

## TAXATION OF INCOME OF INDIVIDUAL ENTREPRENEURS FROM LEASING OF PROPERTY

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The basic structure of small business of Volgograd region is presented and analyzed in the article, which is common for all fields of economy of Volgograd region.

Great attention is paid to the taxation of income of individual entrepreneurs, operating as "demise". Government pays less attention to rental market. This segment of the economy needs innovations in tax administration and modification of tax measures.

As the state support and the legalization of self-employed in the demise such method as a simplified system of taxation based on the patent is proposed by the author. The methodological and theoretical aspects of the nature of income taxation on the basis of a patent are touched upon in the article, analyzed the experience of the region in which the system of taxation has been applied since 2006, argued and justified the necessity its adaptation in the Volgograd region.

**Keywords:** taxation, income, market, rent, property, patent, rate

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The article describes the basic criteria for tax reforms and incentives for small businesses. The main provisions of the taxation of income of individual entrepreneurs are developed. Removing the income from the use of personal property can be defined as entrepreneurial activities. It means all landlords may be registered as individual entrepreneurs.

In recent years, in the Volgograd region there has been steady growth in the number of individual entrepreneurs. Today the region has about 70 thousand entrepreneurs<sup>1</sup>.

Most of the entrepreneurs engaged in brokering and providing services: 61% engaged in wholesale and retail trade, repair of motor vehicles and household goods, 10% carry out transportation (transport and communications), 7.8% - real estate operations (according to the Office of Enterprise Development Administration of the Volgograd region)<sup>2</sup>.

This kind of business as property letting is not singled out by the species, although there is no secret, that not all residents of Russia have the property, belonging to them on the right of ownership. Therefore

it is necessary on the basis of lease agreements to rent housing. Cash received from this type of service by owners of housing and often do not fall into the federal budget.

However, revenues from the use of property belonging to individuals on the right of private property can be obtained only in the case if such persons themselves carry out business activities with the use of the property. In the case of renting the landlord carries on business with the use of the rent property; according to art. 606 Civil Code of Russian Federation, and revenues received by the landlord in the use of the rent property in accordance with the contract, are his property<sup>3</sup>.

State support for small businesses and individual entrepreneurs creates conditions, in order to consolidate their position in the economy, to develop and to have positive impact on the socio-economic indicators independently<sup>4</sup>. The main type of state support is the creation of special tax regimes – special conditions opposite to the general regime of taxation of the bulk of taxpayers. Special tax regime as an organizational and financial category is particular (specific) built system of taxes and taxation for limited categories of

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<sup>1</sup> Information Agency "Alliance Media" [Electronic resource]. - Mode of access to the site: <http://www.allmedia.ru>.

<sup>2</sup> Office of Enterprise Development Administration of the Volgograd region [electronic resource]. - Mode of access to the site ([www.urp.volcity.ru](http://www.urp.volcity.ru))

<sup>3</sup> Ureva T.N. Is renting citizens property a business? [Text] / T.N. Ureva / Tax Journal. – 2004. – № 12. – С. 85.

<sup>4</sup> On the development of small and medium businesses in Russia [Text]: Feder. Act of July 24, 2007 № 209-FZ // Coll. Legislation Ros. Federation.– 2007. – №31. – 4006.

taxpayers, activities and industries, based on the single tax in any of his form and limited number of related tax payments, in order to simplify the process of taxation, fuller realization of its principles and achievements on this basis, the greatest fiscal and regulatory effects.

One way of taxation of income of entrepreneurs, operating as "renting residential property for rent is a simplified system of taxation based on the patent. It is kind of simplified taxation system. The purpose of its introduction is supporting and legalization of self-employed population. This rule was introduced by the Federal Law of 21.07.2005 № 101-FZ "Making changes in Chapter 26.2 and 26.3 of the Tax Code of Russia and some legislative acts of Russia on taxes and fees, and the Repeal of certain provisions of legislation Russian Federation". Simplified tax system application on the basis of patent is not mandatory – individual entrepreneurs decide to transit to this system of taxation, they can pay taxes in a general way. The new tax system is fundamentally different from the previously operated and is built on the principle of imputed income, that is not dependent on the outcome of the taxpayer, and in this sense is close to the system of taxation in the form of unified tax on imputed income of individual entrepreneurs. Patent value is linked to the potential possibility to obtain an annual income of an individual entrepreneur, which is determined by calculation.

The transition to the use of individual entrepreneurs Simplified tax system on the basis of a patent on the territory of RF subjects carried out according to the laws of the relevant subjects of Russia, who have the right within the list given in the Tax Code, to determine the types of entrepreneurial activity, which allowed the use of individual entrepreneurs Simplified tax system on the basis of the patent, as well as the size of their potential annual revenue.

Based on the foregoing, it can be concluded that in order to entrepreneurs who wanted to work on the basis of a patent, they must meet four conditions:

1) At the individual entrepreneur who wants to obtain a patent shall not be employees working under labor or civil contract;

2) Individual entrepreneur must deal with one of 58 types of activities referred to in paragraph 2 of Art. 346.25.1 Tax Code;

3) Authorities of the RF subject, which employs an individual entrepreneur, should take appropriate law;

4) Individual entrepreneur shall be registered in the tax office to which he applies for one month before the start of work on the simplified system of taxation based on the patent application.

In addition, individual entrepreneurs who crossed over to the simplified taxation system based on the patent, must also comply with general conditions of the simplified system of taxation on marginal income and cost of fixed assets and intangible assets, which are governed by relevant rules of law. If an individual entrepreneur violates the above conditions, then he loses the patent and passes to the general taxation regime.

Since individual entrepreneurs, who bought the patent, do not pay the single tax, they have no duty arises to fill the books of income and expenditure, and therefore they should not pass the tax return.

Analysis of the legislation suggests that the payment of patent replaces the following taxes:

- single tax on income or the difference between income and expenditure;

- income tax for individuals and the unified social tax on income derived from business activities;

- property tax, applicable to business;

- value added tax, excluding value added tax, related to the importation of goods into the customs territory of Russia.

Patent is a fixed amount paid by the individual entrepreneur for the right to be engaged in certain activity. The annual cost is equal to the patent's potential annual income of the taxpayer multiplied by the tax rate. This tax rate is recognized rate applicable in accordance with the existing law on simpli-

fied taxation system for individual entrepreneurs, the selected object of taxation in the form of income, i.e. 6%.

If the type of business allowed for the possible use of the simplified taxation system based on the patent, is included in the list of the types of entrepreneurial activity, set item 2 of article. 346.26 Tax Code for a single tax on imputed income, the amount of potential annual revenue for this type of business must not exceed the value of the base yield set for the respective type of Chapter 26.3 of the Code, multiplied by 30. Thus the benchmark return is by definition the conditional monthly, rather than annual income in terms of value for a particular unit of physical indicators, that is, an increase of potential annual income can not be greater than 2.5 times compared to the benchmark return on a single tax on imputed income is calculated on a year for one unit of physical activity index<sup>1</sup>.

Simplified tax system based on the patent for the activity as "renting the apartments" only introduced in some regions of Russia: Kaliningrad, the Republic of Buryatia, Perm Krai, Komi Republic, Primorsky Krai, Krasnodar and the Krasnodar Territory,

Samara Region. The criterion for determining the annual cost of a patent is the size of the annual cost of renting an apartment with a view of features and places of business. The main features are the geographic location of the dwelling, the population in the settlements.

The problem of taxation of income from lease of property can be solved with the application of the patent in all regions of Russia and will serve as an additional source of the budget.

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