

The subject: To the issue of the differentiation of the institution of tax coordination in the framework of a common customs space of Belarus, Kazakhstan and Russia.

Hrusha A.V., Shilko M.Y.

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The modern reality is characterized by explicit integration processes. These processes are common for the former Soviet Union, represented by various forms of integration structures, such as the CIS (1992), the Union State (1995), and finally, the establishment of the Customs Union of the Republic of Belarus, the Russian Federation and the Republic of Kazakhstan (2010).

Economic integration is a complex multistep process, starting from the stages of economic integration with its distinctive characteristics, reasons for joining the integrated community, and finishing with a decrease of national sovereignty with the deepening into integration and cooperation, where the determining factor is the desire of countries participating in the integrated space to compromise national interests in favor of supranational.

The tasks of the integrated community include coordination of all types of economic policies for the effective functioning of the integrated union. This provision applies fully to the mechanisms of functioning of the tax system within the Community. This problem is at the present stage is topical because among economists (mostly Western) over the past years there has been controversy about the choice of the form of tax coordination: the Institute of Tax Competition and the institution of supranational cooperation in the field of taxation.

In this work the following points will be considered: a theoretical hypothesis about the choice of the form of tax coordination in an integrated space and the institution of tax coordination in the framework of the Customs Union of Belarus, the Russian Federation and the Republic of Kazakhstan on the example of taxation of agriculture in the framework of the integrated union.

As the basis of the hypothesis of choosing the form of tax coordination in an integrated space, we put Tiebout hypothesis (in some sources for the fiscal federalism literature it is called a model).

The essence of the Tiebout hypothesis is that consumers choose a certain set of public goods and tax rates that best suits their preferences through migration from one administrative-territorial district to another.

The mechanism of tax competition boils down to the situation when a local government provides a specific set of public goods, taking a fee in the form of taxes. Consumers express their preferences by moving to that territorial - administrative unit that is most accurately and fully reflects their needs in public goods. Thus, in each administrative unit the Pareto-optimal budgets are formed, so they represent a relation between costs that are represented by the production and

provision the population with public goods in one or another administrative unit, and the benefits given in the form taxes and fees. Differences in tax rates are beneficial because they provide taxpayers with more choice and thus more opportunities to meet their needs, making governments work more efficiently.

Taking as the basis the Tiebout hypothesis, under tax competition we mean the possibility of taxpayers to reduce their tax burden by movement of goods and services, as well as movable factors of production from the jurisdiction of the higher taxation in a jurisdiction with low taxation.

Transferring this interpretation in the framework of integrated space, we can say that tax competition is a rivalry between the Member States of an integrated space for bringing into its territory mobile factors of production, as well as the flow of goods and services through the formation of specific environment taxation in order to maximize their own revenues.

Taking as the basis characteristics of each of the levels of international economic integration, as well as the initial premises of the Tiebout hypothesis, we came to the following statement: before the stage of the Economic Union tax competition is more favorable, because it contributes to the Pareto-optimal allocation of goods and services, as well as movable factors of production in an integrated space. Economic and political union is a more intimate form of economic and political interaction and is essentially a single state with a federal form of government, where the single currency is operating. As a consequence, it needs tighter coordination in all sectors of the economy, particularly in the area of taxation. That is, tax competition, especially on fundamental taxes, can have a negative impact and lead to serious conflicts between the Member States of the integrated union.

As noted above, the report will be devoted to the consideration of the functioning of the institution of tax coordination in the framework of the Custom Union of Belarus, the Russian Federation and the Republic of Kazakhstan (Custom Union). This integrated community is of particular interest, since the Custom Union is in a deeper stage of economic integration in the post-Soviet territory.

The beginning of the process of integration between Belarus and the Russian Federation and the Republic of Kazakhstan was signing on October 6, 2007 of the Treaty establishing a single custom territory and formation of custom union. The Treaty approved the Custom Union Commission, which is a single permanent regulatory body of the Customs Union.

Despite its name, the Custom Union is by its very nature a function of two different stages of integrated spaces. So between the Russian Federation and the Republic of Belarus the formation of a common single market is actually carried out (since by the free movement across national borders not only of goods and services but also the factors of production - capital and labor). While between two countries mentioned above and the Republic of Kazakhstan there is the custom union, which is caused by the presence of border control.

As our theoretical hypothesis suggests on these stages of economic integration tax competition is the most effective. However, it can be achieved under certain restrictions:

1. There's free trade between countries, i.e. goods can move in a country where indirect taxes are lower, i.e. in a country where purchasing power is higher due to lower tax surcharge on the goods;
2. Free movement of goods is limited to the number of countries that have concluded agreements among themselves to establish a Custom Union;
3. Consumers have all the information about the differences in the level of taxation and the supply of public goods between countries (administrative-territorial units within these countries) and can respond to these differences;
4. Administrative and territorial units within each country and the borders of the countries which have concluded such agreements are limited by space and cannot be extended;
5. Limitations in providing jobs are not considered;
6. Provision of public goods does not indicate a positive or negative economies of scale in each country;
7. The latter prerequisite of the model is based on the premise that the involvement or any outflow of customers (residents) of an administrative-territorial unit is carried out through changes in the level of taxation: so if the number of people is below the optimal level, local authorities lower the level of taxation, if above - increase.

In the functioning of a common single market the above mentioned restrictions are supplemented by the following provisions:

1. On a par with households factors of production are perfectly mobile, i.e. labor and capital can move freely in a country-party of the integrated space where a system of direct taxation best fits their needs and creates favorable conditions for their operation;
2. Households and firms have all the information about the conditions prevailing in each country within the framework of integrated space, and can respond to various changes in them.

In the operation of the integrated space, you can talk about two-tier tax competition. On the one hand it is a competition between the administrative-territorial units in the country, due to differences in the proposals of private and public goods and response of consumer-voters through internal migration. In this case, we can talk about tax competition on the local level. On the other hand we can talk about the competition at the state level for attraction (outflow) of goods by changing the consumption tax (in particular VAT and excise taxes), and in the case of a common single market and taxes on driven factors of production (income tax and income tax on individuals). A key feature for the Custom Union is a common trade policy, which indicates some loss of autonomy of each of the participating country and the complete freedom of movement, and, consequently, the single market of goods and services in the framework of the integrated union (in the case of the general functioning of the single market to create a single market of factors of production). This suggests that the market of goods and services (as well as the market of factors of production), provided with flexible tax system affecting its

operation, will come in a Pareto efficient state. At the same time in the frames of custom union some form of supranational cooperation is required, which is manifested in the unification of trade barriers for third countries, in this case we can talk about a partial unification.

Before turning to the analysis of taxation of agriculture in an integrated space, we give some basic parameters of the tax system of participating countries of the Customs Union.

Table 1 Key indices of taxation system in the Customs Union

	The Republic of Belarus	The Russian Federation	The Republic of Kazakhstan
Рейтинг страны по отчету Paying Taxes 2011	183	105	39
Tax Burden to GDP 2010 year, %	35-40%	34,90%	10-15%
VAT rate (main), %	20	18	12
Corporate income tax, %	24	20	20
Individual income tax, %	12	13	11 + 10 (mandatory pension contributions)
Social contributions, %	35	34	11

The table shows that Kazakhstan is the most attractive in the area of taxation, which affects the competitiveness of products, since taxes that are included in the price of goods and services are the lowest. If we say that mobile factors of production are not completely mobile, economic efficiency can be achieved, for example, through the process of social choice. Thus the flow of goods and services is more sensitive to tax competition, i.e. lower price will increase the attractiveness of products.

According to the report goal, let us consider the analysis of taxation of agriculture in the Custom Union. Let's consider the basic data contained in the table.

Table 2 The main indices of agricultural taxation in the Custom Union

Country	Land tax (agricultural land) 2010	Single tax for agricultural producers 2010	The general rate of tax exemptions 2010
Belarus	1927-26354 RUB/ hectare	0	80,40%
Kazakhstan	0,1-0,5% of the appraised land value	0	29,60%
Russia	0,30%	6%	46,50%

Based on this table we can make some conclusions in relation to agriculture of the partner countries of the Custom Union of Belarus, Kazakhstan and the Russian Federation. Estimating the investment attractiveness in the first place, you

can immediately turn your attention to Kazakhstan, since that is where the level of tax burden is the lowest (10-15%) among the partner countries.

In assessing the agriculture and in particular in the field of taxation, land tax paid in all countries of the CU plays the major role. As the table shows, only Belarus defines its land tax in cash. Also, you can see such a feature among these 3 countries, as the presence of Russia in the single tax for agricultural producers. This tax does not add to the attractiveness for entering the market for agricultural products in Russia. In general, we can note that Kazakhstan is the most attractive for the development of agriculture. Having a low tax burden and a balanced tax system and a number of programs conducted by the state to support agriculture, Kazakhstan can attract foreign investors to work in agriculture. So, for example land tax replaces such taxes as individual income tax, VAT, land tax, property tax and tax on vehicles. In Russia, the owners of enterprises engaged in agriculture pay a single tax and land tax. As regards the Republic of Belarus, the tax laws are a little bit confusing. So, after the registration of a peasant (farmer's) household, the enterprise is released for three years from paying all taxes, including VAT. We can say that these tax terms, in fact, may be benefits, but after 3 years the owner of an agricultural enterprise would be forced to pay all state taxes in full, plus the amount of land tax. These tax exemptions will increase the price for the products and, in the context of the Customs Union will lead to a lack of competitiveness of Belarusian goods in comparison with Russian and, especially, Kazakh.

Comparing tax systems in agriculture, it becomes clear that at a common union market Kazakhstan may be the most competitive manufacturer, followed by Russia and Belarus closes the line.

Summarizing, we can note that in the frames of the Customs Union the Republic of Kazakhstan is the most profitable in terms of taxation, as a whole in terms of tax burden, and in the context of a particular industry. In the Republic of Belarus and the Russian Federation there is harmonization of tax systems, which says more about the existence of supranational cooperation, rather than the existence of tax competition. Only Kazakhstan contributes competitive element, but this is complicated by the presence of border control at the Russian-Kazakh border. In line with our theoretical hypothesis, the flow of goods and services will strive in the country with the best tax climate. Because in reality, labor and capital are not perfectly mobile and their movement is accompanied by certain costs that is more of a characteristic for long-term period, in the short term a tax system can be influenced by public choice. However, the lifting of border controls between all member countries of the Custom Union can lead to the fact that consumers will be able to move out shopping in a country with the lowest prices, i.e. in the country with the lowest tax burden. In this case, the Kazakh goods will become more attractive, thus encouraging the development of manufacturing in the country in the whole. This fact also applies to migration of movable factors of production especially in the long term period.

The main theoretical conclusions of the article are justified with the help of obtained results of the study: Attitude of entrepreneurs to the problems of development of education and mechanisms of interaction of the labour market and market of educational services in Ukraine (Kharkiv, October November 2012, n = 212) and Study of models of behaviour of students in the market of educational services of Ukraine (Kharkiv, October November 2012, n = 464).¹⁰ Timoshenkov I. Institutional Model of the Educational System Development / I. Timoshenkov, O. Nashchekina // Institutions State Power : [9th Annual Conference of the International Association for Institutional Studies : Book of Abstracts], Kharkiv, Ukraine, October 12 14, 2011.