



Methodology of Planning Tax Expenses

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ABSTRACT

The article considers the issue related to the necessity to create a unified approach to planning tax expenses of the organization. Ways to minimize taxation burden are analyzed, and variants to plan tax expenses are systemized. Taking into account the increasing social responsibility of economic entities under conditions of the economic crisis, it was required to transform the goal of the taxation strategy of organizations to the model of tax expenses optimization. The approach to planning tax expenses developed by the authors is based not on the model of the tax minimization but on the shift of emphasis of tax expenses optimization that allows economic entities to more efficiently use financial resources taking into account the current legislation, as well as to achieve long-term goals of the business development strategy. In the work this task is solved by expanding the essential area of defining tax expenses planning. Theoretical importance of the article is in the fact that the research of tax expenses is based on theoretical basics of micro-economy, as well as considerable provisions of the current Russian legislation.

Keywords: Tax Expenses, Taxation Planning, Taxation Burden, Efficiency of Taxation Strategy, Internal Control

JEL Classifications: H20, H21, H30

1. INTRODUCTION

Under current conditions of instability and turbulence of economy, optimization of tax expenses is one of important issues in the general system of managing the economic entity. As a rule, it depends on the level of the taxation burden and the amount for administering taxes. Increasing of the organization's own financial means can be achieved by planning tax expenses. Undoubtedly it is not the main goal of taxation management. However, herewith it aims at achieving the main goal of the economic entity operation-the increase in financial stability and payment capacity.

In the Russian practice in the majority of cases tax expenses are planned by large and medium-sized organizations by involving external specialists of auditing companies and consulting firms. However, in virtue of the importance of this element of the general system related to managing the economic entity, and the need in constant control over taxation risks that occur during financial and

economic activity, the implementation of constant, i.e., current control over tax expenses is one of the top priority areas of increasing financial stability of organizations.

This circumstance requires to concretize the notion "taxation planning" as an accounting and taxation process performed by the organization and being a part of the mechanism related to managing financial and economic activity of the economic entity for the purpose of its proportional development.

Problems of taxation planning are described in foreign and national economic literature, particularly in the works of Campbell (1995), Tomsett (1989). However, herewith, at the present time there is no single opinion in terms of the purpose and the object of the taxation planning. In their works authors often replace categories of the taxation burden and tax load, taxation minimization and optimization, taxation obligation and payment, taxation planning and administration (Riumin, 2005).

Vylkova (2011) established the Russian scientific school of taxation planning. In her works she reveals the essence and content of taxation planning in details. She classified researches into two groups. The first group includes researchers who think that taxation planning is focused on minimizing tax payments. The second group thinks that taxation planning is the optimization of the level of achieving the taxation risks, goals and tasks of the company, to a definite degree however. To a greater degree they tend to interpret taxation management (Vylkova, 2011; Selezneva, 2007).

The urgency of the research theme is stimulated by the fact that over the recent 5 years the attitude to taxation planning has considerably changed both on the part of business and economist researchers whose views transformed from taxation minimization to taxation optimization (Viktorova, 2015; Molchanov, 2007). Above all, it is caused not only by the development of the science but also aggressive taxation sanctions from taxation bodies as well as the criminal responsibility.

Federal Law No. 77-FZ “On Amending the Administrative Offences Code of the Russian Federation” dated March 30, 2016 made amendments in cl. 15.11 of the Administrative Offences Code of the Russian Federation. It expends the fragrant violation of requirements to accounting. This includes the following:

1. Under-declaration of the amounts of the accrued taxes and charges by not less than by 10% as a result of accounting data distortion
2. Distortion of any accounting indicator expressed monetarily by not less than by 10% (earlier this “distortion of any article [line] of the accounting form by not <10%”)
3. Registration of the fact of the economic activity that did not take place or imaginary pretended objects of accounting in the accounting registers
4. Accounts keeping beyond the applied registers of accounting; making reports not on the basis of these registers, and
5. Non-availability of primary accounting records and (or) accounting registers and (or) auditor opinion about accounting reports in the organization during the established terms of keeping such documents.

The earlier version of Article 15.11 of the Administrative Offences Code of the Russian Federation did not provide the types of violations enumerated in clauses 3-5.

Due to the made amendments, the fine for officials was set in the amount from RUR 5 to 10 thousand (earlier it was from RUB 2000 to 3000). The fine from RUR 10,000 to 20,000 or disqualification for the term from 1 to 2 years (the earlier version did not provide sanctions for the repeated violation) is established for the repeated violation during a calendar year. It is necessary to specify that the above responsibility is not applied now if the reporting is timely corrected, including by submitting the clarified declaration (reconsidered accounting reports).

Now minimization of taxation obligations is considered as “opportunistic type of taxation conduct that assumes the focus in the process of fulfilling taxation obligations only on personal interest that lies in minimizing one’s own profit” (Mayburov, 2012). The definition “minimization” does not fully explain the notion and

content of planning tax expenses, because the absolute minimization is possible only in case of the completion of the financial and economic activity of the economic entity. The goal of taxation optimization is to increase the profit and financial strength of the organization at the expense of decreasing tax expenses, i.e., minimization is a part of general measures on optimizing tax expenses (Safonova, 2014).

Taking into account the economic crisis that caused stagnation in economy and had a considerable impact on financial stability of economic entities, management and owners of Russian companies have to choose either to cease the activity of organizations, or to liquidate business, or pursue austerity policy, including tax expenses.

2. RESEARCH METHODS

2.1. Essence and Necessity of Tax Planning as Method to Optimize Tax Expenses

In the business practice economic entities use two methods of decreasing tax expenses: Legal (legitimate) and illegal (illegitimate) (Table 1).

The main way focused on optimizing tax expenses is the taxation planning. Under modern realities it is an integral part of business and must aim at increasing the efficiency of the activity of the economic entity.

Table 1: Variants to minimize tax burden

Legal	Use of ambiguous interpretation Taxation planning	Taxation legislation
		Court practice General tools: • Adoption of the accounting policy • Use of various preferences and immunities, and • Method of the jurisdiction change Special tools: • Change of relations • Division of relations • Deferral of taxes • Direct abridgement of legal tax unit, and • Use of offshore
Illegal	Indirect tax avoidance	Taxes and charges debt Incorrect accounting of financial results Overvaluation of the organization expenses Violation of referring income and expenses to reporting periods
	Direct tax avoidance	Defrauding of income Illegal applying of taxation preferences Under-declaration of the tax base Non-provision of the declaration within the established term

Defining the method of taxation planning, most often economic entities do not take into account the fact that not only the specific transaction, including its content, but also the business goal must comply with the legislation. The applied methods of taxation planning are often perceived by fiscal bodies as tax evasion. Examples of such operations may include the substitution of agreements and changing their essence after the actual performance, payment of considerable punitive sanctions for agreements that do not exist, incorrect documentation of the facts of the economic activity that took place and reflect another legal essence, incorrect documentation of economic operations in accounting and taxation management.

The maximum economic effect is achieved by using one of the methods of planning tax expenses, particularly, using gaps in the taxation legislation. It is also specified in Article 3 of the Taxation Code of the Russian Federation and interpreted in the following way: All intermediate doubts and contradictions in legislative acts are interpreted in favor of the tax payer. The Federal Taxation Department follows an opposite position making up gaps in the legislation by various departmental instructions, letters. Herewith, it specifies separate provisions of the Taxation Code of the Russian Federation in definite period of time after new standards have come into force, and extends its effect since they come into force.

Applying planning of tax expenses in the management activity, management and owners must understand that this element must be built in the general structure of the whole system of the company management. Only in this case the maximum effect on optimizing monetary flows, and as a consequence, the impact on financial stability and liquidity of the organization can be achieved. As the practice shows, all economic entities use elements of taxation planning in their business practice, but the level of applying this method of optimizing tax expenses differs. The Table 2 shows variants of planning tax expenses (Table 2). The most widely used methods include traditional and optimized planning of tax expenses due to the fact that they contribute to planning on the basis of the current system of taxation in the organization, with the definite degree of correcting tax expenses with the aid of accounting policy and applying taxation preferences.

According to Vasiliev (2000), taxation planning is “a legal way to evade taxes by using preferences and ways to decrease taxation obligations provided by the law” (Vasiliev, 2000). It considerably

Table 2: Variants to plan tax exposure

Variant	Notion
Traditional (conservative variant)	Focused on legislatively established fulfillment of responsibilities and payment of taxes by the organization
Taxation optimization (perspective variant)	Development of the strategy related to optimizing tax expenses by using various methods of planning: accounting policy, taxation preferences, etc.
Taxation minimization (illegal variant)	Applying of illegal ways to decrease tax burden, including income concealment, incorrect declaring, etc.

limits the content and essential loading of the term “taxation planning.”

Tochilin (2004) considers taxation planning as methodology of optimizing taxation that includes strategy, accounting policy, documenting of accounting that complies with the selected accounting policy, etc. (Tochilin, 2004. p. 54-60). Guseva (2007) has a similar opinion. She thinks that it is necessary to understand “taxation planning” as selection of variants of various legal constructions (taxation system, type of agreement, accounting policy, etc.) by the economic entity for the purpose of decreasing the taxation burden” (Guseva, 2007). Ways of its performance are expressed in economic aspects that include price formation, contractual interrelations, method of amortization accrual, and combination of accounting and taxation management.

Varaksa (2011) interprets taxation planning as “a process of developing a system of taxation plans and indicators on providing the efficiency of the activity of the economic entity as a result of legitimate optimization of tax payments” (Varaksa, 2011). In our opinion, the process of planning tax expenses means not only minimization of tax payments of the economic entity, but also fulfils a more global mission of the organization on creating prerequisites for the expended reproduction by using elements of the accounting and taxation management.

A number of authors consider taxation planning only as a process that takes place on the level of economic entities. Viktorova (2015) is one of them. She interprets taxation planning as legal decisions of the organization on optimizing taxation by using traditional tools and modern technologies, and taking into account taxation risks (Viktorova, 2015). Antonov (2013) has a similar point of view. He specifies that “corporate taxation planning is the activity on developing an optimal, adjusted plan of the financial and economic activity of the organization aiming at full and timely fulfilling of obligations of the organization on tax payments taking into account the current taxation legislation, as well as strategy and tactics of the organization development” (Antonov, 2013).

Generalizing the above, it is possible to state that taxation planning is an integration progress consisting in systemizing financial and economic activity according to the current taxation legislation and strategic plan of the organization development. It is a part of the system of the economic entity management. It is implemented through the system of applying the legislatively permitted ways and methods of the taxation optimization under conditions of the resources limitation.

2.2. Modeling Process of Planning Tax Expenses

Tax expenses are classical transactional expenditures. That is why under conditions of the institutional environment the increase in the taxation potential for the economic entity consists in decreasing transactional tax expenses related to the taxation administering. It causes a release of additional financial resources (Safonova, 2015).

There are various classifications and types of taxation planning. They are researched in details. However, the following ones deserve attention:

1. According to the types of financial and economic activity:
 - Planning of tax expenses at the stage of business organization (defining the organizational and legal form, place of the entity dislocation, system of taxation, etc.)
 - Planning of tax expenses at the stage of the economic entity development
 - Planning of tax expenses at the stage of business “maturity,” and
 - Planning of tax expenses at the stage of the organization liquidation.
2. In accordance with the scale of planning tax expenses:
 - Strategic planning of tax expenses for the period of the organization operation
 - Operational (current) planning of tax expenses, i.e., separate operations or business processes.

Planning of tax expenses is one of the processes of the financial and economic activity aiming at development and control. That is why according to the changing conditions, it is based on the modern parameters. Thus, it is more objective and reasonable to classify planning of tax expenses depending on the terms into short-term (for the period of more than 1 month), medium-term (for the period from 1 month to a year), and long-term (for the period of more than a year).

According to the modern determinancy, the above classification is not the only one. Earlier Vysotskaya (2012) defined “operational, short-term, medium-term, and long-term planning” (Vysotskaya, 2012). Special attention is paid to short-term and medium-term planning because it is an element of the system of the general economic planning. Correlating with other structures of the general system, planning of tax expenses acquires all peculiarities that are characteristic of general economic planning, and thus this is how they are interrelated.

It is necessary to correlate the estimation of the efficiency of tax expenses planning with expenditures for its performance, and the goal must be correlated with commercial perspectives of the organization. Figure 1 shows the developed model of tax expenses planning that reveals its basic stages.

3. RESULTS

3.1. Stages of Planning Tax Exposure

Based on the earlier researches and taking into account that tax expenses of the organization include not only taxes and charges paid by the economic entity but also expenditures related to the fulfillment of the tax payer’s obligations by the entity (that particularly include material and technical expenditures related to accrual and payment of taxes), when forming stages of tax expenses planning, it is necessary to take into account this fact. Having researched works of the experts who consider stages of taxation planning, it was defined that the majority of authors do not take into account expenditures related to taxation administering. Only some of them specify the necessity of their accounting.

Having studied the activity of 48 medium-sized and large trading companies of the Krasnodar Krai, it was defined that planning of

tax expenses is applied only at the stage of the current (operational) planning. Herewith, economic entities ignore long-term (strategic) planning and thereby considerable decrease the efficiency of this process. That is why in the model of tax expenses planning offered by us this process is divided into two inter-related stages that closely correlate with each other. The detailed analysis of the notion, content and essential filling of tax expenses planning allowed to develop the authors’ concept in relation to its procedure and stages. They are displayed in Table 3.

Let us consider long-term or strategic taxation planning in more details. It is one of the ways to minimize tax expenses within the current legislation. It reflects general ideology of the management and owners, contributes to the achievement of strategic goals of the economic entity, and is implemented though the taxation plan. In its turn taxation ideology is based on principles that are agreed with the general financial strategy and plan of the organization development. It allows to achieve the best results taking into account constantly changing external environment and economic conditions.

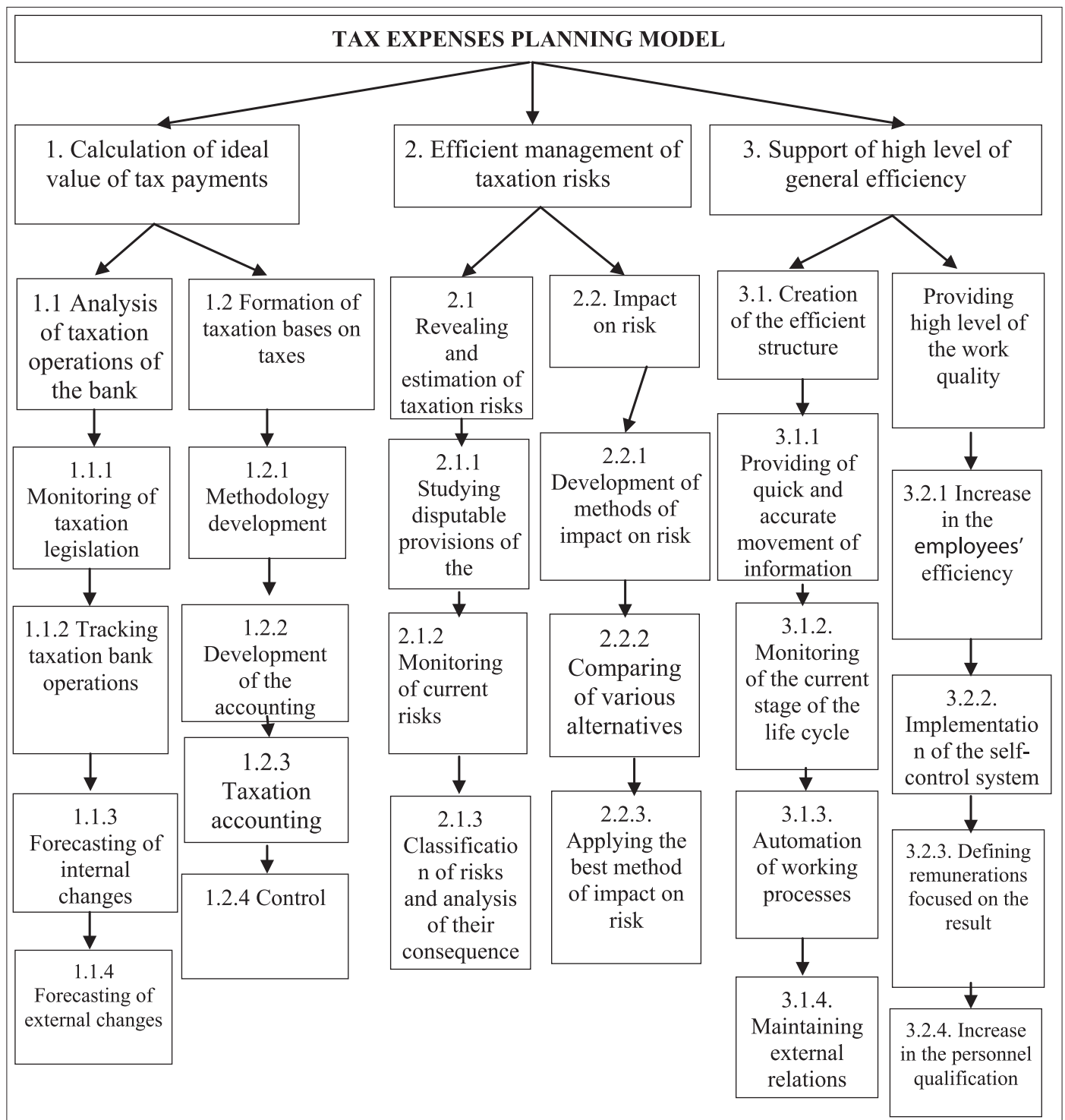
Under the current realities of the constant transformation of the taxation legislation, flexible taxation policy and strategy allow to considerable decrease tax expenses under a considerably low taxation risk. Figure 2 shows the model of managing the taxation burden.

Let’s consider this statement on the following example. The organization exists in the specific economic environment. Various external factors, including the taxation legislation and taxation policy of the state, have an impact on it. It makes the management of the company react to external impacts.

The reaction of the management and owners on the transformation of the external taxation environment can be rather conservative. In this case the taxation strategy of the economic entity is characterized by understanding rights and obligations of the organization as a tax payer, and aims at accurate compliance with the legislation. It is distinguished by the selection of traditional methods and ways of managing the taxation burden under the taxation risk that is lower than optimal. However, under the same external conditions, the reaction of the company management to changes of the taxation policy of the state can be also moderately aggressive. Further, it can be transformed into an aggressive taxation strategy characterized by applying disputable taxation schemes and risky taxation tools. Herewith, the taxation risk of the economic entity is increased up to the maximum. It is possible that in the future it can have an impact on the financial state of the organization, because subsequent tax expenses (judicial expenditures, payment for the services of the taxation consultant, etc.) will exceed the effect from the economy on taxation payments.

As a whole the taxation strategy of the economic entity covers the procedure of forming tax bases of various taxes paid by the organization. However, to a greater degree, tools of the taxation optimization cover the income tax that can be corrected with the aid of intelligently formed accounting policy and correctly modeled accounting and analytical space.

Figure 1: Model of planning tax expenses



As a rule, strategic (long-term) planning is performed by external taxation consultants, auditors, and specialists who have not only deep knowledge in the area of taxation legislation, accounting, economic analysis, but are also capable to make long-term forecasts in terms of the legislation change, and as a consequence, economic conditions of the organization development.

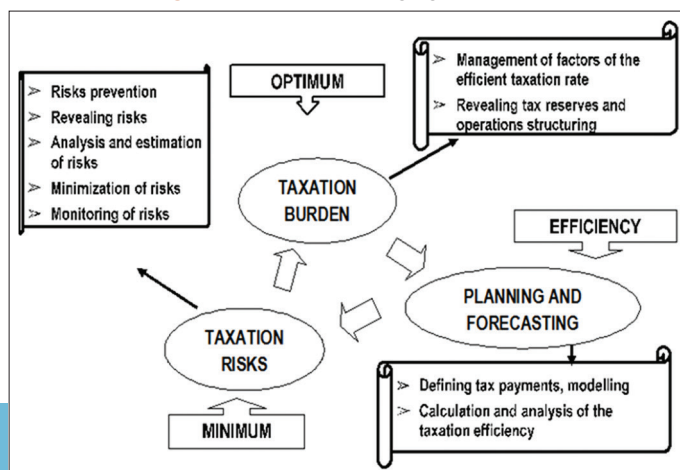
Thus the process of strategic planning starts at the stage of the economic entity establishment. It is strategic and is performed with the aid of various methods and ways that allow to decrease

the taxation burden and to reduce tax expenses of the organization for a long period of time. Elements of the long-term taxation planning shown in Table 3 come with the working tools offered by the author.

It is necessary to consider the issue related to defining the main goal of the taxation planning in more details. It is agreed with the general goal of the organization establishment-to obtain the maximum profit and to increase the profitability due to decreasing expenditures, including tax expenses, under the admissible level of tax risks.

Table 3: Stages of planning tax expenses

Number	Stages of planning tax expenses		Comments
I. Long-term (strategic) planning			It is performed by external auditors, specialists, consultants
1.	Estimation of the administration position and basic areas of the taxation policy of the state:	Working documents	
1.1.	Analysis of indefinite conditions of the external environment, studying and forecasting changes of the taxation legislation	WD.1	
1.2.	Analysis of the level of the taxation burden and tendencies of its change	WD.2	
2.	Selection of optimal parameters of the entity and formulation of the taxation plan		
2.1.	Defining the most promising areas and types of activity	WD.3	
2.2.	Analysis of variants of the dislocation of legal bodies that enter the business		
2.3.	Selection of the organizational legal form		
2.4.	Defining optimal size of the economic entity		
2.5.	Grouping taxes and charges according to the taxation bases, identity of taxation preferences, and complexity of calculations for the purpose of taxation planning	WD.4	
2.6.	Analysis of the court practice, forecasting of changes of the taxation legislation, studying customs of the business turnover, and formation of strategic goals	WD.5	
2.7.	Agreeing the general plan of the organization development, financial and taxation plans	Taxation plan	
2.8.	Development of the strategic taxation plan		
2.9.	Development of the complex of economic and legal and organizational and methodological events on providing the implementation of taxation planning	WD.6	
2.10.	Analysis of strategic taxation risks, revealing of taxation schemes	WD.7	
II. Current (operative) planning			It is performed by specialists of the internal taxation audit agency
3.	Current taxation planning	Working documents Accounting policy	
3.1.	Transformation of the accounting policy of the economic entity including applying of taxation preferences		
3.2.	Development of an optimal form of agreements		
3.3.	Rational financing of economic entity expenses		
3.4.	Implementation of the internal audit for the purpose of decreasing punitive sanctions		
3.5.	Analysis of the efficiency of planning tax expenses on the basis of applying taxation monitoring	WD.8	
4.	The most profitable allocation of profits and assets of the firm		
4.1.	Taxation optimization of the process of allocating the net profit	WD.9	
4.2.	Selection of optimal "corridors" to transport the reinvested profit to the place of its use		
4.3.	Reliable and tax-free allocation of capital assets and non-material assets of the firm		
5.	Revealing disadvantages and re-consideration of the applied methods of the taxation policy (transfer to stage 1)		

Figure 2: Model of managing tax burden

4. METHODS OF PLANNING TAX EXPENSES

The whole process of planning tax expenses is reasonably assigned in the taxation plan that is a document that includes the methodology of accruing taxation payments made by the organization, terms of payment, procedures applied for planning tax expenses, tools and apparatus required for the taxation optimization, and technical, material, and financial resources.

The taxation plan is a preliminarily developed scheme of measures at various stages of the lifecycle of the economic entity. It formulates the goal, basic tasks, methods, types of the involved resources, interrelation with the general strategy of the company, succession and teams of taking the planned measures of the taxation planning.

The taxation plan is a part of the general financial plan of the economic entity. It must also include the graph of optimized taxation payments that in terms of finances are general expenditures of the economic entity. However, at the same time the taxation plan is closely correlated to the marketing plan (for example, when defining the volume of sales, or developing business in specific regions with more favorable taxation scheme), plan of research and developmental works.

The implementation of the strategy specified in the taxation plan must be controlled all the time. The fluctuations that occur must be analyzed. If these fluctuations are related to external changes, for example, in economy, statutory regulation on the state level, etc., it is necessary to correct the taxation plan.

According to the concept of tax expenses developed by the author, the tactical level of taxation planning is a part of the management and financial control system. On this level, basic agreements with counteragents are analyzed, and contractual schemes that allow to decrease the amounts of the taxation obligations are developed. Undoubtedly it is taken into account when forecasting financial flows of the economic entity.

At this stage it is required to make a deep and system analysis of the reasons of considerable fluctuations of the organization indicators from the criteria of individual estimation of risks provided by the Concept of the system related to planning onsite tax audit of tax payers used by taxation bodies. Besides, the graph of the dependence of the tax payments and change of the financial state of the economic subject is made.

Medium-term or tactical planning of tax expenses includes a group of methods that enable the organization to minimize taxation obligations for the medium-term perspective. As a rule it is made upon the initiative of the economic entity. The majority of them are tightly focused on specific segments of the taxation system of the economic entity. The methods that are used most often were defined when surveying chief accountants of more than 50 trading organizations of the Krasnodar Krai. They are shown in Table 4.

It is necessary to note that formation of the accounting policy is the most frequent obligatory method of the current taxation planning used in the organizations.

It is recommended to take the following actions at the stage of long-term taxation planning:

Table 4: Methods applied in case of tax planning

Method of the current taxation planning	Frequency of the applied method, (%)	Explanation
Accounting policy of the organization	87	Optimal accounting policy is developed for the purpose of taxation accounting
Relations replacement	22	The method is based on complying with the following criteria: <ul style="list-style-type: none"> • Replacement of economic operations with tough taxation by another operation that means taxation with preferences • Obtaining of the desired result before the operation replacement. For example, replacement of the property donation by its sale at the minimum price
Division of relations	14	It is based on the method of relations replacement. Herewith a part of the economic operation is replaced by another part, or one operation is replaced by another operation. For example, the contractor's agreement for performing works from the contractor's materials is replaced by the agreement for performing works and purchase and sale agreement
Direct abridgement of legal tax unit	6	Transformation of separate operations or their replacement. For example, a decrease in the income by decreasing the price for goods within 20%, a decrease in the property tax due to the conducted re-evaluation of fixed assets, etc.
Deferral of payment	29	Transfer of the moment of occurrence of the taxation unit for the subsequent taxation period. For example, using the commission agent agreement instead of the supply agreement. In this case there is the deferral of payment of the organization with the standard taxation scheme
Applying of preferences for various groups of organizations and areas	53	Taxation with preferences is established for organizations of various areas and groups of economic entities
Transfer of the responsibility to the satellite organization	92	Transfer of the taxation unit to another entity that is controlled by the organization being a tax payer, i.e., the placement of "taxable" types of activity for other organizations or entrepreneurs
Change of the dislocation of the center on taking management decisions	9	It is based on the right of subjects of the Russian Federation to individually, within the limits determined by the Taxation Code of the Russian federation, establish specific rates of regional and local taxes (income tax, corporate property tax, and land tax), and preferential taxation of specific territories of the Russian Federation
Movement of production capacities	17	Replacement of production capacities to the preferential taxation area
Contestation of illegal standards of the taxation legislation or those standards that have double interpretation	3	It allows to establish the opinion of court bodies on topical but insufficiently legally regulated issues of taxation.

- Forecasting of tax expenses and analysis of consequences of the recommended schemes of optimization
- Detailed study of statutory acts that regulate the taxation legislation
- Development and approval of the plan related to bearing tax expenses and transforming the financial state of the organization, and
- Analytical research of possible reasons of the fluctuation from the average value of indicators of the economic entity activity and taxation consequences of the implemented recommendations.

As a rule, the reasonability and necessity to implement tactical taxation measures arises, as a rule, with economic entities whose taxation burden is above 30% points of the added value of the sold products. This taxation burden prevents the economic entity from performing the cycle of reproducing products due to the fact that taxes and charges deducted in the budget start being deducted both at the expense of the profit and funds meant for replacing physically and outmoded fixed assets.

For planning tax expenses, operational taxation planning holds central place. Essentially it is internal taxation control of the legal entity.

The urgency of this stage is stipulated not only by the fact that in accordance with the taxation legislation every organization must account its profits and expenditures and also fully pay taxes and make obligatory payments in the budget within the established terms. It is also stipulated by the fact that since January 1, 2016 administrative fines for violating the taxation legislation have been considerably increased. These circumstances show that the current internal control over tax expenses is the activity that is obligatory and does not depend on the wishes of owners and management.

Evstigneev and Chernova have the same opinion. They think that if the total amount of taxes does not exceed 15% of the total amount of profits of the economic entity, the need in planning tax expenses is minimum, i.e., the chief accountant can observe the payments in the budget. In case the level of the taxation burden is within 20-35%, a specific taxation is required if this is an organization of small and medium business, and a group of specialists, i.e., Taxation Planning Department if this is a large organization (Evstigneev, 2015; Chernova, 2009. p. 29-33).

According to Borodina (2012), based on the conducted expert estimations, for the purpose of analyzing the taxation burden of an economic subject, the optimal indicator of the income taxation burden is between 10% and 25%, and the indicator of the taxation burden for the added value is 40-50% (Borodina, 2012).

The notion of operational (current) taxation planning can be considered as planned actions performed within the current activity of the economic entity. Their basic goal is constant monitoring of the level of the organization taxation burden. As a rule, it is short- or medium-term.

In current planning it is possible to distinguish measures on internal taxation control as a separate group:

- Analysis of the timeliness and correctness of fulfilling taxation obligations
- Current analysis of changes of the taxation legislation
- Development of short-term forecasts of taxes accrual, and
- Studying reasons of considerable fluctuations of financial and economic indicators of the economic entity activity.

1. Analysis of the timeliness and correctness of fulfilling taxation obligations lies in the current monitoring of the correctness and timeliness of calculations of taxation obligations displayed in the primary documents, accounting and taxation registers.
2. Current analysis of changes of the taxation legislation is necessary for the management for taking management decisions on correcting the general plan of the organization development.
3. Development of short-term forecasts of taxes accrual is required for optimizing monetary flows. The organization must make up a tax calendar taking into account organizational and legal, sectoral peculiarities, and agree it with the general financial plan of the economic entity.
4. Studying reasons of considerable fluctuations of financial and economic indicators of the economic entity activity is required to eliminate taxation risks.

Thus, taxation planning increases the financial stability of the economic entity due to the transparency of accounting and decrease in punitive sanctions, and provides economic safety of the organization.

To a great degree, applying various tools of planning tax expenses depends on peculiarities of the financial and economic activity of the specific organization. Figure 3 shows the elements of tax expenses planning used most often.

In taxation planning accounting policy plays an important role. According to the conducted survey (Table 4), it is the most accessible and frequently applied method for optimizing tax expenses. It includes ways of grouping and variants of estimating facts of the economic life of the economic entity, and variants of processing the accounting information.

5. DISCUSSION

Long-term goals in terms of taxation planning must be represented as specific indicators. For example:

- Specific amount of the expenses that were saved
- Average annual tempo of decreasing the share of tax payments
- Minimum level of the monetary assets that provide the current tax payment capacity of the enterprise, and
- Critical level of taxation risks in terms of basic areas of the economic activity of the enterprise.

Furthermore, it is necessary to prepare a complex of measures of the economic and legal nature aiming at the implementation of the taxation strategy. They provide for the creation of a sort of “centers on controlling tax expenses,” development of stimulating measures for the contribution of employees in the process of taxation optimization, and establishment of rights and

Figure 3: Elements of tax burden

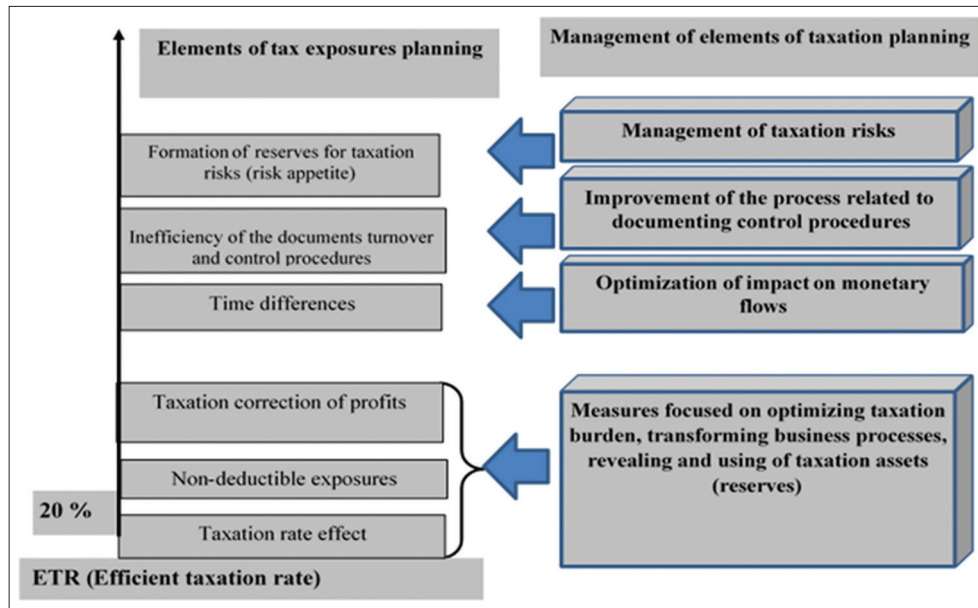


Table 5: Estimation of tax strategy efficiency

Criteria of estimating long-term strategy	Estimation result
Interrelation of the taxation policy of the organization with the forecasted changes in economy	As a result of this estimation, it is defined to what extend the level of the taxation strategy development complies with the assumed development of economic and taxation relations of the state, environment of the financial market in terms of its separate segments
Correlation of the taxation strategy of the economic entity with the general strategy of business development	The level of agreeing of the set goals and methods of implementing these strategies is established
Establishing internal balance of planning tax expenses	During the analysis, agreeing of various stages of taxation planning is defined
Optimal level of the taxation risk that occurs in the process of planning tax expenses	The correlation of the forecasted taxation risks occurring in the process of financial and economic activity with the taxation strategy of the management and owners is analyzed. The level of risks is correlated with financial opportunity of the organization in case of financial losses
Implementation of taxation planning	Technical, organizational, intellectual, and financial and economic opportunities of the economic entity are studied to implement planning of tax expenses in the system of the organization management
Efficiency of taxation planning	Analysis of the efficiency of planning tax expenses by calculating the relation of tax expenses to the income or added value, defining financial coefficients, positive business reputation

obligations for managers who are responsible for taxation planning in organizations.

\sum_{tbp} - amount of tax payments before planning.

The finishing element of strategic taxation planning is a complex of measures on analyzing the efficiency of the implemented long-term taxation strategy estimated to the below criteria (Table 5).

The economic content of this formula is in the following: If the amount of taxes after the optimization, expenses for the optimization, and taxations risks expressed monetarily are considerably lower than the amount of tax expenses on implementing the planning process, applying of the developed system of taxation management is efficient for this economic entity.

It is possible to estimate the efficiency of planning tax expenses according to the following formula:

$$EX_{tp} + \sum_{tap} + TR \langle \sum_{tbp} \quad (1)$$

Where - EX_{tp} expenses for taxation planning,

\sum_{tap} - amount of tax payments after planning,

TR - taxation risk, and

6. CONCLUSION

Under current economic conditions applying of tax expenses is complicated by the fact that the legislation does not fix the notion, essence, and methodology of taxation planning, there is no accurate division of legal (legitimate) taxation planning and purposeful illegal taxes evasion. Planning of tax expenses provides

the required conditions not for obtaining one-time profits, but for stable development of the economic subject, increase in its financial strength, stability and further stable economic growth within the whole state.

Planning of tax expenses has considerable impact on management decisions taken by owners and management, as well as the growth of the efficiency of financial and economic activity of the economic entity becoming a way to optimize its taxation profile. Saving on tax expenses increases the economic entity's own financial resources. Thus, the main final goal of planning tax expenses is not only the optimization of tax obligations but also the growth of financial strength.

As a result of the conducted researches, there are grounds to state that the goal of planning tax expenses has transformed from minimization to taxation optimization. It enables the economic entity to plan future tax payments taking into account the current taxation legislation, as well as strategies and tactics of the business development.

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