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### **Analysis of the budget execution of the Republic of Crimea in 2021**

*Abstract:* The Ministry of Finance of the Republic of Crimea is the body that ensures the implementation of a unified financial and budgetary policy on the territory of the Republic of Crimea, coordinates the activities in this area of other executive bodies of the Republic of Crimea state power, performs the function of regulatory regulation, control and supervision in finance and budget. In particular, the Accounting and Reporting Department for the republican budget execution is a structural subdivision of the Ministry of Finance of the Republic of Crimea, which is part of the Accounting and Reporting Department. The study's purpose was to conduct a comprehensive analysis to implement the Republic of Crimea budget in 2021. Logical, historical, comparative and statistical research methods were used to achieve the purpose and solve the study tasks. During the course, the Budget Code of the Russian Federation, the Law of the Republic of Crimea "On the Budget of the Republic of Crimea for 2021 and for the Planning Period of 2022 and 2023", regulatory documents, as well as materials from leading experts in the field of law were studied. The author concludes that the budget expenditures formation is based on available funds, i.e., income and expenses are closely interrelated. It is necessary to analyse the main characteristics of budget execution at the end of the financial year in order to carefully develop the draft budget for the next year and determine further actions of public authorities.

Keywords: Republic of Crimea, budget of Crimea, budget execution, tax policy.



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### **Анализ исполнения бюджета Республики Крым в 2021 году**

*Аннотация:* Органом, который обеспечивает проведение единой финансовой, бюджетной политики на территории Республики Крым, координирует деятельность в этой сфере других исполнительных органов государственной власти Республики Крым, осуществляет функцию по нормативно-правовому регулированию, контролю и надзору в сфере финансов и бюджета, является Министерство финансов Республики Крым. В частности, отдел учета и отчетности по исполнению республиканского бюджета является структурным подразделением Министерства

финансов Республики Крым, входящим в состав управления учета и отчетности. Целью исследования являлось проведение комплексного анализа исполнения бюджета Республики Крым в 2021 году. Для достижения поставленной цели и решения задач исследования были применены логический, исторический, сравнительный и статистический методы исследования. В ходе были исследованы Бюджетный Кодекс Российской Федерации, Закон Республики Крым «О бюджете Республики Крым на 2021 год и на плановый период 2022 и 2023 годов», нормативные документы, а также материалы ведущих специалистов в области права. Автор приходит к выводу, что формирование расходов бюджета основывается на имеющихся средствах, то есть доходы и расходы тесно взаимосвязаны между собой. Проводить анализ основных характеристик исполнения бюджета по завершению финансового года необходимо для тщательной разработки проекта бюджета на следующий год и определения дальнейших действий органов государственной власти.

*Ключевые слова:* Республика Крым, бюджет Крыма, исполнение бюджета, налоговая политика.



## **Introduction**

Each subject of the Russian Federation has its own budget, designed to fulfil the expenditure obligations of the Russian Federation subject. Regardless of the budget system level, any budget is determined by the three parties that are interconnected with each other – the formation, distribution and use of the fund of funds, that is, budget revenues and expenditures (Budget Code of the Russian Federation).

The main industries are industry (more than 530 large and mid-sized enterprises), tourism (Western Crimea, the Southern Coast of Crimea, the Kerch Peninsula), construction, healthcare, agriculture, trade.

The Ministry of Finance of the Republic of Crimea is the body that ensures the implementation of a unified financial and budgetary policy on the territory of the Republic of Crimea, coordinates the activities in this area of other executive bodies of state power of the Republic of Crimea, performs the function of regulatory regulation, control and supervision in the field of finance and budget. It is an executive body of the state power of the Republic of Crimea, controlled and accountable to the Head of the Republic of Crimea and the Council of Ministers of the Republic of Crimea.

In particular, the Accounting and Reporting Department for the execution of the republican budget is a structural subdivision of the Ministry of Finance of the Republic of Crimea, which is part of the Accounting and reporting Department. Thanks to him, budget accounting for the execution of the budget of the Republic of Crimea is ensured by the Ministry, as a financial body; accounting for operations on cash receipts and withdrawals of funds on a single account of the budget of the Republic of Crimea and funds placed at the temporary disposal of recipients of the republican budget funds is ensured; preparation of periodic and annual budget reports on the execution of the budget of the Republic of Crimea. In this paper, I analysed the submitted reports of the Ministry of Finance of the Republic of Crimea for January-September 2021.

The study object is the budget of the Republic of Crimea.

The study purpose is to conduct a comprehensive analysis of the budget execution of the Republic of Crimea in 2021.

Based on the purpose, the following tasks were developed:

- conduct an analysis of income and expenses;
- give a description of the planned budget of the Republic of Crimea until 2024;
- study the main directions of the tax policy of the Republic of Crimea for 2021-2023;
- study the main objectives of debt policy for the period 2021-2023.

Logical, historical, comparative and statistical research methods were used to achieve the purpose and solve the study's tasks.

During the course, the *Budget Code of the Russian Federation*, the Law of the Republic of Crimea “*On the Budget of the Republic of Crimea for 2021 and for the Planning Period of 2022 and 2023*”, regulatory documents, as well as materials from leading experts in law were studied.

### Revenue analysis

To begin with, It should refer to the data for previous years in order to trace the changes and reflect the most complete picture on this issue. Table 1 shows the revenues and expenditures of the budget of the Republic of Crimea from 2017 to 2019. As can be seen, since 2018 there has been a slight increase in income over expenses. In general, it should be noted that budget revenues and expenditures increased every year, which means that the dynamic development of the region took place (*Table 1*).

The Crimean budget expenditures in 2019 compared to 2017 increased by almost 19% (from 161718.11 to 192370.14), and revenues – by about 20% (from 160400.09 to 192 650.38). In 2019 and 2018, the budget of the Republic of Crimea was in surplus (280.23 million rubles and 38.95 million rubles, respectively, by year), and in 2017 – scarce. The deficit amounted to 1,318.02 million rubles.

The execution of the consolidated budget of the Republic of Crimea for tax and non-tax revenues for January-September 2021 consists of the budgets of the Republic municipalities, its budget and the consolidated budget. As for the municipalities budget, the growth is almost 15% compared to the planned plan for the reporting period. The execution of the region's budget exceeds by 4.8% and the consolidated budget as a whole – by 7.2% relative to the planned indicators.

If the data on the execution of the consolidated Republic budget are compared with the previous year, the following dynamics is observed: compared to 01.10.2020, there is an increase of 31.5% as of October 01, 2021.

In general, the structure of the region's revenue execution is formed from tax revenues, which have a share of 44.3%, non-tax revenues account for 10.6%, but most of the total structure belongs to gratuitous receipts (almost 85%).

It should note separately from which tax revenues the execution of tax and non-tax revenues of the consolidated budget of the Republic of Crimea is carried out. According to the data of 2021, the execution structure of tax and non-tax revenues of the Republic consolidated budget is presented in the appendix (*Fig. 1*).

Gratuitous receipts from other budgets of the Russian Federation budgetary system to the budget of the Republic of Crimea in January-September 2021 came in 84.5 billion rubles, or 65.4% of the approved annual planned assignments (for the same period in 2020 – 100.2 billion

rubles), including in the form of: subsidies – 30.5 billion rubles, or 75.3% of the approved annual planned assignments, subsidies – 31.9 billion rubles, or 60.9%, subventions – 4.9 billion rubles, or 65.3%, other inter-budget transfers – 17.2 billion rubles, or 59.5% (*Table 2*).

Inter-budgetary transfers to local budgets from the Republic budget for January-September 2021 had the indicators presented in the appendix (*Table 2*).

### Cost analysis

As of 01.10.2021, the execution of the expenditure part of the consolidated Republic budget amounted to 141.9 billion rubles, or 61.2% of the approved annual assignments. Compared to the same period last year, the growth amounted to 1.3 billion rubles, or 0.9%.

It should present data on the execution of the cash plan of the expenditure part of the consolidated Republic budget for January-September 2021. Thus, the municipal budgets execution is 92.6% of the planned number. In general, the budget of the Republic of Crimea was executed by 93.5% of the approved targets for the reporting period.

On October 6, 2020, the Decree of the Council of Ministers of the Republic of Crimea No. 1585-r “*On the Main Directions of the Budget and Tax Policy of the Republic of Crimea for 2021 and the Planning Period of 2022 and 2023*” was adopted in order to develop a unified budget and tax policy in the preparation of the draft budget of the Republic of Crimea for 2021-2023. Priority tasks of the budget and tax policy of the Republic of Crimea for 2021 and the planning period of 2022 and 2023: overcoming the economic downturn amid the spread of a new coronavirus infection, taking anti-crisis measures during the pandemic, timely and full fulfilment of social obligations to the population.

In this regard, it should provide data on the purposes for which the budget of the Republic of Crimea was spent as part of the social and cultural sphere improvement:

- 26.8 billion rubles were spent to support and develop education, which is almost 67% of the implementation of the annual plan in general;
- for the implementation of approved projects within the framework of social policy – 26 billion rubles, which is 71.6% of the previously planned;
- for the development of healthcare – 13.6 billion rubles (47.6%);
- for the development of culture and cinematography – 4 billion rubles (63.5%);
- to support physical culture and sports, as well as the media – 2.7 billion rubles, which is 58.7% of the implementation of the annual plan (*Decree of the Council of Ministers of the Republic of Crimea No. 1585-r*).

If we present the structure of the execution of the expenditure part of the consolidated Republic budget in the areas of development, we can note the following:

- 40.6 billion rubles were spent on the national economy as a whole (as a percentage of the approved annual plan – 58.7%);
- expenditures on housing and communal services amounted to 19.1 billion rubles (58.1%);
- expenditures on national issues – 5.7 billion rubles (67.1%);
- for national security and law enforcement, as well as for national defense – 1.1 billion rubles (64.7%);

- environmental protection costs – 0.5 million rubles, which amounted to 62.5% of the planned figures for the year (*Fig. 2*).

The deficit in the execution of the consolidated Republic budget for January-September 2021 is more than two billion rubles, since expenses in 141,900 million rubles prevail over revenues, which amount to 139,800 million rubles.

### **The planned budget of the Republic of Crimea until 2024**

In the following years, it is planned to increase the amount of income due to the growth of profits of organizations, enterprises and incomes of individuals.

In addition to various types of taxes, the revenue part will be generated from other sources. These are excise taxes, property and transport taxes, taxes on mining, water use, rent payments for state property, duties, fines and other payments to the budget from legal entities and individuals.

Out of the total amount of gratuitous receipts for financing the Federal target program “*Social and Economic Development of the Republic of Crimea and Sevastopol until 2024*”, 34,344,391.7 thousand rubles are planned for the coming year.

Federal subsidies are also expected to support small and medium-sized businesses and individuals, proceeds from the sale and use of state property of the Republic.

As for the budget deficit, it will be replenished by repayment of loans, changes in balances on accounts for accounting budget funds, as well as the sale of shares. The blocks of shares of JSC “ChBR”, JSC “Yalita”, JSC “Plant “FIOLENT”, JSC Publishing House and Printing House “Tavrida” will be sold. Sources to finance the budget deficit are planned in the following volumes:

- repayment of a budget loan from the federal budget to partially cover the budget deficit of the Republic of Crimea in 202.1 million rubles;
- funds from the sale of shares and other forms of participation in the capital owned by the Republic of Crimea in 1.6 billion rubles;
- change in the balance of funds for accounting budget funds (2.1 million rubles).

The upper limit of the state debt of the Republic of Crimea for January 1, 2022 is planned in 3,249 thousand rubles.

The level of debt burden shows the ratio of the volume of the state debt of the Republic of Crimea to the revenues of its budget, with the exception of gratuitous receipts. According to the plan, the level of the debt burden of the Republic of Crimea on January 1, 2022 will be 6.71% (*Resolution of the Council of Ministers of the Republic of Crimea No. 737*).

### **The main directions of the tax policy of the Republic of Crimea for 2021-2023**

The main directions of the tax policy of the Republic of Crimea for 2021-2023 are:

- 1) implementation of measures aimed at the development of individual, small and mid-sized businesses:
  - cancellation to apply the taxation system in the form of UTII according to the *Tax Code of the Russian Federation* from January 1, 2021;

- application of the professional income tax for self-employed citizens, which was introduced on the territory of the Republic of Crimea from July 1, 2020;
- 2) strengthening the tax potential of the Republic of Crimea:
    - change according to the norms of the *Tax Code of the Russian Federation* from January 1, 2022 of the patent tax rate from 4% to 6%;
    - payment of corporate property tax at the rate of 1.5%;
    - collection of corporate property tax based on the cadastral value to commercial real estate;
    - carrying out work to increase the level of collection of tax and non-tax revenues of the budget of the Republic of Crimea, expanding the tax base by legalizing it, reducing arrears;
  - 3) implementation of measures to assess the volume and effectiveness of tax expenditures of the Republic of Crimea according to the general requirements to assess tax expenditures of the Russian Federation subjects and municipalities approved by the *Decree of the Government of the Russian Federation* dated June 22, 2019 No. 796;
  - 4) in order to strengthen the budgets of urban districts and municipal districts of the Republic of Crimea, to expand the own revenue base of local budgets, a part of the proceeds (up to 18%) from the tax levied in connection with the application of the simplified taxation system will be transferred from the budget of the Republic of Crimea in the form of differentiated standards of deductions (up to 18%) from the tax levied in connection with the application of the simplified taxation system, and according to uniform standards in 15% of deductions from fees for negative impact on the environment, to be credited in accordance with the *Budget Code of the Russian Federation* and the legislation on taxes and fees to the budget of the Republic of Crimea (*The Law of the Republic of Crimea*).

### **The main objectives of the debt policy for 2021-2023**

On November 30, 2020, the Resolution of the Council of Ministers of the Republic of Crimea No. 737 “*On Approval of the Debt Policy of the Republic of Crimea for 2021 and for the Planning Period of 2022 and 2023*” was adopted, which has the purpose to approve the debt policy of the Republic of Crimea for 2021 and for the planning period of 2022 and 2023, aimed at ensuring a balanced budget of the Republic of Crimea, maintaining the volume of the state debt of the Republic of Crimea at an optimal level, minimizing the cost of servicing it, evenly distributing payments over time, related to the repayment and servicing of the state debt of the Republic of Crimea. The main tasks of the debt policy of the Republic of Crimea for 2021-2023 are:

- uniforming distribution of the debt burden on the budget of the Republic of Crimea;
- minimizing the cost of borrowing;
- improving the efficiency of government borrowing
- accepting debt obligations based on the principle of fulfilling all obligations in a timely manner and in full, as well as based on the results of the execution of the budget of the Republic of Crimea and in accordance with the agreements concluded;



- monitoring compliance of the parameters of the state debt of the Republic of Crimea with the restrictions established by the Budget Code of the Russian Federation and concluded agreements;
- using, if necessary, of a mechanism for attracting short-term budget loans at the expense of the federal budget to replenish the balances of the budget of the Republic of Crimea;
- ensuring timely and complete accounting of debt obligations.

### **Conclusion**

Having considered the main characteristics of the consolidated Republic budget, it can be concluded that the formation of budget expenditures is based on available funds, i.e., income and expenses are closely interrelated. It is necessary to analyse the main characteristics of budget execution at the end of the financial year in order to carefully develop the draft budget for the next year and determine further actions of public authorities.

As for the taxpayers of the region, they are adapting to the Russian taxation conditions. At the same time, it is obvious that quite a large number of problems remain. There are problems with the application of the gambling tax, excise taxes, mineral extraction tax.

In order to eliminate numerous problems, it is necessary in the medium term to move away from a huge number of subsidies, grants and other forms of inter-budgetary transfers, replacing them to exist state programs. These instruments have similar performance indicators, and inter-budget transfers largely duplicate their main activities, complicating the procedure for financing, monitoring and analysing the effectiveness of budget expenditures. However, nevertheless, the budget, which has significantly weakened at the moment due to losses arising from the spread of coronavirus infection, is developing quite stably under normal conditions and this allows us to hope for an increase in the balance of the Crimea's budget and the development of the region's economy.



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## Appendix

Table 1. The revenues and expenditures of the budget of the Republic of Crimea in 2017-2019

| No.   | Indicator                                 | 2017       | 2018       | 2019       | Change<br>2019-2018 |
|-------|---|------------|------------|------------|---------------------|
| 1.    | <u>Income, total</u>                      | 160,400.09 | 175,509.48 | 192,650.38 | 17,140.90           |
| 1.1   | <u>Tax and non-tax income</u>             | 59,669.07  | 54,848.45  | 62,831.58  | 7,983.13            |
| 1.1.1 | <u>Tax income</u>                         | 52,922.88  | 46,219.11  | 51,978.67  | 5,759.56            |
| 1.1.2 | <u>Non-tax income</u>                     | 6,200.99   | 7,783.90   | 9,971.51   | 2,187.61            |
| 1.2   | <u>Gratuitous receipts</u>                | 100,731.01 | 120,661.03 | 129,818.80 | 9,157.77            |
| 2.    | <u>Expenses, total</u>                    | 161,718.11 | 175,470.52 | 192,370.14 | 16,899.62           |
| 2.1   | <u>National issues</u>                    | 6,141.15   | 6,621.29   | 8,222.81   | 1,601.52            |
| 2.2   | <u>National defence</u>                   | 29.54      | 37.65      | 42.42      | 4.77                |
| 2.3   | <u>National security</u>                  | 1,163.80   | 1,281.13   | 1,204.16   | -76.97              |
| 2.4   | <u>National economy</u>                   | 73,608.66  | 81,764.14  | 90,092.91  | 8,328.77            |
| 2.5   | <u>Housing and communal services</u>      | 7,018.58   | 6,983.68   | 9,661.63   | 2,667.95            |
| 2.6   | <u>Environmental protection</u>           | 335.40     | 483.48     | 420.16     | -63.32              |
| 2.7   | <u>Education</u>                          | 30,741.51  | 32,244.87  | 33,421.96  | 1,177.09            |
| 2.8   | <u>Culture, cinematography</u>            | 4,861.88   | 6,408.09   | 5,206.54   | -1,201.55           |
| 2.9   | <u>Healthcare</u>                         | 13,794.05  | 13,898.33  | 15,464.38  | 1,566.05            |
| 2.10  | <u>Social politics</u>                    | 21,969.44  | 23,713.00  | 25,084.68  | 1,371.68            |
| 2.11  | <u>Physical culture and sports</u>        | 1,172.53   | 1,146.96   | 3,214.55   | 2,067.59            |
| 2.12  | <u>Mass media</u>                         | 880.31     | 883.89     | 1,330.31   | 446.42              |
| 2.13  | <u>Servicing of municipal public debt</u> | 1.60       | 4.02       | 3.63       | -0.39               |
| 3.    | <u>Deficit/Surplus</u>                    | -1,318.02  | 38.95      | 280.23     | 241.28              |



Table 2. Gratuitous receipts from other budgets of the Russian Federation budgetary system to the budget of the Republic of Crimea and inter-budgetary transfers' indicators to local budgets from the Republic budget in January-September 2021

| Transfer name                | Planned assignments |       | Actual receipt |      | Execution to the annual plan (%) |      |
|------------------------------|---------------------|-------|----------------|------|----------------------------------|------|
|                              |                     |       |                |      |                                  |      |
| Grants                       | 2.1                 | 40.5  | 1.4            | 30.5 | 66.7                             | 75.3 |
| Subsidies                    | 12.3                | 52.4  | 5.8            | 31.9 | 47.2                             | 60.9 |
| Subventions                  | 25.2                | 7.5   | 18.9           | 4.9  | 75.0                             | 65.3 |
| Other inter-budget transfers | 1.7                 | 28.9  | 0.9            | 17.2 | 52.9                             | 59.5 |
| Total                        | 41.3                | 129.3 | 27.0           | 84.5 | 65.4                             | 65.4 |

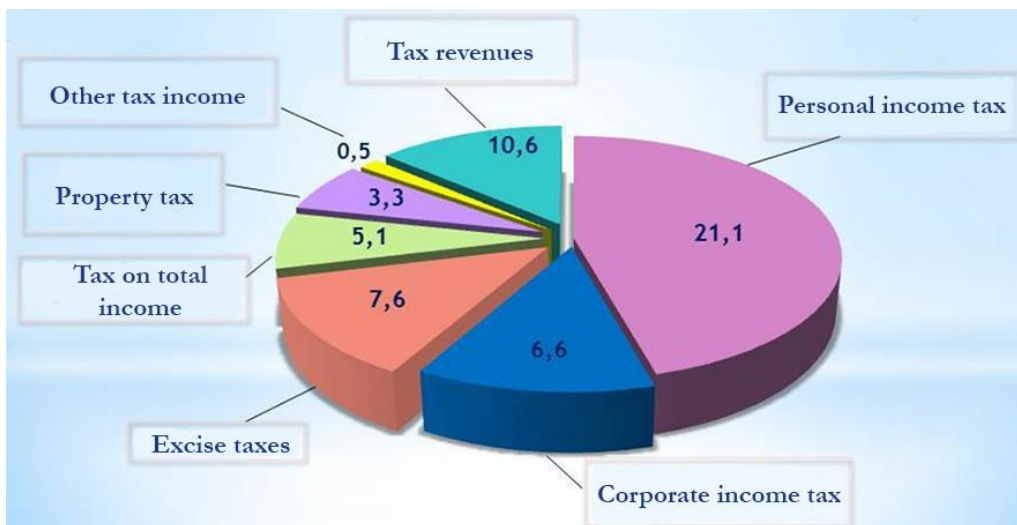


Figure 1. Structure of execution of tax and non-tax revenues of the consolidated budget of the Republic of Crimea

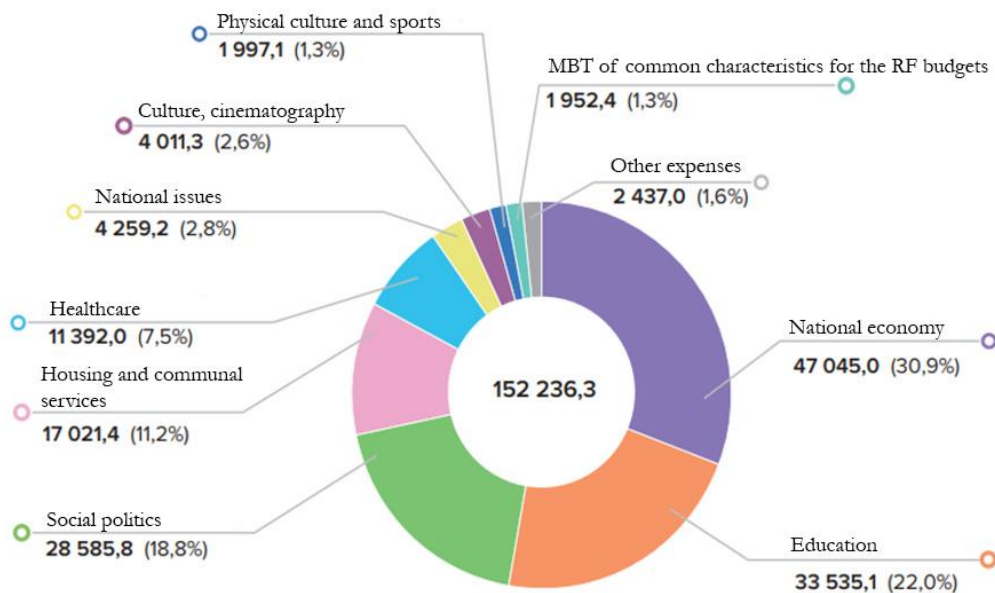


Figure 2. The structure of the execution of the expenditure part of the consolidated budget of the Republic of Crimea