



MEMORANDUM

Comparative Analysis of taxation systems of the United States and the Russian Federation

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When companies pay their taxes, various implications emerge from this activity. For two major countries in the world, it is important to note the taxation systems present in each country. An understanding of what taxes need to be paid depending on what country the business operates in is crucial for the success of a company. This article will help to explain some similarities and differences in the taxation systems of Russia and the United States. First, an overview of the various tax systems will be presented followed by the analysis.

United States Taxation

Taxes		
Federal	State	Local
Corporate Income Tax	Income Tax	Property Tax
Federal Income Tax	Employment Tax	Many Other Taxes
Social Insurance Taxes	Sales Tax	
Excise Tax	*State Taxes vary from state to state with different states implementing various taxes. *Taxes will vary depending on what type of business the company operates.	
Estate and Gift Taxes		
Capital Gains Tax		
Payroll Tax		
Employment Taxes		

In the United States, a complex system of taxation is present.

A business is required to obtain and Employee Identification Number (EIN). The Internal Revenue Service issues these to all businesses and this is how the businesses are identified.

In the United States, the taxes depend on what type of company the business is. A company can be either one of the following:

1. Sole Proprietorship
2. Limited Partnership
3. Corporation
4. Limited Liability Company

In the United States, there are a wide amount of taxes that need to be paid by a company. There are four general types of taxes that need to be paid by businesses. These include:

1. Income Tax
2. Self-Employment Tax
3. Employment Tax
4. Excise Tax

Many companies, depending on what form and type of company pay other taxes such as:

- Alternative Minimum Tax
- Gasoline Tax
- Property Tax
- Road usage Tax
- State Unemployment Tax



➤ Workers compensation tax

Russian Federation Taxation

Tax Code has established three levels of taxation:

1. Federal

2. Regional

3. Local

The laws for all Russian Taxes are established in the Russian Tax Code. The types of taxes are shown below:

Taxes		
Federal	Regional	Local
Value Added Tax	Corporate Property Tax	Land Tax
Excise Tax	Transport Tax	Individual Property Tax
Unified Social Tax	Gambling Tax	
State Duty	*It is very important to note though that every region can stipulate different tax rates.	
Special Tax Regimes		
Personal Income Tax		
Mineral Extraction Tax		
Profits Tax		

A business is required to pay taxes and to register with the tax authority when operating in the Russian Federation.

Authority of the Tax Administration is controlled by the Federal Tax Service.

There are certain cases the customs authorities and agencies of the governmental extra-budgetary funds shall have power

Tax Period

Generally one year

If organization was established after beginning of year, the first tax period will begin from date of establishment

Various other cases depending on circumstances of organization

Procedure for Paying Taxes

- Lump sum of the entire amount of tax
- Amount to be paid by taxpayer or a tax agent
- Paid in cash or a non-cash form

Deadlines for Paying Taxes

- Established for each tax or fee
- If paid after expiration, taxpayer subject to payment of interest
- Can be paid in various periods – Year, Monthly, Quarterly

Types of businesses:

- Joint Stock Companies
- Limited Liability Companies



- Additional Liability Companies
- General Partnerships
- Limited Partnerships

Similarities in the System of Taxation:

Even though the Countries of the United States and Russia are very different, some similarities are present in their tax system.

- The first similarity is that they both have a system or code set up to regulate the taxes being paid. Russia has the Russian Tax Code and the United States has the Internal Revenue Code. Both of these systems help to control the taxation systems in each country. Both of the tax codes are managed by the government and various amendments and addition are continually being made.
- Another similarity is that the United States and Russia both use a three tier system of paying taxes. In the United States, taxes are paid to Federal, State, and Local authorities. In Russia, the taxes are paid to Federal, Regional, and Local authorities.
- With Regions being similar to states, the region/state has the right to adjust some taxes if needed. For example in the United States, the State of California can issue a different percentage of sales tax then the state of New York.
- Another similarity comes with the payment of Social Security and Medicare taxes. In Russia, one tax is set up to accumulate various areas that include Pension Fund, Social Security Fund, and Medical Insurance. It is called the Unified Social Tax. In the United States, a tax known as the FICA Tax (Federal Insurance Contributions Act), funds the Social Security and Medicare.

Differences in the Systems of Taxation:

Though the countries can have similarities, the tax structure includes many differences as well.

- One main difference in the systems of taxation is that the Russian Federation uses the Value Added Tax on their goods while the United States does not use that tax. The United States uses a different tax on goods called Sales Tax.

The difference that exists between the taxes in that a sales tax is applied to the total value of the exchange of the good. A value added tax has various levels of tax associated with each step of the process between the producer and the final consumer.

- United States also has taxes for the City and County of each state. This is similar to a local tax depending on where a person or corporation lives.

It is very important to note that Russia is trying to transform their accounting standards so that they are in line with the International Accounting Standards. By not having the same accounting standards, the amount of income and other related aspects differ in each country. This will effect how much tax a company will pay to the government.

- In Russia, a flat tax has been implemented. The flat tax rate currently in Russia is 13% for personal income. The United States has been trying to move to implement a flat tax but to no avail. The United States has had trouble in trying to introduce a flat tax because many people cannot agree on it. It is noted that some states a flat personal income tax, but no federal law has been enacted.



Conclusion:

As can be seen from the above, the taxation systems have many similarities but many differences as well. The Russian Federation is currently going through many reforms that are trying to better the tax situation. The United States is currently going through many reforms as well, with the incorporation of a flat tax as a top priority. It is noted that very few countries have identical tax systems due to the nature of the kinds of businesses that operate within the country and the differences in the agendas of the government. These are some of the main similarities and differences as there are many more throughout the entire tax system.

We would be pleased to provide you with more detailed information regarding our services and to answer any other questions you may have.

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