

Management Economic Environment of Non-profit Organizations

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Abstract

The crisis of 2008-2009 and the decline of the gross domestic product in 2015 – 2016, showed that Russia is in a difficult and completely new stage of socio-economic development. The potential of using pre-crisis model of economic growth based on the rapid increase in lending and the growth of domestic demand, is considerably restricted. Rosstat data show that the Federal budget of Russia in 2015 was executed with a deficit of \$ 1.9 trillion. rubles, or 2.6% of GDP, while in 2016 the budget deficit is projected at 2.9 trillion. rubles, or 3.5% of GDP. In addition, the reduced purchasing power of the population, which becomes a barrier to crisis exit. Thus, the decline in real income of the population of Russia in 2015-2016 is estimated at 5-6% annually. In conditions of economic turbulence, declining living standards of the population social policy is one of the core units of modern government regulation. The output state on the path of sustainable and balanced socio-economic development requires more intensive use of all resources, and transition to an innovative stage of development and modernization of the economy with the formation of adequate social infrastructure. In the framework of implementation of social policy the government is increasingly using the potential of non-profit organizations that are able, with appropriate support, to play a significant role at local, regional, and Federal levels. The nonprofit sector of the economy are the source of all sorts of social innovations, namely the non-profit organization to a great extent help in solving socially important problems, and provide the people with social services, build a dialogue between authorities and population focus of the Executive bodies on the issues of individual groups of citizens and society as a whole, form the democratic principles of organizing society. In addition, the nonprofit sector contributes to the country's GDP (about 1%) and has more than 226 thousand organizations that operate at local, regional and Federal levels, providing jobs for more than 1 % of the population. Consumers of services in the Russian nonprofit sector are more than 40 million people. However, in foreign countries, the proportion of the nonprofit sector in GDP is about 6%, while the number of people employed in the nonprofit sector about 7% of the total working population. Such low levels of participation of the Russian non-profit sector in the economy allow to speak about necessity of search for new development drivers of non-commercial organizations in Russia. Currently, there is a transformation of all aspects of the activities of the organizations of the nonprofit sector. This change of the civil legislation in part of improvement of legal forms, procedures of state registration and control of funding non-profit organizations, and taxation. Active development of the nonprofit sector is a considerable dependence on tax regulation of the nonprofit sector by providing, first of all, tax privileges and preferences, as well as from the balanced tax policy of the state against entities that are interrelated with non-profit organizations.

Keywords: nonprofit organization; management; economic environment; economic balance and development.

JEL Classification: K14; K36; Z18.

Introduction

In every society there are three basic categories of organizations: government, commercial and non-commercial (Blankenburg 2018). Non-profit organizations (NPOs) and their activities represent one of the sectors of the economy. Non-profit organizations are one of the types of legal form of business. At the same time, they tend to have many definitions: nonprofit or non-governmental organizations, social organizations, civic organizations, charity funds and organizations, third sector organizations, etc. (Barzanti, Giove and Pezzi 2017).

Varieties NCO is much more abundant than those definitions that they are. These include schools, universities, religious organizations, museums, medical facilities and hospitals, sports and youth organizations, environmental organizations, development organizations, civil society, political movements and parties, trade unions and many others. Non-profit organizations fulfill a significant social, economic and political role in civil society as producers of social services, employers and human rights activists. Moreover, their priority is the formation of civil society, its welfare, enhance the quality of life of the population, the proclamation and promotion of values: civil, religious and others. In addition, the non-profit sector is a constant source of social innovation. Most innovative technologies in the field of education, social work, Informatization, management was first introduced the non-profit sector, and only then adapted to the needs of regional and national policies (social, educational projects, etc.) (De Pieri *et al.* 2017).

The modern stage of development of the Russian non-profit organizations are characterized by their active participation in solving a wide range of social problems: health, education, science, education, orphanhood, and support for financially disadvantaged groups, social support, rehabilitation, prevention of diseases etc. The nonprofit sector is a significant provider of public services, characterized not only by the ability to respond quickly to the needs of the citizens, specific social problems and challenges, but also small administrative costs. It is obvious that in the conditions of modernization of social sphere, enhance targeting of budget expenditures and the inability to increase social spending it is necessary qualitatively different state of the social sphere.

Also the necessary 'response' to the new challenges that defy the usual logic and a mechanism for state action in the social sphere: man-made disaster, the consequences of terrorist attacks, environmental projects, etc. moreover, in modern conditions it is necessary to depart from the doctrine of 'generalized social needs' when problems are solved primarily through the mobilization and redistribution of public resources, that is, the so-called statistics sectors and of income distribution between the main consumers of social services. Currently citizens of countries increasingly aware of themselves as a taxpayer, which is financed by the state, in order to suit his social needs. Often, however, they learn it is inelastic, unskilled and somewhat unscrupulous provider.

Consequently, modern civil society needs a finely tuned adaptive mechanism of social policy, both directly and indirectly affect the development of the national economy. The direct impact is directly linked to the reduction of unemployment. In extended understanding, in the nonprofit sector (including nonprofit organizations of public sector of the economy) engaged in the education of 6.7 million people in healthcare and social services to 5.7 million people, all other socially-important services to 3.1 million people (Potluka, Spacek and von Schnurbein 2017). Non-profit sector currently provides employment to 1.1 million people and has similarities in its functions with the small business. However, it mainly provides its employees, volunteers and volunteers of social and psychological support, and also actively involves in socially significant work disadvantaged part of civil society. Socially vulnerable part of population, mainly, the disabled, parents, unemployed citizens, pensioners and so on. Non-profit organizations consume and pay for goods and services needed for this population, stimulating aggregate demand and increasing aggregate supply. In addition, they operate in those niches which are highly competitive and open market not would be interested in the commercial sector, as they give a too low profitability.

The indirect impact of the nonprofit sector on the national economy is determined also by the fact that nonprofit organizations bring an element of competition in the social sphere. They develop competition and compete in the first place, with public institutions functioning in socially important sectors of the economy, increasing the efficiency of services in the social sphere. Therefore, to provide a comparable amount of social functions will require fewer financial resources (budgetary savings), a correspondingly larger amount of financial resources can be spent on public, social or infrastructure projects (Domingues and Machado 2017). In addition, the results of NGO activities have a positive impact on the indicators education level, health of the nation, and the social environment in General, which in the future will promote the formation and growth of human capital, social and political stability (Henttonen, Lahikainen and Jauhiainen 2016).

The unique role of the nonprofit sector to society is that the primary reason for the need for companies in non-profit organizations is the failure '...of governments, donors or suppliers to contract with coercion to implement it'. A theoretical study was performed Eastleigh, D. and M. O'hara. With the help of two game theoretical models, the researchers showed that '... given the imperfection of the contract balance in the case of a contract with a nonprofit organization can be more allocative-effective than Contracting with a commercial organization that is under certain circumstances non-profit organizations are socially optimal mechanism for the provision of goods and services whose benefits are difficult to observe or measure' (Jachia 2017).

1. Literature Review

There is also another explanation of the role of non-profit organizations, which was proposed by Holtman. Thus, the model Holtman suggests that '...nonprofit organizations can provide services at a lower, reasonable fee or for free. The explanation, therefore the issue may not be socially efficient in the organization of activities in the public or commercial sector, is the presence of stochastic demand for services of organizations' (Bonomi, Ricciardi and Rossignoli 2017).

Important research on the role of nonprofit organizations in the economy are systematized in a number of works of S. Rose-Ackerman. The author suggested a hypothesis for the functions of the NCBs that remain only partly implemented in the provision of similar services to government and commercial organizations (Wechtler, Koveshnikov and Dejoux 2017):

First, I prefer to donate to non-profit institutions, because they believe that the donations of commercial organizations will be transformed to the profit of the owners. In addition, the argument in favor of non-profit organizations is that obtaining private benefits is illegal. Thus, this hypothesis can not rely only on one limitation – the distribution of the assets of non-profit organizations. For the full trust of donors to non-profit sector needs a mechanism for the effective control, including the so-called 'enforcement' is a mechanism that provides donors information about the implementation of a non-profit organization (intended use of funds) and its accountability (the public report).

Second, consumers of services of nonprofit organizations, as donors, need to have confidence that incentives to violations of the law of nonprofit organizations less as their employees work 'for idea' and not trying for personal gain. Researcher S. Rose-Ackerman believes that '...the benefits of non-profit organizations can apply to non-profit organizations in the public sector. Thus, non-governmental organizations is preferable for donors and consumers of social services, as their activities are easier to control' (Bonomi, Ricciardi and Rossignoli 2017).

On the Russian market of social services has undergone dramatic changes during the transition from administrative management of the economy to market principles in the 90-ies of the twentieth century. Transformation in the social sphere during the transition to market conditions of management was based on the expansion of social services to the population. A result of the reforms was the fact that the main providers of social services are non-profit organizations, public sector organizations and commercial structures.

However, the social services market is still characterized by very weak competition (in some of its major segments, it is practically absent), where monopoly providers of social services are the state or municipal organization. Weak or about zero competition is determined by the absence of alternative providers of social services, which are potentially NGOs. More successful competition develops in those industries where there is effective demand for social services (medicine, education, culture), allowing developing alternative suppliers that are not dependent on budgetary resources. The competitive environment is present in large cities, where commercial and non-commercial structure to a greater or lesser extent able to compete with the public sector. In remote areas (rural route) alternative providers are almost entirely absent. Segments of the social sphere, where services are provided to indigent groups of the population (social services, rehabilitation of disabled, etc.), – the sphere of interests of the customer (the state), seeking to create a competitive market of social services. The solution to this problem is associated with the acute need for expanding the range of alternative providers of social services, improve their quality and optimization of budget expenditures.

Mechanisms expanding the range of social services, including with the participation of the non-profit sector was clearly marked at the meeting of the state Council. The President of the Russian Federation, Putin noted that '... the scope of non-profit organizations to transfer part of the social functions of the regional authorities. It is necessary to exclude discrimination against non-state sector in the social sphere and remove for non-governmental sector in the social sphere of the legislative, institutional and administrative barriers' (Karakaya and Karakaya 2017). In addition, in the annual message of the President of the Russian Federation to the Federal Assembly noted that '... the citizen does not care where it gets social services – state, municipal and private

organizations. His right is to appeal to those who will work professionally, with soul, with full dedication. Everything else, including technical, organisational and legal issues the provision of social services is the responsibility of the state, the responsibility to properly organise the work. Need to ensure equal access of private sector to financial resources. Competition is a crucial factor to improve the quality of social services' (D'Anselmi, Chymis and Di Bitetto 2017).

Thus, the participation of organizations of the nonprofit sector as an effective provider of social services to the population correlates with a marked on the state level, directions of development of the social services market, as well as with the conclusions of domestic and foreign scientists, namely non-profit organizations are an important strategic resource of modernization of the social sphere of Russia.

Note that non-profit organizations in their activities only partly resemble traditional public social services (service concept). At first the concept of non-profit organizations to replace state function, but do it more efficiently, flexibly and personalized towards the needs of the population. An expanded understanding of the objectives of the NGOs is in providing companies a set of benefits with special characteristics, for example, services to assist the needy, to orphans and sick people. This problem largely relates to the functions of the state, however, the relevance of the activities of the nonprofit sector, suggests that the state of the nonprofit sector does not have the resources to cover the entire spectrum of needs of civil society. The state needs to provide social services led to the active involvement of the nonprofit sector on a market basis, which contributes to the expansion of the participation of nonprofit organizations in the economy. Thus, it is possible to speak about the transfer of government rights the provision of public services by non-profit sector.

In the media, scientific and business literature non-commercial organizations that do not pursue political goals and did not receive funding from the budget, often referred to as 'NGOs' (non government organizations – NGO). For the first time this terminology was introduced in the business turnover of the Charter of the United Nations (UN) in 1945 and later enshrined in international legal instruments and enshrined in the national legislation of individual States (Potluka, Spacek and von Schnurbein 2017).

The international monetary Fund proposed definition of non-profit institutions (nonprofit institutions - NPI) on the basis of the practical requirements of statistical accounting of such organizations. NPI is '...designed for the production or distribution of goods and services legal or public organization that cannot be a source of income, profit or other financial gain for the institutional units that established, control or Finance these organizations'. The definition of non-governmental organizations (NGO), also the world Bank - '...private organizations, the purpose of which is alleviation of suffering, protection of the interests of the needy, protecting the environment, the provision of essential public services, the development of society' (Jachia 2017).

2. The Formation of Accounting Policy Non-Profit Organization

Support or limitation the state of aggregate demand in the economy, depending on the phases of the cycle of the economy, reorientation of excess savings in investments or shift investments through the manipulation of tax rates and the range of tax benefits, – key provisions of the Keynesian model of tax regulation.

John. M. Keynes believed that it is possible to create a welfare state where there is no unemployment, and social transfers support the demand. Moreover, a partial redistribution of income in favor of the poor can encourage investment due to increased consumption. Thus, it is George. M. Keynes and his followers have identified the social sphere, putting the important task demand for social products and achieve certain social outcomes, in particular, maintaining a living wage, providing opportunities for the purchase of commodities, etc. However, the global economic crises of the 1970s and 1980s revealed the inability of Keynesian policies to overcome growing inflation and budget deficits. These circumstances led to a change of government policy towards liberalization of the methods of tax regulation and the transition to building a tax policy based on the neoliberal theoretical concepts.

The neo-liberal school of Economics: London (F. Hayek), Freiburg (W. Eucken and L. Erhard, A. Müller-Armak), Chicago (M. Friedman) is based on the fact that 'the market is a tool, which effectively redistributes resources and creates an optimal environment for the growth of the economy' (Knutsen 2016). Consequently, the most important task of the state is, on the one hand, minimal intervention in the allocation of resources in the private sector, on the other hand, the creation of a free market and competitive environment.

The definition of 'social market economy' was first established and introduced in 1946, A. Müller-Armak in which '...organized purposefully, a free market economy maintained by the regulatory system of competition, gives a more reliable guarantee of social progress - especially because social progress on the basis of a free system, through conscious measures that are consistent with the principles of the free market, and income

redistribution through the state budget, when the development of competition forms the economic basis for social actions can be organized more effectively'.

Subsequently, the role of tax regulation in many Western countries was reinterpreted in line with the neoliberal tradition, in the framework of the theory of 'supply-side Economics', close to the scientific direction of monetarism. The theory of supply-side Economics focused on the need for state regulation of offers of factors of production (goods, services, labor). The macroeconomic theory of 'supply-side Economics' emerged as a trend in the 1970s, its founders believe A. Laffer, R. Mundell, M. Feldstein, R. Regan and some other (Henttonen, Lahikainen and Jauhiainen 2016).

Under this theory taxes are analyzed as a negative factor hindering the development of the economy, the emergence of new taxes leads to a rise in manufacturing costs, compression of factors of production, which leads to inflation. The main objective of tax policy is to minimize taxes, spending budget, and also stimulate the factors of production, goods and labor. In the framework of the theory of 'supply-side Economics' in relation to taxes and taxation conducted research the impact of the income effect and substitution associated with the tax regulation on the activity of economic entities in the economy.

It is on the impact on the economy of tax rates based effects described by curve A. Laffer. A. Laffer curve shows the relationship between tax revenues to the budget system and the maximum tax rates in the economy.

Principles of tax regulation in line with the 'supply-side Economics' was laid in the Foundation of tax policies and reforms of President Reagan and the government of Margaret Thatcher in Britain in the early 1980s. The most important argument on which was based reform, served as a research A. Laffer, if the tax burden on the economy exceeds the optimal level of the effective tax rate, is reflected in the likely reduction in tax revenues with further tax increases. Held Reagan reforms substantial reduction in the tax burden in 1981 and 1986 were the result of neoclassical economic policy in the spirit of the followers of the monetarists and the theory of 'supply-side Economics'.

The modern concept of 'neoclassical synthesis' expands the range of the investigated phenomena, including the issues of assessing the impact of taxes on the rate and quality of economic growth. The effect, in the framework of the 'neoclassical synthesis' of taxes on the economy examines how demand-side and supply-side (Weerawardena and Previte 2018). Tax regulation appears not only as an adverse element, but as a positive element, allowing the state due to the increase in some segments of the economy, levels of taxation to limit consumption of the population, is dangerous from a social point of view products (alcohol, tobacco products, etc.).

Separate taxes can be used to regulate the nonprofit sector and the social sphere. Low tax rates on certain types of activities or even exemption from taxation of activities of non-profit organizations to increase the financial resources of the nonprofit sector, expand the range of services and socially important goods, which ultimately leads to a decrease of social tension in society. Tax policy of most industrialised, economically developed countries in the early 21st century be established on the basis of application of the achievements of all of classical economic schools (Keynesian, the theory of supply-side Economics and the theory of the neoclassical synthesis), offering a solution to the problems of tax regulation. In this case, the value of the substantive provisions of each of the theories in the formation of tax policy are not the same. Keynesian theory and its situation, before the economic crisis of 2008 – 2009 was almost forgotten, and only in the context of the global financial crisis, the question about the necessity of modernization the tax policy, taking into account cyclical fluctuations arose again the PA agenda. The debt crisis affecting the countries of the European Union in 2010-2011, and the need to significantly increase budget revenues to Finance debt obligations, also requires revision and refinement carried out by the EU tax policy.

In addition, contemporary processes of globalization make the actual problem of quality of social services provided to the population. Social services is a demanding one, similar in quality of services business. The complexity and diversity of the evolutionary process of economic systems, deformation of social space of many Western countries in terms of integration or disintegration (for example, exit in June 2016 in the UK from the European Union) dictate the use of systemic approach to the modernization of social policy (Zhu, Wang and Bart 2016). A striking example of social modernization and solution of the problems related to the provision of quality social services to the population is the experience of the countries of Western Europe. The development of social integration, associated with the signing in 1992 of the Treaty on European Union (Maastricht Treaty) and in 1996 the European social Charter, which laid the legal foundations of social dialogue and social integration (Vontea and Stancu 2017). The European social model, and the approaches to it controversial and debatable. Compete with each other two approaches to the definition of the European social model:

- social democratic (traditional) the approach pursued by the Nordic countries;

- business approach, formed on the fact that European corporations have to be competitive in the global market, and therefore, business should not be burdened with social obligations.

In General, modern European welfare state can be imagined on the basis of two models: the British and the German as of the Scandinavian or Nordic model is the most developed variant of the German model and has a legal, commercial, but also social responsibility. In practice, the business community finances social expenditures along with government and citizens, in return for significant tax benefits.

Conducting a truly effective social policy is possible in a highly organized, providing stability and a favorable climate of social space. The EU has implemented the concept of unified social space, which are based on social forces (business, Corporation, non-profit sector, trade unions, political parties, local authorities and citizens). While EU countries have to intensify the process of interaction with each other, ensuring the implementation of quality social services at a high level of European standards through the effective tool of tax regulation of activities of all stakeholders. Thus, features of the social state of the EU, lies in the social orientation of budgetary policy and high taxes as well as the presence of significant public sector in the EU economy.

Modern Russian system of regulation of activities of non-profit organizations in the tax field has developed over the last 25 years. Major changes occurred under the influence of economic, political and social processes. Problems of the nonprofit sector, at present, are not the result of deliberate tax policy. Thus, according to Temicheva (Agency of dezinformatsii): '...during the '90s he formed the tax system, and it can be noted that for some sectors of the economy, it was largely inconsistent, the non-profit sector, like other sectors of the economy, somehow have adapted to it' (Cornforth 2016).

Moreover, 'the discussion o the need to provide tax incentives and degree of preferentiality tax system is HKO for a long time, the law on this issue is not constant – the abolition of almost all tax incentives in the adoption since the beginning of 2000-ies chapters of the Tax Code and a gradual increase in the list of tax incentives beyond 2010, including in connection with the support of socially oriented non-profit organizations, changing the order of formation of the target capital, support philanthropy, volunteering and volunteerism' (Domingues and Machado 2017).

It seems that the study of the stages of development of the tax system will reveal the relationship of the periods in the development of tax policy in economic, social, political transformations in the country and the nonprofit sector.

In the economic literature focuses on the various stages of formation of the tax system (Chernik D. G., Gorsky, I. V., Aliev A. Z., etc.): 'the classical criterion of periodization is to change the tax law' (Reed and Ferrari 2017). Also an interesting point of view panskova V. G., which the criterion applies 'the richness of the activities undertaken with the definition of the four phases':

- (1) The formation through the evolution of the tax system;
- (2) Irregular taxation;
- (3) Tax reform: the preparatory phase;
- (4) Tax reform: implementation.

When establishing the stages of formation of the tax system it is necessary to emphasize the fact that before the reforms (perestroika 1985) in the context of a vertically constructed system of control and domination of the public sector, in the USSR there was practically no system of tax regulation of activities of HKO, though present individual elements. In these circumstances, the involvement of foreign experience of construction of the system of tax regulation, in the step of forming the non-profit sector and transition to market relations in the economy, is quite warranted. But chaotic and emergency reforms brought in the system of tax regulation of activities of NGOs, many issues and problems that in subsequent years, through the improvement of tax legislation, has been eliminated.

3. Regionalization of the Structure of Non-Profit Organizations

Donations in excess of the limits are carried forward into succeeding tax periods and shall be accounted for taxation purposes in the next 5 years. Taxation of endowment funds also has its own characteristics. So, are to be excluded from the net income from the use of special-purpose capital (endowment), however, the funds of the target capital, in some cases, are subject to the excise tax, similar to private foundations discussed above. In particular, endowment funds within two years from the date of receipt of funds in the Fund must use the funds for charitable purposes in the amount of 5% of the market value of the net assets of the Fund. In the case of misuse or non-use, the resources of the Fund subject to the excise tax, and in the case of highly risky investments (personal enrichment, business investment donors) that threaten the sustainability of the organization, with penalties against the organization and its management.

To summarize, it can be noted that the tax regulation of activities of non-profit organizations in the US looks like a complex multi-level system:

1st level (normative): RF Federal Treasury, the internal revenue Service (IRS – Internal Revenue Service), the national classification system of nonprofit organizations (NTEE Codes National Taxonomy of Exempt Entities);

2nd level (normative): the United States Tax code (article 501); 3rd level (instruments of tax regulation):

- the need to obtain 'nonprofit' status under article 501 (C) (3);
- requirements for funds, the annual expenditure of a certain amount to charity, otherwise, payment of excise tax;
- responsible for the proper use of funds in the case of the transfer of funds abroad;
- the burden of proof of public status to foreign charitable organizations;
- the income of nonprofit organizations by activities associated with the main purpose, not exempt from taxation;
- taxation and the imposition of penalties on a legal entity or organization management in case of misuse of endowment (personal enrichment, business investment of the donor).

Similar to the US practice of tax regulation of activities of non-profit organizations exist in the country with a Federal system – Canada.

The tax laws of Canada distinguishes between a 'nonprofit organization' (NPO - non-profit organizations) and registered charities (registered charities). To obtain nonprofit status, an organization must meet the following requirements:

- NGO does not have the status of a charitable organization;
- should work only in the non-profit sector;
- income from activities not to be distributed, and cannot be a source of personal benefit of the executives or members of NCOs (except for Amateur sports NGOs).

The most important criterion for the identification of the organization as a non-profit is the criterion of profitability, the profit is not the goal of NGOs. At the same time, NGOs themselves determine their status and are not required to undergo mandatory state registration.

Taxation of NPOs and charitable organizations are specific, the above organization exempt from income tax. However, management of NGO commercial activity, leads to the loss of tax benefits.

At the same time, charitable NPOs cannot participate in political activities, including direct assistance to parties and politicians. Violation of the prohibition leads to the cancellation of charity status and the loss of NGO tax exemptions.

In Canada each province or territory has a regional law on the tax on income, but as applied to nonprofit and charitable organizations it is fully consistent with Federal law. Tax incentives for private donors has its own characteristics. Donors – legal persons receive a tax deduction, a complex system, which is shown in 'Tax Advantages of Donating Charities' tax service Canada. Donators – individuals are provided a tax credit worth up to 75% of the taxable base of income tax. Moreover, the tax credit does not reduce taxable base, and provides a reprieve from payment of income tax. Unused tax credits individuals are entitled to move for the next 5 years. The activity of NCOs is exempt from tax under the respective provincial departments and Agency revenue and customs, responsible for the registration of NGOs and monitoring their financial activities. If the results of the inspections found violations, NGOs are denied further registration (such a waiver receive an average of 2500 organizations per year).

The Federal Republic of Germany (FRG) is one of the most developed countries of the European Union. In Germany, non-profit organizations are created in accordance with the legislation on corporations and the charitable nature of the organization attach its statutory objectives of their activities. The non-profit sector is approximately 3% of the total number of legal entities of Germany, with a population of about 2.5 million, and shares in GDP of 4.5%. At the same time, 68% of them are engaged in the provision of social services and education.

To obtain the preferential tax status of NGOs must conform to the requirements of chapters 51-68 of the Tax code (GTC). Section 52 GTC introduced a closed list of purposes: public benefit, charitable or religious purposes. The tax laws of Germany in respect of donors – legal persons establishes the right of tax deduction of donations from their taxable income up to 0.4 %. Individual donors in the amount of up to EUR 1 million have the right to deduct the income tax amount of donations for 10 years (not more than 20% per year). As a General rule,

all tax benefits are provided through a written confirmation (a certificate of tax deduction), issued by the organization – the recipient of the donation.

At the same time, the amount of donations up to 200 euros is enough Bank statement (Karakaya and Karakaya 2017). Separately, you must allocate the tax regulation of provision of tax privileges to the donors, support of foreign non-profit organizations. In connection with the decisions of the European Court in the case of Stauffer and the First donors of the member States of the EU are allowed to deduct from their tax base donations to other EU countries. For example, in Germany a possible deduction from the tax base in the amount of donations for charitable, social or religious purposes, organizations located in the territory of the EU, provided that their activities benefit the citizens of Germany, or increases the authority of the state.

In addition, in the framework of the signed bilateral agreements between Germany and the United States, if property is transferred for public use, which is in the territory of a state and has the appropriate exemption, it is exempt from taxation in the recipient country, but provided that such transfer of ownership in this state would be exempt from this tax.

The UK is a unitary state. The tax system of great Britain consists of two levels - state and local. The non-profit sector in the UK is diverse, the country registered about 865 thousand NGOs, of which 25% - charity (Chen, Liang and Yao 2017). About 190 thousand charitable NPOs with a total income of over 50 billion pounds and have more than half a million employees.

Preferential tax status assigns, upon registration of NGOs, the Commission on charity, which is also the Registrar and regulator of charities. The Commission is developing a public register of charities, which online access is available at the Internet portal. It is important to note that all the registration and financial documents available to the public and free on the Internet.

Note that only two types of organizations the nonprofit sector, have preferential tax status: charity and local Amateur sports clubs. Special tax legislation for the regulation of charitable activities does not exist, they operate on the basis of the Law 'Charities Act' of 1992 and 1993 (Potluka, Spacek and von Schnurbein 2017). All charitable organizations in the UK are recognized as payers of VAT and are subject to registration as a taxpayer. The legislation provides for VAT exemptions for certain groups of goods and services and the VAT exemption in respect of organizing the collection of donations and funds.

With regard to the income of charitable NGOs, 'they are not taxed if the proceeds are used exclusively for charitable purposes' (Blankenburg 2018). The law allows charitable NGOs to work actively in the sphere of trade, but only if trading activity is connected with implementation of non-commercial purposes the activities of NGOs. It should be noted that in respect of donations-legal entities (Gift Aid) valid tax exemption of article 338 and 339 of the corporations Act. This benefit does not require statements or tax returns, and 'is provided in the form of a tax deduction on the income tax of the Corporation'.

France is a unitary state and has a complex two-level tax system, which included a significant number of taxes, fees and para-fiscal payments as well as contributions various types of compulsory social insurance. The activity of the French authorities for the regulation of the social sphere leads to the specifics of tax regulation of activities of non-profit organizations and gives them the possibility of exemption from VAT, income tax and professional tax.

So, non-profit organizations can apply the tax exemption when the following conditions are met:

- disinterested NGO management;
- the lack of competition with the commercial sector;
- NGOs do not have to make a profit;
- priority of activity of NGOs. If commercial activity prevails, subject to tax all activities of the organization.

To assess the level of 'commercialization' activities of non-profit organizations correlated commercial revenue with the total amount of income of the organization (Chen, Liang and Yao 2017). In some cases, examines the proportion of funds, staff and other resources used in the implementation of commercial and non-commercial activities.

4. Development Opportunities International Experience in Non-Profit Organizations

Strict criteria to determine the primary nature of the activities is not established. However, in General, dominated by the activity that is at least 70-80% for several years.

The analysis showed that from the point of view of tax identification activities non-profit organizations in France, the Central element is the nature of the nonprofit management organization and the share of income

from commercial activities. An additional factor affecting the taxation is, in the case of disinterested management, a sign of competition with the commercial sector. Competition assessment is not carried out by main activities and by evaluating the aggregate performance of social significance: 'Product', 'Customers', 'Rates', 'Information policy'. Special attention is given the tax regime of donations, in force since 1 August 2003 the Scope of this regime applies to non-profit organizations (organization of public interest) with disinterested management, which does not carry on commercial activities:

- public significant public, private institutions (philanthropy, or higher artistic education, science, theaters, cinema, art, etc.); charitable organizations;
- associations or foundations heritage, historical monuments are in private ownership;
- endowment funds, which are remitted income from their donations to the above organizations; – since 2008 the endowment funds.

The mechanism of the taxation of donations includes personal tax deduction up to 66% of the amount paid in favor of the organizations of public interest. Thus, the upper limit of the size of the charitable contribution taken into account in the tax reduction is 20% of taxable income. Legal persons are entitled to a tax deduction in the amount of 60% of the amount of the charitable contribution, with the right to transfer the unused amount to the next 5 years. There is also a mechanism used since 20 June 2007, giving the opportunity to individuals-payers of wealth tax, deduct from their tax liabilities the amount of charitable contributions with an annual limit of 50 thousand euros.

The Italian Republic is a unitary state, administratively divided into regions, which, in turn, are divided into provinces. Taxes in Italy are considered by the government as the main instrument of state influence on the economy of the country, therefore the country has an extensive and diversified system of taxes in all sectors of society. The main taxes to the budgetary system of Italy, are income tax, profit tax of corporations and VAT. The share of these taxes is about 50 % of all tax revenues. The role of deductions and social insurance contributions are also very significant – the share of these payments is 30.5%. Tax regulation of activities of non-profit sector in Italy is directly related to the activity of non-profit organizations. So, since 1997, associations, foundations, voluntary organizations and non-governmental organizations for the purposes of taxation may be given the status of 'social orientation'.

The ONLUS Agency shall assign the above status and is responsible for the monitoring and development of the nonprofit sector in the country as a whole. The status of ONLUS can get the associations, foundations, committees and social cooperatives that are engaged in a corresponding authorized operation. Italian law provides significant tax incentives for contributions to national and community organizations, non-profit foundations and associations having the status of legal entity, for the acquisition, maintenance, protection and restoration of sites with cultural and/or historical value, which are fully deducted from income for purposes of the definition of base taxable profit of corporations.

At the same time, monetary donations to the organizations having the status of ONLUS, as well as in support of humanitarian, religious or legislative initiatives or associations, shall be deducted from income in the amount not exceeding 2% of the income of the donor subject to profit tax of corporations, and not more than 2 065,83 euros. It is important to note that in relation to nonprofit organizations is exempt from tax, there is no direct prohibition on the exercise of other activities in addition to activities in the above areas or activities directly associated with them. Moreover, it prohibits the distribution of profits, funds, capital, if they are not distributed to other organizations having the status of ONLUS.

Conclusions

Specifics of tax regulation of activities of non-profit sector in Western countries has determined the structure of the tax authorities, which, as a rule, formed on the basis of the allocation of segments of taxpayers. With allocation unit that performs a standard set of operational functions with respect to organizations of various sectors of the economy. The fragmentation functions of tax control of taxpayer groups allows to take into account their specificity, to develop a standardized and at the same time differentiated procedure of registration, accounting and tax audits. For example, in the structure of the Central office SVD, the United States allocated four divisions, one of which – NGOs and state-owned enterprises.

The division of NGOs and public enterprises working with special groups of tax payers, taxation and accounting which significantly differs from the generally accepted rules and standards. Special control subject non-profit organizations that have the status of preferential taxation. The Department has three divisions: the first handles the taxes withheld from physical persons; the second controls the NCOs are exempt from taxation; the

third works with state enterprises. Organization of work of tax authorities of most developed Federal and unitary States, usually built in a combination of the above approaches with the dominance of one or another principle (this is true for the tax authorities of the USA, Canada, European Union countries: Germany, France, Italy, and others).

The main form of tax control are undoubtedly a tax audit. Western experts, generally, there are narrow areas of inspections – request for protected electronic communication channels, verification of documentation, witnesses and taxpayers, much less – on-site inspection of their activities. Site inspection is not used everywhere as common and standard procedure of tax control. So, in the UK field examination, with departure to the place of registration of the taxpayer is the exception, since most of the inspections conducted offsite. Field checks are carried out in cases where inspectors is extremely important to access electronic databases of the taxpayer contained on the computers (if you cannot copy the database and provide them to the tax office), or has suspicions of bad faith of a taxpayer and need to correlate accounting data with the facts that characterize his work.

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