the first time income tax appeared in Britain in 1798, and in the end of XIX - beginning of XX centuries it was introduced in the tax system in almost all countries of the world.

The main function of personal income tax, as well as any other tax is fiscal. The regulatory function of it is that income tax ensures redistribution of social income between different categories of the population. Income taxation should provide social equilibrium through the redistribution of funds in favour of poorer and more vulnerable categories of citizens at the expense of laying the tax burden on the rich and wealthier segments of the population.

2. Problem statement. Today, the main principles applied in the practice of taxation of personal income tax for most countries are rather uniform, although there are a few differences. What makes the taxation of personal income tax for all countries similar is: the presence of taxable and non-taxable income, the distribution of taxable income into parts. Each of those parts is provided with a certain tax rate and taxpayers may use tax credits or tax deductions that reduce taxable income. The main differences concern the values of tax credits or tax deductions and the applied scale of taxation. As regards income tax, most foreign countries use a progressive tax rate scale, which fully corresponds to the principle of social justice, i.e. the rich pay more in absolute and relative terms.


4. The purpose of the article is to substantiate reforming the taxation of personal income in Russia through the introduction of a progressive tax rate scale that would reduce the gap of living standard between different strata of the population and social inequality.

5. The key results of the study. The tax on individual person's income is an important tax for the state as well as for the taxpayer, since it is one of the budget revenue generating taxes, and affects the interests of the entire working population of any state [13].
in the sphere of levying the income tax, the focus of reforms undertaken by countries for recent years has been primarily aimed at budget revenues mobilization. Canada, Slovakia, Slovenia have increased income tax rates in respect to individuals with high income level; Israel has also moved to a progressive scale of personal income taxation.

Since 2007, the maximum income tax rate was increased in 18 OECD member countries.

In Germany, tax rates fluctuate in the range from 0% to 51%. Income tax in Italy is levied at rates from 10% to 50%. The minimum rate of a national income tax in Belgium is 25% and maximum income tax rate in this country equals to 50%.

In addition to the national income tax, with the same tax base Belgium levies municipal income tax at rates ranging from 6% to 10%.

Russia applies a flat income tax scale, unlike most countries where there is a progressive scale, which is more in line with the principle of taxation equity, and the value of the maximum income tax rate in most countries is significantly higher than in the Russian Federation [12].

Personal income tax receipts to the budgetary system of Russia are influenced by such factors as wage levels and the number of working population, the data about which for 2012-2014 are presented in Table 1.

Table 1 shows that the average annual number of people employed in the Russian economy reduces to 155 thousand people in 2014 in comparison with 2012 and amounts to 67813 thousand people. The decrease of mid-annual number of population employed in the economy of the Russian Federation has led to the growth of average monthly wage by 11.9 percent in 2013 and by 9.1% in 2014. As a result, revenues from personal income tax per one taxpayer have increased from 32.2 thousand roubles in 2012 to 37.9 thousand roubles in 2014. The tax amount listed as a tax agent to the budget system of the Russian Federation in 2013 increased by 5.7% compared to 2012, and in 2014 revenue growth was 11.8%.

One should pay attention to the fact that consumer prices in 2012-2013 remained almost at the same level, and in 2014 there was an increase of this index by 4.9%, due to economic sanctions imposed by foreign countries against Russia.

The magnitude of the effective tax rate in the investigated period ranged from 10.1% in 2012 to 9.7% in 2014, due to the increase of the amount of standard tax deduction granted to employees children.

Personal income tax receipts to the consolidated budget of the Russian Federation for the period under study increased by 20% to 30%.

The receipts from income tax in the revenue structure of foreign countries are much higher than in Russia. For example, income tax in Denmark’s budget is approximately 50%, in the USA it may reach 60% in the UK, Sweden and Switzerland - 40% [9].

The relatively small role of income tax in the formation of revenue base of the Russian Federation consolidated budget reflects the low incomes of the majority of Russians. According to the Russian Federation Federal State Statistics Service (Rosstat), in 2014 84.1% of employees drew salaries below 50 thousand roubles per month.

At the same time, the relatively low level of income tax receipts to the Russian budget is influenced by the high level of «concealment» of the earned income. Quite often at the enterprises the official salary is low and close to the minimum one in the industry, and the bulk of income is given to employees as envelope salary and wages.

This may sound strange, but in our country, the main share of income tax is provided by the receipts from the low-income part of the population, because they show the lowest percentage of taxes concealment. The poorest group of citizens have collected 100% of tax amounts, whereas the rich - only 17% [14].

In no country in the world total annual income of the taxpayer coincides with taxable income which is subject to the current income tax rate scale. Taxable income compared to total annual income is always less than the amount of tax deductions being allowed in accordance with the law. As a rule, they consist of tax-exempt minimum, various individual tax deductions, deductions for children, etc. The system of permitted tax deductions for defining income tax liabilities of an individual is of great importance, and most experts assess the level of taxation in a country not on the basis of tax rates. Instead they take into account a range of tax deductions which are permitted for the taxpayer in this country.

In the world practice of individuals’ taxation one of the most important tax benefits related to income tax is tax-exempt minimum. The essence of tax-exempt minimum is that the income required to maintain the health and vital activity of the taxpayer should not be taxable.

In European countries the value of non-taxable income per 1 taxpayer for a tax period is quite different - from 5 EUROS in Rumania to 11265 EUROS in Luxembourg. In the UK, deductions for an individual for one year amount to 2790 GBP; in Germany they amount to 8130 EUR, in France this figure is 5963 EUR. In Russia if an employee does not belong to privileged categories, income tax in Denmark’s budget is approximately 50%, in the USA it may reach 60% in the UK, Sweden and Switzerland - 40% [9].

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Many countries use a system of family taxation, when a family is considered as the taxable entity. In the U.S., family income is not divided: a common declaration can be filled in this case. Family income is taxed on a special scale. In Malaysia, for example, a married woman may choose her income to be taxed individually or together with the income of her husband who, in this case, increases his tax-exempt minimum.

The Russian legislation does not provide family taxation; some former Soviet republics, like Estonia, have introduced such kind of taxation.

The current flat income tax scale in Russia does not meet the goals of social justice as it does not take into account-paying capacity of various categories of taxpayers, which leads to the stratification of society with the poor and the very rich, and increasing social tension.

In our opinion, for the purposes of personal incomes taxation equity it would be good to introduce a tax-exempt minimum for the taxpayer. It must be equal to a minimum income level for survival in

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**Source:** Calculated by the authors based at the Russian Federation Federal State Statistics Service data
For individuals with aggregate income of over 600 thousand roubles up to 1 million roubles per year tax rate will increase to 15%. At the expense of increasing the rate, tax collections from this category of taxpayers will increase by 201.8 million roubles. As a result, the increase of tax burden will be felt by 14% of employees in Russia.

For incomes that exceed1 million roubles per the calendar year tax rate must be equal to 20%, which, in our opinion, is a fair solution. Revenues growth at this rate would amount to 108.0 million roubles from 1% of employees in the Russian Federation. The consolidated budget of Russia would have increased by 309.9 million roubles due to the introduction of a progressive scale for personal income tax in 2014.

6. Conclusion. The world practice of personal income taxation mainly applies a progressive scale for income tax that allows the state to withdraw additional revenues from rich taxpayers.

In this regard, we propose to introduce a progressive scale of taxation in the Russian Federation in order to implement the principle of equity for personal income taxation, since the current flat income tax scale is treated by taxpayers as an unfair solution. The introduction of a progressive income tax scale will help to increase the flow of tax amounts to the budget system of Russia, as well as to reduce social inequality among taxpayers.

Tab. 2: Calculation of progressive rate scale effect for personal income tax in Russia for 2014

<table>
<thead>
<tr>
<th>Amount of aggregate income per year (roubles)</th>
<th>The number of employees (thousand)</th>
<th>Total annual income (thousand roubles)</th>
<th>Amount of tax on personal income at rate of 13% (thousand roubles)</th>
<th>Rate of personal income tax</th>
<th>Amount of personal income tax accounting our proposals (thousand roubles)</th>
<th>Economic benefits from changes implementation (thousand roubles)</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 600 000</td>
<td>57 030,7</td>
<td>34 218 420</td>
<td>4 448 394,6</td>
<td>13</td>
<td>4 448 394,6</td>
<td>-</td>
</tr>
<tr>
<td>over 600 001 up to 1 000 000</td>
<td>10 094,9</td>
<td>10 094 900</td>
<td>1 312 337,0</td>
<td>15</td>
<td>1 514 235,0</td>
<td>+201 898,0</td>
</tr>
<tr>
<td>over 1 000 000</td>
<td>687,4</td>
<td>1 542 920</td>
<td>200 579,7</td>
<td>20</td>
<td>308 584,1</td>
<td>+ 108 004,4</td>
</tr>
<tr>
<td>Total</td>
<td>67 813</td>
<td>45 856 240</td>
<td>5 961 311,3</td>
<td>-</td>
<td>6 271 213,7</td>
<td>+ 309 902,4</td>
</tr>
</tbody>
</table>

Source: Calculated by the authors based at the Russian Federation Federal State Statistics Service data

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