

МИНИСТЕРСТВО ОБРАЗОВАНИЯ И НАУКИ РОССИЙСКОЙ ФЕДЕРАЦИИ
ФЕДЕРАЛЬНОЕ АГЕНТСТВО ПО ОБРАЗОВАНИЮ

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АНГЛИЙСКИЙ ЯЗЫК

МЕТОДИЧЕСКИЕ УКАЗАНИЯ К ПРАКТИЧЕСКИМ ЗАНЯТИЯМ ДЛЯ
СТУДЕНТОВ СПЕЦИАЛЬНОСТИ «НАЛОГИ И НАЛОГООБЛОЖЕНИЕ»

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Методические указания предназначены для студентов 2 курса специальности «налоги и налогообложение».

Методические указания состоят из 3 уроков, каждый из которых содержит тексты и ряд упражнений. Цель методических указаний научить студентов читать и понимать оригинальную литературу по специальности, создать основу для развития навыков говорения по изученной тематике.

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Введение

Данные методические указания предназначены для студентов, обучающихся по специальности 351200 «Налоги и налогообложение». Они построены в соответствии с требованиями действующей программы по английскому языку для неязыковых специальностей высших учебных заведений.

Цель методических указаний – научить студентов читать и понимать англоязычную оригинальную литературу по специальности, развивать навыки профессионально - ориентированной речи.

Методические указания состоят из 3 уроков. Ведущее место в уроке занимают тексты, отвечающие всем требованиям и содержащие в себе лексику по соответствующей тематике.

Упражнения представляют собой систему заданий, направленных на расширение словарного запаса, корректировку навыков в распознавания лексических и грамматических единиц по их формальным признакам.

Пояснения к текстам снимают трудности при их понимании.

Дополнительные тексты отражают тематику основных разделов. Они рекомендуются для внеаудиторного чтения с целью закрепления изученной лексики в новом контексте.

1 Unit 1. Tax Reform in Russia

1.1 Pre-text Exercises

1.1.1 Practise the reading of the following words and say what Russian words help guess their meaning

- rent;
- result;
- to combine;
- discussion;
- indicator;
- financial;
- positive;
- analyst;
- producer;
- resources;
- base;
- innovation;
- organization;
- political.

1.1.2 Scan text A and find derivatives of the following words. State the parts of speech the derivatives belong to

- to abolish;
- to encourage;
- to discuss;
- to grow;
- to implement;
- to introduce;
- to solve;
- to reform;
- to predict.

1.1.3 Make sure you remember the meaning of the following verbs. You'll come across them reading the texts of the unit

- to strengthen;
- to improve;
- to develop;
- to shift;
- to retain;
- to fix;
- to evade;
- to fear;
- to diminish;
- to replace;
- to enjoy;
- to include;
- to lower.

1.1.4 Memorize the following words and word-groups from the texts of the unit

to abolish – отменять

Single Social Tax (SST) – единый социальный налог (ЕСН)

efficacy (efficiency) – эффективность, действенность

stable – стабильный, постоянный

to draw a line – класть конец, ставить точку

(personal) property tax – налог на (личное) имущество

to effect – осуществлять, проводить (в жизнь)
boon – благо, преимущество
to be in dire straits – быть в очень трудном финансовом положении
drastic changes – радикальные изменения
tax enforcement – принудительное взыскание налогов
option - выбор
to hint at sth – намекать на что-либо
to go a long way (зд.) – иметь большое значение, играть важную роль
outcome – результат, последствие, исход
extraction tax – налог на добычу полезных ископаемых
apart from – кроме, помимо
royalty – плата за право разработки недр
accordingly – соответственно, в соответствии
profit tax – налог на прибыль
to come into force – вступать в силу
tax incentive – налоговый стимул; налоговая льгота

1.1.5 Translate the following word-groups into Russian

amount; a small/large amount; a vast amount of government's money; the amount of the tax deducted; the annual company profit amounted to 500.000 rubles.

tax reform; to propose and initiate tax reform; tax reform has been achieved; the enactment of tax reform; to reform the Tax Code.

result; as a result; the final result; the company results; problems resulting from inadequate tax system.

rise; a rise in taxes; price rise; rise and fall; rising income tax revenues.

to implement; to implement reform proposals; to implement properly; implementation.

1.1.6 Choose the nouns in the following list of words

reasonable; analyst; easily; growth; introduction; incentive; economic; development; effective; efficacy; tremendous; consumer; encouraging; indicator; practically.

1.1.7 Translate the following sentences paying attention to the functions of the Gerund

The Mayor spoke of raising tax rates on non-residents' property.

While dealing with taxpayers tax inspectors should treat them politely.

There are still some prospects for further strengthening Russia's tax system.

Tax revenue is the money raised by the government through imposing taxes.

If the government increases spending, it may create a budget deficit.
It is impossible to reform tax structure without taking account of tax administration.
Bringing the VAT down will be welcomed by both entrepreneurs and consumers.

1.2 Text A. Some Results and Prospects of Russian Tax Reform

1.2.1 Read the text and do the assignments that follow

Over the years 2003-2007 some major changes have been considered and have come into force in the Russian Federation Tax Code. They emphasize that Russian tax reform initiated in 2000 has been achieved. Here are some of the results effected:
abolishing a bulk of small taxes. The set of taxes is now fixed at 15;
lowering overall tax burden on taxpayers by 36,8 percent of GDP;
lowering Single Social Tax rate (SST) from 36 percent to 26 percent. Today annual incomes under 100.000 rubles are subject to the Maximum SST Tax. In two years the amount will be raised to 300.000 rubles;
raising the efficacy of tax administration as well as simplifying tax collection.

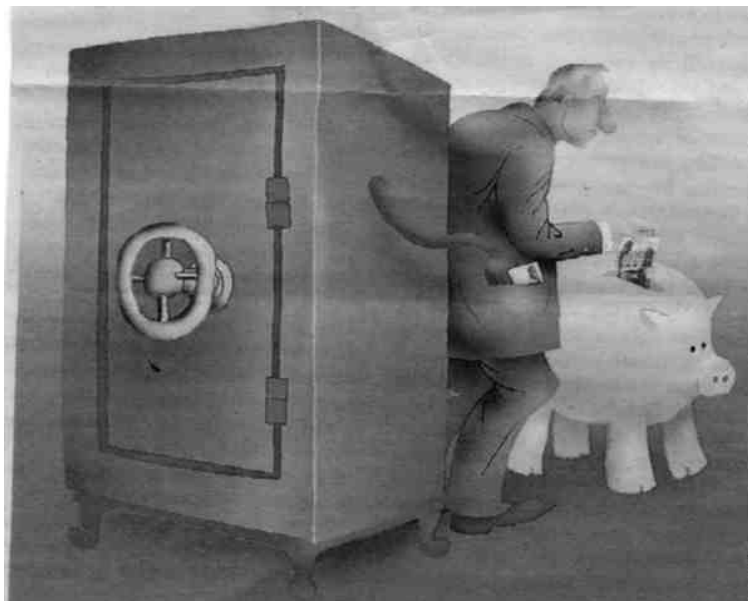
These encouraging changes made Russian tax system more simple, transparent and predictable. In the future the overall tax environment will remain basically stable. However, it is hardly reasonable to draw a final line under the reform efforts. There are still some more prospects for further bettering Russia's tax system:

- introduction of a property tax. The tax will combine land taxes and property taxes for individuals and organizations;
- improving relations between tax authorities and taxpayers;
- changing the VAT system and the profit tax;

The reform, when advanced, will increase incentives for paying taxes and providing economic growth of the country. This must strengthen the competitiveness of Russian Federation in the global marketplace.

Notes to the text:

GDP=Gross Domestic Product-внутренний валовой продукт.



1.3 Assignments

1.3.1 Answer the following questions

When was the tax reform initiated?

What are some of major changes to the Tax system?

What is the number of taxes in the Tax Code today?

What is the Single Social Taxes rate at present?

Is it reasonable to draw a final line under the reform efforts?

What prospects are there for further bettering Russia's tax system?

What are the results effected by the reform?

1.3.2 Find English equivalents for the following Russian ones. Translate the sentences with these phrases into Russian

достигнутые результаты;

эффективность налогового администрирования;

общее налоговое бремя;

обнадеживающие изменения;

оставаться, в основном, стабильным;

обеспечивать экономический рост;

усилить конкурентоспособность Российской Федерации на мировом рынке;

перспективы для дальнейшего улучшения.

1.3.3 Match the words on the left with their definitions on the right

a) to advance;

b) transparent;

c) to abolish;

d) competitiveness;

e) basically;

f) to emphasize;

1) in the most important ways;

2) to develop and improve;

3) to end a law;

4) to give special importance to sth;

5) clear and easy to understand;

6) the ability to compare with others.

1.3.4 Which of the statements is incorrect

In the future the overall tax environment will remain basically stable.

These encouraging changes made Russia's tax system more simple.

However, it is quite reasonable to draw a final line under the reform efforts.

The set of taxes is now fixed at 15.

1.3.5 Fill in the gaps with the suitable words and word-groups from the box

to abandon; to achieve; simple; income; result; raised; efforts; to advance; tax burden.
--

Each allowance intended ... particular economic or social objectives.
The new law made tax filing for millions taxpayers more ...
The various tax proposals will basically ... the taxation of new savings.
As a ..., efforts to provide economic growth increased.
Congress ... statutory tax rates.
Since the last major American reform ... there have been more than 14.000 changes to the tax code.
Some forms of... taxes are taxed twice or more.

1.3.6 Pick out the words opposite in meaning

global; to raise; to advance; complicated; to lower; minor; local; encouraging; simple; to worsen; major; to strengthen; discouraging; to weaken; to stop; to better.

1.3.7 Translate the following into English

В период 2000-2007 гг. Правительство РФ предприняло радикальные меры по реформированию налоговой системы. Была снижена общая налоговая нагрузка на экономику и упрощена налоговая система.

На современном этапе приоритеты (priorities) налоговой реформы следующие:

создание налоговой системы, способствующей России конкурировать на рынке капиталов;
более интенсивное снижение налогового бремени в отношении несырьевых (productive) отраслей при некотором повышении нагрузки на сырьевой (raw material) сектор;
выравнивание (levelling) налоговой нагрузки между отдельными субъектами экономической деятельности внутри одной отрасли.

1.3.8 Work in pairs (Discuss some result of Russia's tax reform with your fellow – students, using assignment 1.3.1)

1.4 Text B. Why Should Russia Retain Its 13-percent Flat Income Tax

1.4.1 Read text B and find the answer to the question: What positive developments did a 13-percent flat income tax result in?

Russia's income tax revenues are higher than ever before. Between 2000 and 2006, the share of income taxes in all government revenues has risen from 6.5 percent to 16 percent. This is not only a tremendous financial boon for Russia but also an indicator of positive political development.

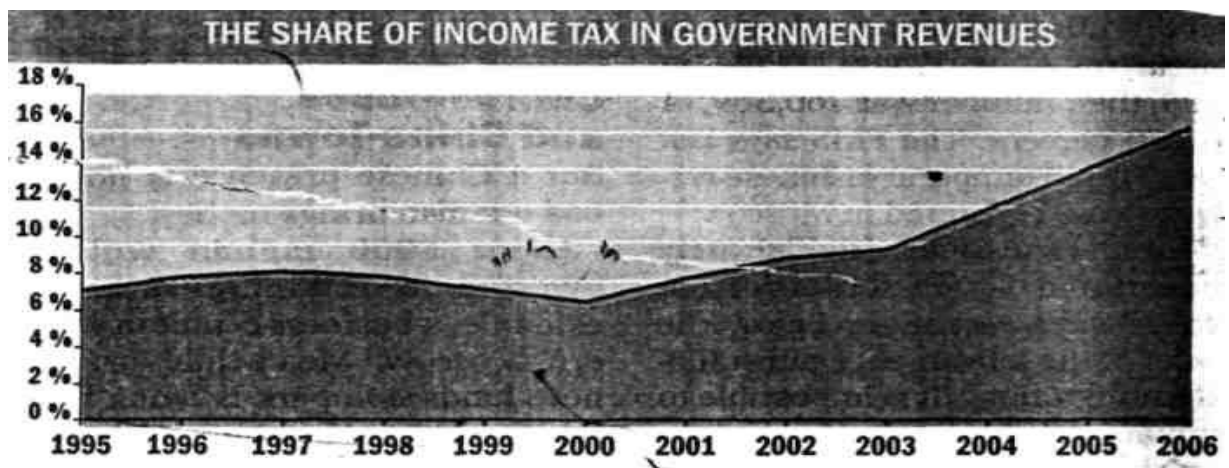
During the 1990s, the Russian tax system had been in dire straits. No more than 8 percent of Russia's large enterprises paid taxes in cash and almost 30 percent didn't pay taxes at all. About 90 percent of private sector income was practically unknown to tax collectors.

Some drastic changes were made in 2001. The new Tax Code introduced a 13-percent flat income tax. The innovation has been a great success. Income tax revenues increased by 20 percent in 2001, and have risen since (see chart). But it's not only just about higher government revenues. There is more to it than that. The successful introduction of the flat tax is part of fundamental change in Russian society towards improved institutions. There is less and less corruption, people start appreciating the benefits of operating within the legal system.

Now that employees receive higher salaries credits for consumer goods and cars are more easily obtained. And increasingly effective tax enforcement makes it more difficult for companies to evade taxes.

Russia's rising income tax revenues hint at another positive development. Since the 1990s, many analysts feared that Russia might turn into a state where the government depends mostly on revenues from mineral resources, rather than broad-based taxes.

But the tax reforms have gone a long way to diminish this danger.



1.4.2 Make up the plan of the text

1.4.3 Give the Russian equivalents of the following

a tremendous financial boon; higher than ever before; drastic changes were made; now that ...; increasingly effective tax enforcement; rather than...; there is more to it than that; credits are more easily obtained; to be in dire straits.

1.4.4 Speak on the share of income tax in government revenues, as shown in the chart.

1.4.5 Translate the newspaper item into English.

Будут ли менять подоходный налог?

В ближайшие три года подоходный налог не изменится. А также и все основные налоги: налог на добавленную стоимость (его ставка составляет 18%),

единый социальный налог (ставка 26%). Сегодня реформа налоговой системы России завершается. За 5 лет из 54 налогов осталось всего 15. Каждый пункт стал ясным и простым, что облегчает работу налоговых органов. Единственное, что будет меняться, - акцизы на табак и алкоголь.

1.5 Text C. Read text C and choose the title for it

- a) The excise tax on oil;
- b) Tax reform in the oil sector;
- c) Taxes on the capital income;
- d) Oil prices have gone up.

Recently there has been a vivid discussion about the level of taxes for the Russian oil sector. Much of it was focused on the outcomes of the tax reform implemented in 2002-2007. First, export duties, which depend on the world price of oil, increased more rapidly with the price after the reform. Besides, three resource payments: royalty, the tax for mineral resources reproduction and the exercise tax on the oil were replaced by a single extraction tax (ET). The important feature of ET is that it has clear and easily controlled base (the physical amount of oil), and single formula for the tax rate (a function of the world price of oil). Apart from these changes oil extracting enterprises enjoyed the profit tax rate reduction from 35% to 24%. As a result, the reform increased the efficiency of tax collection, although it did not change much the nominal tax burden on enterprises. There still exists the price gap between the world and domestic markets. Its immediate consequence is that indirect taxes (VAT, the sales tax and excise taxes on oil products) do not lower the net profits of oil producers but are totally shifted onto oil product consumers.

Accordingly, the tax burden on producers consists of the export duties, the taxes included into the cost price (e.g. resource payments) and taxes paid out of profits (the profit and property taxes).

On the whole, Extraction Tax is a better option for extracting the natural rent in oil sector than the profit tax.

1.5.1 Find in the text the sentences close in meaning to the following ones

A great part of the debate was devoted to the results of the tax reform achieved in 2002-2007.

In addition, oil extracting businesses had the profit rate cut.

There is a very big difference between the oil price in the country and the other countries all over the world.

Generally speaking, extraction tax is a better alternative for paying oil extracting expenses.

1.5.2 Compose 5 special questions to the text

1.5.3 Write a short summary of the three texts of the unit

1.5.4 Check if you remember the active vocabulary of the unit. Choose the Russian equivalents for the English ones

- | | |
|------------------------------------|--|
| 1) to abolish; | 1) заменять; |
| 2) single social tax; | 2) налог на имущество; |
| 3) efficiency; | 3) выбор; |
| 4) tax enforcement; | 4) в целом |
| 5) to effect/implement tax reform; | 5) предсказуемый; |
| 6) on the whole; | 6) налог на добычу полезных
ископаемых; |
| 7) drastic changes; | 7) принудительное взыскание налогов |
| 8) profit tax; | 8) единый социальный налог; |
| 9) outcome; | 9) осуществлять налоговую реформу; |
| 10) price gap; | 10) радикальные изменения; |
| 11) option; | 11) развитие; |
| 12) predictable; | 12) эффективность; |
| 13) extraction tax; | 13) следствие, результат; |
| 14) tax incentive. | 14) разрыв в ценах; |
| | 15) эффективный; |
| | 16) конкурентоспособность; |
| | 17) налоговый стимул; налоговая
льгота. |

1.5.5 Revision Exercise. Translate the following into Russian

1. В современном обществе существуют различные классификации налогов. Налоги могут быть прямыми, косвенными; прогрессивными, регрессивными; высокими, низкими; с широкой или узкой / низкой ставкой и т.д.
2. Мы часто обсуждаем проблемы налогов на заработную плату, подоходных налогов, налогов с наследства, налогов на прибыль; налогов на имущество; корпоративных налогов, а также налогов на добавленную стоимость и др.
3. Физические и юридические лица платят налоги, в то время как налоговые власти/органы вводят налоги, облагают налогами; исчисляют налоги; взимают налоги.
4. Налоговые инспекции отвечают за сбор налогов.
5. Налоги могут быть увеличены; снижены; сокращены / урезаны; отменены; предъявлены к возмещению.

2 Unit 2. Taxation in Great Britain

2.1 Pre-text Exercises

2.1.1 Memorize the following words and word-groups from the text of the unit

Financial Act – закон о вступлении в силу государственного бюджета
Capital Gains tax – налог на прирост капитала
the Chancellor of the Exchequer – канцлер казначейства (министр финансов)
Inland Revenue (Her Majesty's Revenues and Customs) – управление по налогам и сборам
chargeable tax – взимаемый налог
assets (юр.) – имущество
pay-as-you-earn scheme – схема: заработал – заплати, не откладывая
disposable income – доход, остающийся после уплаты налогов
despite – вопреки, несмотря на
to issue (documents) – издавать (документы)
appropriate – соответствующий
pay packet – заработок, получка
demand – спрос
reclaim the tax – предъявить налог к возмещению
to raise money – собирать деньги (в бюджет)
to meet expenditure – обеспечивать пополнение расхода

2.1.2 Read and translate the following words into Russian without using a dictionary

control;	cheque;
budget;	chronic;
scheme;	maximum;
special;	minimum;
export;	passport;
import;	calculator;
phase;	centimetre.

2.1.3 Make sure you remember the meaning of the words. If not, consult a dictionary

to influence;	to accept;
to present;	to contribute;
to originate;	to avoid;
to deduct;	to affect;

to encourage;
to obtain;
to expect;

to incorporate;
to stamp;
to design.

2.1.4 Give written translation of the following word-groups into Russian

to raise revenue; to meet government's expenditure; annual budget; basic tax rate; incomes originating in Great Britain; disposal of assets; pay-as-you-earn scheme.

2.1.4 Connect each pair of equivalents:

expenditure
to influence
taxes
to originate
debate
proposal
to obtain
to raise
profit
to finance

income
to start to develop
to effect
to fund
spending
to affect
levies / duties
discussion
to get
to increase

2.1.5 Pick out all the adjectives from the following list of words

corporation; small; normally; taxable; current; company; higher; disposal; normally; curtain; principal.

2.1.6 Translate the following phrases paying attention to Participles I, II. Make up sentences with these phrases

Model: expenditure financed by taxation – расходы, финансируемые налогообложением.

tax revenue raised by the government.

VAT charged at the standard rate.

annual Budget presented to Parliament.

assets owned by the company.

progressive tax structure used in the country.

payments made by the company.

the tax code adopted in 1998.

Model: high tax rate decreasing the incentive to work – высокая налоговая ставка, снижающая стимул к работе.

business paying taxes.
tax policy encouraging small business.
officials dealing with tax payers.
chart illustrating tax calculations
individuals taking the risk of capital losses.

2.2 Text A. Taxation as a Source of Revenue for the Government

2.2.1 Read the text and do the assignments that follow

Taxation is a means by which the Government raises revenue to meet its expenditure. It may also be used as a means of influencing and controlling economy. The four principal taxes in the United Kingdom are:

- a) Income tax;
- b) Corporation tax;
- c) Capital Gains tax;
- d) Value added tax.

The Chancellor of the Exchequer introduces his proposals to raise the revenue needed to finance government expenditure in annual budget, usually presented to Parliament each year. The Budget proposals, after debate and amendments in the House of Commons become the Finance Act imposing taxes for the current year.

- a) Income tax forms the bulk of revenues collected by the government. Each person has an income tax allowance, and income up to this amount in each tax year is free of tax for everyone. The tax allowance for under 65s is £ 5,225 (=5 pounds 225 shillings)

The income tax rates are:

Basic rate	20%
Higher rate	40%

Income tax is charged on all incomes originating in the U.K. Under the pay-as-you-earn scheme, tax is deducted from most wages and salaries.

- b) The full corporation tax rate (35%) applies to companies with a profit over £ 500.000 and the small companies rate (25%) to those with profit below £ 100.000.
- c) Capital gains tax is chargeable on any capital gains obtained after the disposal of certain assets. The rate of the tax is normally 30%.

In the United Kingdom a government agency, such as Her Majesty's Revenue and Customs or the Inland Revenue collects taxes.

The means of taxations, and the uses to which the revenues (funds) raised through taxation should be put, are a matter of hot dispute in politics and economics.

Here is an illustration of tax rates and tax calculations:

Corporation Tax Rates

Standard rate	33%
Small companies rate	25%

Examples: Corporation Tax calculations

Example 1. Standard rate of tax. Company A has accounts year ending 31 December. It has taxable profits for the year of GBP 2.000.000. Company A's Corporation Tax for the year is GBP 660.000.

Example 2. Small companies rate of tax. Company B has accounts year ending 31 December. It has taxable profits for the year of GBP 150.000. Company B's Corporation Tax for the year is GBP 37.500.

e) Note: GBP=Great Britain Pound Sterling

Accounts year – отчетный год

2.3 Assignments

2.3.1 Recall the contexts in which the following word-groups are used

the bulk of revenues;
a means of influence;
the budget proposals;
capital gains tax
a government agency;
accounts year.

2.3.2 State the borderline between the subject and the predicate group in the following sentence

The means of taxation, and the revenues raised through taxation are a matter of hot dispute in politics and economics.

2.3.3 Divide the text into logical parts and entitle each part.

2.3.4 Say whether the following statements are true or false, and if they are false, say why.

e.g. In my opinion it is true./ I'm afraid it is false because

Taxation is a means by which the Government raises revenues to meet its expenditure.

The Budget proposals impose taxes for the current year.

Capital Gains Tax forms the bulk of revenues collected by the government.
Each person has an income tax allowance.
The full corporate tax is the same as the small companies rate.

2.3.5 Complete the sentences using the information of the text

Taxation may also be used as ...

The Chancellor of the Exchequer introduces his proposals to raise the revenues...

Income tax is charged ...

Capital gains tax is chargeable on any capital gains ...

2.3.6 Speak on taxation in the U.K. using assignment 2.3.3

2.3.7 Translate into English

Научная теория налогообложения возникла в Великобритании. Наибольший вклад (contribution) в теорию налогообложения внес шотландский экономист и философ Адам Смит. Он считал, что налоги для того, кто их выплачивает, означают не рабство, а свободу. Уже в конце 18-го века (as early as in ...) в Великобритании проводилась активная экономическая, в том числе финансовая и налоговая политика. [...]

... Один из основных прямых налогов – подоходный. Подоходный налог с заработной платы удерживается у источника (at source), по принципу: «заработал - заплати, не откладывая». Две другие основные категории налогов – налог на капитал и на расходы.

2.4 Text B. How Things Work

2.4.1 Read text B to be able to do the assignments that follow Dictionaries are allowed

Cos I'm the Taxman.

Yeah, I'm the Taxman.

And you are working for no-one that me.

The Beatles.

It's time to come out from the shadows.

Citizens: pay your taxes.

These are phrases that the average man in the street in the U.K. never hears, for although he dislikes the taxman, tax is an accepted and most importantly an automatic way of life.

A truly vast amount of the government's money is earned from income tax which affects people in Britain most. Income tax is when your boss deducts the amount of tax from your pay packet and gives it to the government.

Income tax in Britain is progressive. That means that the more you earn the bigger the slice of cake taken by the government. If you are a well-paid worker, for example a doctor or a lawyer, then you can expect to lose 40 percent of your salary to the taxman. To many people it seems unfair that the most successful members of society should pay more in tax than others, but in reality it's quite a different matter. Because a lawyer or a businessman can earn a very large income (say, one hundred thousand pounds a year,) then after the amount of tax he or she pays is deducted they will still have a very large amount of disposable income to spend on the good things in life. Compare this state of affairs to a poor nurse who earns about ten thousand pounds a year. Despite this small amount a nurse still has to pay the basic rate of tax (which is twenty percent). It is no wonder there is a chronic shortage of nursing staff in Britain's hospitals.

The second main tax is VAT. This tax affects everyone in the same way as we all have to buy clothes to wear, fuel for heating and electricity to light our homes.

A third tax, but just as important as the others is Excise Duty. Even if the price for tobacco, alcohol and oil goes up, the demand doesn't change much as people consider them essential for their lives, and so the government can raise a lot of money quickly by raising the excise duty on cigarettes, beer and wine, and, most importantly, on petrol.

The story behind the Beatles' song at the beginning of this text is an interesting one. The Beatles were only allowed to keep 5% of their income, with the other 95% going to the government. This made the Beatles very angry and they wrote a song about it.

Notes to the text:

how things work (разг.зд.) – как действует система налогообложения
pound – стандартная денежная единица в Великобритании 1 фунт стерлингов равен 53 рублям.

2.4.1 In which paragraph can you find the information about

taxes that affect people most in the U.K.

the average man's attitude to taxes in U.K.

the tax rate for: a) high income citizens; b) for low income citizens.

the unfairness of income tax.

the story behind the Beatles' song

2.4.3 Give English equivalents of the following and find the sentences in which they are used in the text

средний человек;

неудивительно;
постоянная нехватка;
принятый образ жизни;
доход, остающийся после уплаты налогов;
положение дел;
огромное количество денег;
принятый образ жизни;
получка, заработная плата.

2.4.2 Judging by the context say what the word-combination “come out from the shadows” means

2.4.4 Translate the following sentences into Russian paying attention to the comparative “more” and the superlative “most”:

Income tax affects people in Britain most.
The more you earn the bigger the slice of cake taken by the government.
To many people it seems unfair that the most successful members of society pay more in tax than others.
Tax is an accepted and, most importantly, an automatic way of life.

2.4.5 Define the sentences in which the verb ‘have’ has the meaning of “obligation”

Taxation policy has been substantially altered by the government.
Despite this small amount a nurse still has to pay the basic rate of tax.
We all have to buy clothes to wear, fuel for heating and electricity to light our homes.
After the amount of tax to be paid is deducted, the rich will still have a large amount of income to spend.

2.4.6 Write a short summary of the text

2.4.7 Before reading Text C learn some new words and word-combinations you’ll come across

hi-fi (= high fidelity) goods – аудио- и видеотехника (высокой надежности)
to operate the scheme – зд. участвовать в системе возмещения НДС
jeweler – ювелир
chain – цепочка
window – зд. витрина
to multiply – умножать
receipt – чек, квитанция
the book – зд. справочник
eligible – имеющий право
to have it cashed – получить наличными

2.5 Text C. Read the text and say what information about taxes in Britain is new to you

Value Added Tax (VAT) is a Government tax. At present the standard VAT rate is 17,5%. Everyone in Britain must pay VAT on almost everything they buy. VAT is usually incorporated in the price.

Visitors to Britain can reclaim the tax when they leave Britain and present the appropriate documents issued by the shop. Usually when they buy rather expensive things like furs, gold, hi-fi goods etc., they should wonder if the shop operates the VAT scheme.

One day during his stay in London. Anton, a Russian businessman went shopping and came into a small jeweler's shop to buy a gold chain for his wife.

Here is his talk with the shop assistant:

Anton: Excuse me, may I have a look at one of the chains displayed in the window?

Shop assistant: Certainly, sir. What number is it? It's nine three five, over there. Just a minute.... Yes, here you are.

Anton: And how long is it?

Shop assistant: 25 inches, sir. And how much is it in centimeters? Let me see... oh, here is the calculator... I should multiply it by two point five two. Oh, yes, sixty three.

Anton: Very good. Just the length I wanted to have. And how much is it?

Shop assistant: One hundred and ninety nine pounds.

Anton: Good. I'm buying it.

Shop assistant: ... Here is your box and the receipt, please.

Anton: Excuse me may I reclaim the VAT tax?

Shop assistant: And where are you from?

Anton: From Russia.

Shop assistant: Just a minute, I'll consult the book. Yes, you are eligible to the reclaim. May I have your passport to fill in the form?

Anton: Here you are.

Shop assistant: Here is your passport and the form. Please fill in this sheet before you give it to the customs. How are you leaving? By plane?

Anton: Yes, by plane. And what should I do about this form?

Shop assistant: Fill in this sheet before you leave for the airport and have it stamped at the Customs, at the airport. Then post it. In a month or so you will receive a cheque by post. Have it cashed at the bank stated in Russia.

Anton: I see. Thank you very much.

Shop assistant: You are more than welcome.

Notes to the text:

Inch – дюйм (= 2,52 см)

2.5.1 Choose the title for the text

Tax calculation procedure.

Filling in the form.

Value Added Tax.

2.5.2 Agree or disagree with the following statements

VAT is usually not incorporated in the price.

Visitors to Britain can reclaim the tax when they leave Britain and present the appropriate documents issued by the shop.

The VAT scheme operates for all kinds of things bought in Britain.

The standard VAT rate is 17%.

2.5.3 While reading the dialogue you've come across several informal (spoken) words-combinations. Match them with their Russian equivalents

- | | |
|---------------------------------------|--|
| a) to have a look (at); | 1) понимаю!; |
| b) just a minute; | 2) ...около этого, что-нибудь вроде этого; |
| c) let me see; | 3) взглянуть (на); |
| d) ...or so; | 4) минут(к)у! погоди(те)!; |
| e) and how much is it?; | 5) вот, пожалуйста! вот, что нам нужно!; |
| f) I see; | 6) дай (те) подумать; |
| g) here you are; | 7) а сколько это стоит? |
| h) here (is your receipt/cheque etc.) | 8) вот (ваша квитанция, чек) и т.д. |

Before doing the next assignment mind the difference in use of “here you are” and “here it is”.

“Here you are” is used when you are giving something to someone.

e.g. May I see your tax declaration, please.

- Here you are.

“Here's /here is/ here are, “is used when you are showing something to someone or when you have just found something that you have been looking for:

e.g. – Where's my calculator?

- Oh, here it is, here is your calculator.

- Where are the CDs?

- Here they are.

2.5.4 Ask your fellow-students the appropriate questions to produce these answers: Here it is; Here you are

2.5.5 Complete the dialogues and act them out

And how much ...?

One hundred ...?

Good. I'm ...

... box ... receipt..

Excuse me, may I reclaim ...?

And ... from?

From Russia.

Just a minute ...the book. Yes, you are eligible to ...

May I have ... passport to fill ...?

Here you are.

Here is your passport and the form. Please fill before you give it to ...

How are you leaving? By ...?

Yes, by.

2.5.6 Speak on VAT and its reclaiming in Britain

2.5.7 Check if you remember the active vocabulary of the unit. Choose the Russian equivalents for the English ones

- | | |
|---------------------------|--|
| 1) current year; | 1) доход, остающийся после уплаты налогов; |
| 2) income tax rate; | 2) представить бюджет; |
| 3) to present a Budget; | 3) в действительности; |
| 4) disposable income; | 4) спрос; |
| 5) to raise revenues; | 5) собирать доходы; |
| 6) a source of revenue; | 6) средний человек; |
| 7) pay packet; | 7) текущий год; |
| 8) in reality; | 8) участвовать в системе; |
| 9) an average man; | 9) ставка подоходного налога; |
| 10)to reclaim VAT; | 10)взимаемый налог; |
| 11)to operate the scheme; | 11)получка, зарплата; |
| 12)chargeable tax. | 12)источник дохода; |
| | 13)возмещать НДС; |
| | 14)свободный от налога; |
| | 15)несмотря на. |

3 Unit 3. Taxation in the USA

3.1 Pre-text Exercises

3.1.1 Memorize the following words and word-groups from the texts of the unit

Social Security tax – налог на цели социального страхования

inheritance – наследство

gift tax – налог на дарение

Medicare tax – налог на обеспечение бесплатной медицинской помощи

personal property tax – налог на личное имущество/поимущественный

payroll tax – налог на зарплату

the Internal Revenue Service (the IRS) – департамент налогов и сборов в США

sales tax – налог с продаж (с оборота)

non-exempt (luxury) items – предметы роскоши

tax rebate – налоговая скидка

retail – розничная продажа

resident alien – физическое лицо, действующее в одной стране, но проживающее в другой (нерезидент)

to apply the tax code – применять налоговый кодекс

business competitor – деловой конкурент

3.1.2 Read and translate the following words into Russian without using a dictionary

system;

personal;

unique;

social;

collect;

gasoline;

finance;

service;

regulation;

individual;

specific;

manipulate;

tobacco;

alcoholic;

debate;

proportion;

national;

effective.

3.1.3 State what parts of speech the following words belong to and what words they are derived from

Model: employer-noun, derived from employ

usage;

owned;

depending;

additional;

inheritance;

practically;

employee;

disable.

3.1.4 Make sure that you remember the meaning of the following verbs. You'll come across them reading the texts of the unit

to involve;	to occur;
to depend (on);	to benefit;
to apply;	to reduce;
to improve;	to expand;
to support;	to calculate;
to discourage;	to contend;
to exempt;	to hire.

3.1.5 Match the English words and word-groups from the text with their Russian equivalents

1) depending on;	a) наличные деньги;
2) to find a program;	b) нетрудоспособный;
3) cash;	c) в отличие от;
4) disabled;	d) медицинское страхование;
5) unemployment insurance;	e) смесь; сочетание;
6) a mix;	f) наниматель; работодатель;
7) boundaries of the state;	g) особая статья(налогообложения);
8) unlike;	h) в зависимости от;
9) health insurance;	i) служащий;
10) employer;	j) страхование по безработице;
11) employee;	k) финансировать программу;
12) a specific item.	l) границы штата.

3.1.6 Translate the following sentences into Russian. Pay attention to the use of the same forms both in the function of on attribute and part of the predicate

In the USA taxes are collected by the IRS. \$ 447 billion in taxes was 43 % of total taxes collected by all state and local governments.

The offered job was turned down.

They were offered latest Tax guides.

This is a duty levied upon individual or corporate incomes.

An excise tax is levied on US gasoline.

The goods were produced in China.

The goods produced by the company are in great demand.

“In this world nothing is inevitable but death and taxes”

– US
statesman
Benjamin
Franklin

3.2 Text A. Taxation in the United States of America

3.2.1 Read the text, try to understand it to be able to do the assignments that follow

Taxation in the United States is a complex system. It may involve payment to at least three main levels of government: federal, state and local.

Federal taxes.

The personal income tax forms the main part of federal taxes. The US income tax is progressive and ranges from zero to 35 percent depending on one's individual income.

The tax is also imposed on the taxable income of most corporations. Corporate income taxes supply about 8 percent of the governments total income. A unique aspect of federal income tax in the United States is that the citizens who do not live in the country are also to pay it.

The next largest tax is Social security tax. Unlike in Russia, this tax is paid both by the employer and the employee.

Medicare tax funds a health insurance program for the elderly and disabled. Together Social security and Medicare taxes compose the payroll tax.

In addition, the federal government collects several specific excise taxes, such as estate taxes, levied on inheritance, and gift taxes imposed on gifts of cash, land and other items. Federal excise taxes are also applied to gasoline, telephone usage, tobacco products and alcoholic drinks.

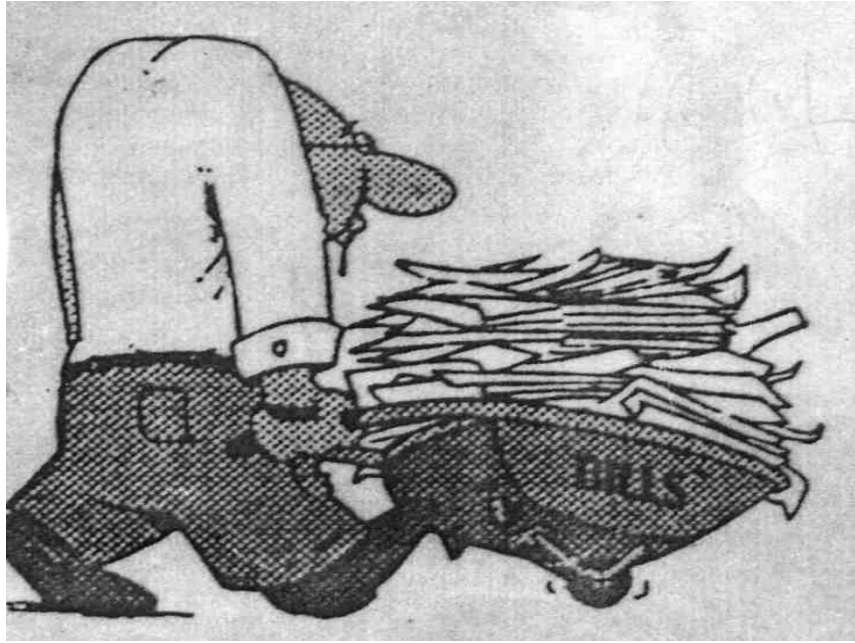
State taxation.

Each state has its own tax system. State government is financed mainly by a mix of sales and income taxes. Many states also levy personal property taxes which tax practically all items owned by individuals within the states' boundaries.

Local taxation.

Cities and counties may levy additional taxes, for instance, to improve parks or schools, local roads and other services.

In the United States taxes are collected by the Government office called the Internal Revenue Service (the IRS).



3.3 Assignments

3.3.1 Answer the following questions: Use the phrases “As far as I know”, “We can say that ...”, to present your answers

- What levels are taxes in the US paid at?
- Which tax forms the main part of federal taxes?
- Who is social security tax paid by?
- What items are federal exercise taxes applied to?
- What programme does Medicare tax fund?
- What are some of state taxes?
- What office are the US taxes collected by?

3.3.2 Which of the statements is incorrect?

- Taxation in the US is a complex system.
- The US income tax is progressive.
- Corporate income taxes supply about 18 per cent of federal income tax.
- Medicare and Social security taxes compose the payroll tax

3.3.3 How would you use the following phrases when discussing the text?

- to range from ... to ...;
- the government’s total income;
- a unique aspect;
- a mix of sales and income taxes;
- in addition;
- taxable income.

3.3.4 Divide text A in logical parts and find the topical sentence of each part

3.3.5 Retell the text in detail

3.4 Text B. Sales Taxes

3.4.1 Read text B and do the assignments that follow. Dictionaries are allowed

Sales taxes are a form of excise levied when a commodity is sold to its final consumer. Retail organizations contend that such taxes discourage retail sales. The question of whether they are generally progressive or regressive is a subject of much current debate. People with higher incomes spend a lower proportion of them, so a flat-rate sales tax will tend to be regressive. It is therefore common to exempt food, utilities and other necessities from sales taxes. Since poor people spend a higher proportion of their incomes on these commodities, so such exemptions would make the tax more progressive. This is the classic "You pay for what you spend" tax, as only those who spend money on non-exempt (i.e. luxury) items pay the tax.

A small number of US states rely entirely on sales taxes for state revenue, as those states do not levy a state income tax. Such states tend to have a moderate-to-large amount of tourism or inter-state travel that occurs within their borders, allowing the state to benefit from taxes from people the state would otherwise not tax. In this way the state is able to reduce the tax burden on its citizens.

The US states that do not levy a state income tax are Alaska, Florida, Nevada, South Dakota, Texas, Washington state, and Wyoming. Additionally, New Hampshire and Tennessee only levy state income taxes on dividends and interest income. Of the above states, only Alaska and New Hampshire do not levy a state sales tax.

In the United States, there is a growing movement for the replacement of all federal payroll and income taxes (both corporate and personal) with a national retail sales tax and monthly tax rebate to households of citizens and legal resident aliens. The tax proposal is named Fair Tax. .

3.4.2 Find in the text answers to the questions

What are sales taxes?

Why is it common to exempt food, utilities and other necessities from sales taxes?

Why do some states rely entirely on Sales taxes for state revenue?

What movement related to sales taxes is there in the United States?

3.4.2 Fill in the gaps with the words from the box

revenue ; to benefit; the tax burden; to discourage; non-exempt; regressive

Sales taxes are considered ... retail sales.

Tourism or inter state travel allows some states ... from sales taxes.

The flat-rate sales tax is ... as people with higher income spend a lower proportion of it.

A small number of U.S. states rely entirely on sales tax for state... .

Only those individuals who spend money on ... items pay the tax.

3.4.3 Complete the sentences

1. Sales taxes are a form of excise... .
2. The question of whether sales taxes are progressive or regressive is... .
3. In this way, the state is able... .
4. This is the classic... .

3.4.4 Which paragraph of text B do you think is the most important one for understanding the sales tax concept?

3.4.5 Find in text B English equivalents of the following

конечный потребитель;

предмет обсуждения в настоящее время;

полагаться полностью на что-либо;

путешествие в пределах штата;

доходы штата;

сокращать налоговое бремя;

налоги на проценты с капитала;

вычитать из налога с продаж предметы первой необходимости.

3.4.6 Translate into English

Одним из основных источников доходов штатов является налог с продаж. Налог с продаж применяется в 44-х из 51 штатов США. При этом ставки налога колеблются, так как устанавливаются правительствами самих штатов.

Налоговая система в США состоит из 3-х уровней: верхнего (федеральный уровень), среднего (уровень штатов), нижнего (местный уровень).

В федеральных доходах преобладают прямые налоги (подходный налог с физических лиц или корпораций). Доходы штатов и местных органов формируются за счет косвенных налогов (акцизов и налогов с продаж) и поимущественного налогообложения.

3.5 Text C

3.5.1 Read the text and suggest a title for it

Since the late 20th century there has been growing dissatisfaction with the current tax system in America. As a result, the Panel on Federal tax reform was established in 2005. The Panel made some important statements:

the tax rates of personal and corporate income taxes are too high;

the tax system is very complex and unfair so it is hard for taxpayers to understand and apply the tax code. The taxation is a burden on low-income taxpayers while there are loopholes for high-income taxpayers to avoid paying their fair share of taxes. Besides some forms of income taxes are taxed twice or more.

The problem of unfairness is not limited to individual taxpayers. Small businesses have to pay much more taxes than larger businesses.

American tax system as it is has a negative impact on the country's economy and savings.

The Panel made some proposals for tax reform: simplifying the tax laws; sharing the burdens of the tax system in a fairer and more progressive manner; promoting stable economic growth; increasing savings and investment.

Reform of the tax code should result in a simpler and fairer tax system that will be easier to understand and harder to manipulate. This will allow Americans to feel confident that they, their neighbors and their business competitors are all paying their fair share.

Notes to the text:

the Panel – комиссия, группа специалистов

dissatisfaction – неудовлетворенность

loophole – лазейка

impact – воздействие; влияние

3.5.2 Choose the title for the text

High income rates.

Americans are dissatisfied.

America needs a better tax system.

Proposals made.

3.5.3 Answer the following questions

Why was the Panel on Federal tax reform established?

What are the disadvantages (недостатки) of American tax system?

What kind of tax system do Americans need?

3.5.4 Translate the last two paragraphs of the text in written form using a dictionary

3.5.5 Write a short summary of all the three texts of the unit. Present your report to your fellow - students

3.5.6 Check if you remember the active vocabulary of the unit. Choose the Russian equivalents for the English ones

- | | |
|-----------------------------|-----------------------------------|
| 1) inheritance; | 1) экономический рост; |
| 2) complex system; | 2) наличные деньги; |
| 3) depending on; | 3) влияние, воздействие; |
| 4) taxable income; | 4) комиссия по налоговой реформе; |
| 5) social security; | 5) налог с продаж; |
| 6) sales tax; | 6) растущее недовольство; |
| 7) impact; | 7) сложная система; |
| 8) cash; | 8) несправедливость; |
| 9) tax burden; | 9) наследство; |
| 10)growing dissatisfaction; | 10)в зависимости от; |
| 11)tax reform Panel; | 11)социальное страхование; |
| 12)economic growth; | 12)налогооблагаемый доход; |
| 13)unfairness; | 13)упрощать; |
| 14)impolitely. | 14)налоговое бремя; |
| | 15)финансировать; |
| | 16)сбережение; |
| | 17)обеспечивать. |

4 American Tax Jokes

America is the land of opportunity. Everybody can become a taxpayer. It's hard to believe America was founded to avoid high taxation. Americans are now in a daze from intaxication. We often wonder if automation will ever replace the taxpayer.

Capital Punishment: Congress comes up with a new tax. Drive carefully. Uncle Sam needs every taxpayer he can get. If Congress can pay farmers not to raise crops, why can't we pay Congress not to raise taxes?

Our government really takes care of us. They even give us free income tax forms. Isn't it appropriate that the month of the tax begins with April Fool's Day, and ends with cries of "May Day!" ? Every year around April 15 Americans have a rendezvous with debt.

A dollar saved is bound to be taxed.

"Where there's a will there's a tax shelter.



Do your tax return before breakfast and nothing worse will happen to you all day.

Q. What is the difference between a terrorist and a tax inspector?

A. You can negotiate with a terrorist.

The way the cost of living and taxes are today, you might as well marry for love.

In 1913 Uncle Sam collected only 13 million dollars in income taxes. That's why they were called the "good old days."

A lot of people still have the first dollar they ever made - Uncle Sam has all the others.

The hardest thing in the world to understand is income tax! *Albert Einstein*

It is difficult to predict the future of an economy in which it takes more brains to figure out the tax on our income than it does to earn it.

It is reported that the politicians in Washington are thinking of abolishing the income tax and taking the income.

The average man knows as much about the atomic bomb as he does about his income-tax form.

Some of us can recall the day when a person who had to pay income tax was considered to be wealthy.

No stretch of the imagination is as complete as the one used in filling out income-tax forms.

Some of us can recall the day when a person who had to pay income tax was considered to be wealthy.

If a person takes a day off, he falls behind in his income-tax payments.

Nothing makes a person more modest about their income than to fill out a tax form.

The income tax forms have been simplified beyond all understanding.

With a billion dollar budget, it ought to be possible to set aside enough money to teach the IRS the basic English necessary to write a readable income-tax form.

If our President wants to abolish poverty, he can do it by abolishing the IRS.

The guy who said that truth never hurts never had to fill out the income tax form.

Come to think of it, these income-tax forms leave little to the imagination and even less to the taxpayer.

Just thinking about income taxes often taxes the mind - which is something people once said the IRS couldn't do.

Making out your own income tax return is something like a do-it-yourself mugging.

Trying to curb inflation by raising taxes is like giving a drunk another drink to sober him up.

If you think you can keep everything to yourself, ... the IRS doesn't.

If the IRS gave green stamps, thousands of Americans would look forward to paying their income tax.

When there is an income tax, the just man will pay more and the unjust less on the same amount of income.

5 Supplementary Texts

General Key Issues of Taxation

Taxes – Price of a “Civilized Society”?

Governments argue that taxes are a necessary evil — the price of a "civilized society." Whether you agree with that sentiment or not, it is undeniable that the price is usually a high one.

Taxes can be divided into two categories: direct and indirect. Income tax, corporate tax, and property tax are examples of direct taxes. Of these, income tax is probably the most resented. This is especially so in lands where income tax is progressive - the more you earn, the more tax you pay. Critics argue that progressive taxes punish hard work and success.

The OECD Observer, a publication of the Organization for Economic Cooperation and Development, reminds us that in addition to taxes paid to central governments, "income earners may have to pay local, regional, provincial or state income taxes on top of the central government income tax. This is the case in Belgium, Canada, Iceland, Japan, Korea, the Nordic countries, Spain, Switzerland and the United States".

Indirect taxes are less visible than direct taxes but can still pack an economic punch, especially among the poor. India's magazine *Frontline*, argues that it is a myth that middle-class and wealthy taxpayers pay the bulk of India's tax bill. For the States governments, indirect taxes amount to more than 95 percent of their total tax collection. ... It is likely that poorer people actually pay out a larger share of their income in the form of taxes, than the rich. High taxes on items for mass consumption, such as soap and food, evidently create this disparity.

Tax Policy

Tax policy is the study of the best way to collect a tax for government revenue, a positive question as well as the study what type of tax is best from theories of fairness, efficiency and utility (a normative question). It is a subset of the study of government or public policy but is usually categories inside economics departments for public economics or welfare economics or law departments under government policy or philosophy of state. Currently in western economies, the common policy issue surrounds that of fiscal deficits and the underlying debt in the face of projected large increases in old age spending in the next three decades.

Tax Avoidance

Tax avoidance is the legal utilization of the tax regime to one's own advantage, in order to reduce the amount of tax that is payable by means that are within the law. Examples of tax avoidance involve using tax deductions, changing one's tax status through incorporation, or setting up a charitable trust or foundation. Alternatively, individuals may choose to establish an offshore company, trust or foundation in a tax haven. Depending on citizenship, it may be possible to reduce personal tax liability by moving to a low tax jurisdiction, such as Monaco or Switzerland for six months or over, or by becoming a perpetual traveler.

Tax Evasion

By contrast tax evasion is the general term for efforts by individuals, firms, trusts and other entities to evade taxes by illegal means. Tax evasion usually entails taxpayers deliberately misrepresenting or concealing the true state of their affairs to the tax authorities to reduce their tax liability. and includes, in particular, dishonest tax reporting (such as declaring less income, profits or gains than actually earned; or overstating deductions).

Tax evasion is a crime in almost all countries and subjects the guilty party to fines or imprisonment.

Switzerland is a partial exception. Many acts that would amount to criminal tax evasion in other countries are treated as civil matters in Switzerland. Even dishonestly misreporting income in a tax return is not necessarily considered a crime. Such matters are dealt with in the Swiss tax courts, not the criminal courts. However even in Switzerland, some fraudulent tax conduct is criminal, for example, deliberate falsification of records. Moreover civil tax transgressions may give rise to penalties. So the difference between Switzerland and other countries, while significant, is limited.

Morality of Taxation

Under most political views, activities funded by taxes can be beneficial to society and progressive taxation can be used in most modern countries to provide an overall benefit to the majority of the population and social justice. However, since payment of tax is compulsory, libertarians consider taxation to be tantamount to theft, accusing the government of levying taxes via coercive means. A libertarian writer is criticized his local school district's relatively small property tax increase, by saying that "the thief who steals the least is still a thief." Some libertarians recommend a minimal level of taxation in order to maximize the protection of liberty, while others prefer market alternatives such as private defense agencies and arbitration agencies.

One counter-argument is that since the government is the party performing the act and if there is a democracy in place, then it is society as a whole that decides how the tax system should be organised. The American Revolution's "No taxation without representation" slogan implied this view. According to methodological individualism, however, "society as a whole" cannot make such decisions. Thus, an assertion is made that the moral stature of any act, such as slavery or theft, is not contingent upon its legality or popularity. Thomas Jefferson argued that. "A [direct] democracy is nothing more than mob rule, where fifty-one percent of the people may take away the rights of the other forty-nine."

There are several justifications that are offered for taxation. Taxation of business is justified on the grounds that business necessarily involves use of publicly established and maintained economic infrastructure, and businesses are in effect charged for this use. Again, libertarians argue that government services used by businesses are either already paid for directly or are services that ought to be provided by a free market. Such taxes, they argue, are a way for the majority to exploit businesspeople. Compulsory taxation of individuals, such as income tax, is justified on similar grounds, including territorial sovereignty, and the social contract.

Controlling Your Taxes

One of the biggest hurdles you'll face in running your own business is to stay on top of your numerous obligations to federal, state, and local tax agencies. A tax headache is only one mistake away, be it a missed payment or filing deadline, an

improperly claimed deduction, or incomplete records. And, you can safely assume that a tax auditor presenting an assessment of additional taxes, penalties, and interest will not look kindly on an "I didn't know I was required to do that" claim. The old legal saying that "ignorance of the law is no excuse" is perhaps most often applied in tax settings.

Although retaining a good accountant or other tax professional may prove to be invaluable in avoiding tax troubles, possessing a working knowledge of how the tax systems work is also beneficial. After all, even if you delegate your tax obligations to someone else, you'll still bear the ultimate responsibility for seeing that those obligations are met.

Key Issues in Russia's Tax Reform

Key Issues Neglected

The government seems to have lost sight of some key issues of tax reform. It has disregarded the problem of excise duties, which have been swelling from year to year, triggering price jumps. Take the latest case: Excise on gasoline has gone up by 45% this year (the government initially proposed a 70% hike), and this brought about a 15% to 20% rise in gasoline prices. The growing prices of gasoline are a major factor in inflation because the gasoline component is factored into the costs of nearly all goods and services. Bread, for example, has to be transported to the groceries after being baked.

Also disregarded is the issue of VAT on medicines and medical equipment. Prior to 2002, their sale was VAT-exempt. But the government got the Duma to scrap that tax privilege, after which prices at pharmacies instantly shot up. The Finance Ministry had assured the public that "VAT levied on medicines will not increase their prices because they are dictated by the market,"

According to the Duma Committee for Health Care, even when medicines were exempt from VAT, they were affordable to less than half of the country's population. And finally, the government has failed to address the problem of collecting VAT from the housing sector. Yet this problem is one of the most formidable roadblocks in the way of reforming the housing services and public utilities: VAT makes it unprofitable to separate customer and contractor (being commercial structures, both are obliged to pay the tax), and adds 20% to the payments of housebuilding cooperatives and other associations of housing owners for housing services and public utilities.

Tax reform is not merely a correction of tax rates, as the government believes; it involves transformation of the tax system.

The kind of tax system suitable for the Russian taxpayer is not difficult to describe. In the first place, it must be simple and understandable, and the number of taxes must not be large, so that the taxpayer may be able to count the sum of money he has to pay in taxes without consulting a Doctor of Economics.

In Russia today, there are 28 taxes (!) payable to budgets of different levels. And the texts of the respective chapters and articles in the Tax Code are incomprehensible to novices in business.

Perhaps the initiators of tax reform sincerely believe that laws need to be comprehended by their authors alone. Don't they realize that those who must live and work by these laws should understand them in the first place?

Taxes and the Family Business

One of the items in our Duma election platform was legalization of citizens' incomes. Why do most companies continue to keep shadow accounting records when it comes to wages of their employees? Wages are subject to a 13% income tax and a 36% single social tax. So it turns out that for every ruble an employer pays to his employees, he must pay another 50 kopeks in wage taxes.

The single social tax being exorbitant, employers are unwilling to state the true wages they pay to employees, even though for the economy as a whole, true statement of wages would be a positive step. We want to establish a different tax rate scale on wages, under which a small wage of about 3,000 rubles per month will remain subject to a very high single social tax rate, so that an employer will find it disadvantageous to pay a small wage to his employees. Higher salaries - say, those totaling 30,000 to 300,000 rubles per year — must be subject to a lower rate. A single social tax of 20% should be levied on a monthly pay packet of 5,000 rubles. This would be good for all involved – employers, hired workers, and the state.

As for the sales tax, our feeling is that it is premature to scrap it. This tax is the main source of revenue for the Russian regions. If we scrap it, it means that we are doing away with taxes that bring revenues to regional budgets while retaining those that are remitted to the federal budget. We have already slashed profit tax, but in so doing we scrapped the 50% tax rebate on investment in productive assets. It turns out that the government is talking about tax cuts while we actually see tax hikes.

There is also a problem concerning small businesses. A special bill has been put forward on amendments to the Civil and Tax codes. It has been called Law on Family Business. More than half of the world population is engaged in some sort of entrepreneurship, whether it is repairing apartments or baking and selling pies. If I engage in such an enterprise without establishing a special business entity I can be convicted for illegal entrepreneurship and get a three-year jail sentence. This, despite the fact that the Constitution guarantees citizens the right to entrepreneurship. Why do I have to ask the state for permission if I want to set up a family business?

The types of entrepreneurship are listed the pursuance of which will require no permission from the authorities. The would-be owner of a family business will only have to send a letter to the tax inspectorate informing it of the business he wants to start up. Moreover, owners of family businesses must be exempt from all taxes, except income tax. Their activities, however, will be subject to certain restrictions. For example, they will be prohibited from trading in excisable goods and hiring workers.

Such a law on family business, in our view, should encourage the majority of the able-bodied population to engage in some sort of small business.

Churches as Taxpayers

The Moscow city Duma voted last week to pass a bill to free churches from paying taxes on religious buildings on its first reading, thereby bringing the Moscow tax system in sync with its federal counterpart. Religious leaders, though, are not satisfied with the ruling because they have to pay taxes on buildings that belong to their churches but are not used for worship.

Thus monastery schools, cultural centers, and all other buildings owned by religious organizations are still obligated to pay taxes, but religious leaders are pressing their case.

However, their case, according to some city law-makers, is not a terribly strong one. Many of the buildings that religious groups owned are rented out to businesses for quite a handsome profit. The taxes off of such arrangements could be a nice addition to the city's coffers, if only the money could be proven to exist.

Taxing the One-Armed Bandits

Last year the Duma passed a bill in two readings that would levy a tax on gaming establishments, and it could face another reading shortly. Why? Businessmen complain that the law targets chiefly small businesses.

If passed in its current form, it would force all gaming halls to have at least 20 slot machines, a minimum of 10 or 15 tables, and other minimums. The money that would be spent on employees and equipment would be too much for small casinos. But there are other players in the field than small businessmen. Some say that a law regulating gambling is needed, and the current one fits the bill — it just needs tweaking; and there is another group that says a bill is needed, but the Duma should throw out the current variant and write a new one. At a round-table discussion held by *Izvestia*, these three groups, along with lobbyists, journalists, and deep-pocketed gamblers discussed the future of the industry dear to them all.

Regarding Measures of Government Support for Small Business

The Government took note of the report of the Minister of Economic Development and Trade on the matter.

The meeting endorsed the proposals of the Ministry of Economic Development and Trade, as cleared with interested federal executive bodies, on the measures of government support for small business concerning, in particular:

- improvements in the laws of the Russian Federation on small business promotion;
- the establishment of a comprehensive system of support of small business at the regional and municipal levels;

the widening of access to credit and financial resources by small business entities;

the creation of innovation business incubators on the basis of institutions of higher education, and

the perfecting of statistical accounting for the activities of small business entities.

The Ministry of Economic Development and Trade, Ministry of Finance, Ministry of Industry and Energy and Ministry of Agriculture - jointly with interested federal executive bodies - are to submit to the Government a blueprint and draft terms of reference for a draft federal law on promotion of small business in the Russian Federation, envisaging specified criteria for classifying organizations with the small business entities.

The Government ordered the Economic Development and Trade Ministry conjointly with the federal executive bodies responsible for monitoring the influence of state regulation on business development to submit, proposals for improving the normative legal basis with a view to reducing the administrative restrictions and barriers for entrepreneurial activities.

The Ministry of Economic Development and Trade, Ministry of Finance, Ministry of Health and Social Development, the Ministry of Agriculture and Rosstat have additionally to work out proposals for perfecting the system of statistical accounting for the activities of small businesses concerning inter alia:

fixing the procedure for classifying organizations with the small business entities upon registration and at the submission of tax reports;

perfecting the rules governing cooperation among Rosstat, the Federal Tax Service, Pension Fund of the Russian Federation and the Federal Compulsory Health Insurance Fund in the exchange of data on registered organizations and individual entrepreneurs as well as of information on employers and the number of insured employees;

carrying out once in five years all-round statistical surveys of small business entities and introducing a simplified statistical reporting procedure, and organizing an all-round statistical survey of individual entrepreneurs.

The results of work done have to be reported to the Government.

State Duma has Voted for Tax Amnesty. At Last!

On second reading, the lower house passed the bill that simplifies incomes declaration procedures for individuals, which will be in force March 1 through December 31, 2007

The road to tax amnesty has been long and thorny. Discourses about the need for a tax amnesty have been taking place for at least 10 years. Russia's imperfect tax legislation of the 1990s, plus the general nonobservance thereof, categorized as bad-faith taxpayers nearly the whole of the country's population, let alone business people.

By the time the bill came up for its second reading, it had undergone considerable improvement. It was decided to rid citizens of the need to contact the tax

services. At the same time, we wanted to clear up the doubts of some taxpayers as to where the declaration form they would fill out would be kept, and for how long. Wouldn't the taxman take it away from the holder after a couple of years in order to lodge fresh complaints against him?

Now the repentant tax evader only has to go to any bank, pay 13% of a sum of money calculated by himself (that is, if he pays 13 rubles, this will clear him of tax claims on 100 rubles), get a receipt on the payment, and keep it at home.

He will only have to produce it when the taxman comes to him with a specific question or claim. If law enforcers doubt the authenticity of the taxpayer's document, they can submit a relevant inquiry to the Federal Treasury.

It has to be noted that the receipt will protect the taxpayer against the fiscal bodies' claims only to the extent of the sum on which he has paid a 13% tax. For the rest of his concealed incomes, he will have to bear responsibility in the usual statutory manner; that is, in accordance with the Criminal Code article that provides for three years' imprisonment for tax evasion.

One of the issues that was the subject of prolonged parliamentary debate was whether the tax amnesty should apply to persons already convicted under the Criminal Code Article Tax Evasion. This is a sensitive matter: It is precisely under this article that prosecutors secured long jail sentences for the top executives of the former Yukos Oil Company -Mikhail Khodorkovsky and Platon Lebedey. This might be why it was ultimately decided not to grant tax amnesty to those convicted for tax evasion prior to the adoption of the law on tax amnesty.

Great Britain. - The Tax Year

The Tax Year in the UK, which applies to income tax and other personal taxes, runs from 6 April in one year to 5 April the next (for income tax purposes). Hence the 2005-06 tax year runs from 6 April 2005 to 5 April 2006.

The odd dates are due to events in the mid-18th century. The English quarter days are traditionally used as the dates for collecting rents (on, for example, agricultural properties). The tax system was also based on a tax year ending on Lady Day (March 25). When the Gregorian calendar was adopted in the UK in September 1752 in place of the Julian calendar, the two were out of step by 11 days.

However, it was felt unacceptable for the tax authorities to lose out on 11 days' tax revenues, so the start of the tax year was moved, firstly to 5 April and then, in 1800, to 6 April.

The tax year is sometimes also called the Fiscal Year. The Financial Year, used mainly for corporation tax purposes, runs from 1 April to 31 March.

Fat Tax

This is a tax on foods which are considered to be unhealthy, especially fatty or sweet foods which can lead to obesity or other health problems

A Downing Street-based policy unit has proposed a plan to place a "fat tax" on junk food in an attempt to tackle the rising incidence of heart disease...

Less than 10 per cent of the UK population were classified as obese during the 1980s, but this figure had risen to more than 20 per cent in 2001. In response to the growing problem of obesity and the recent revelation that heart disease has overtaken cancer as Britain's biggest killer, the British government has been considering new strategies to promote a healthier approach to eating. It is in this context that the term "fat tax" hit the headlines in the UK. The Prime Minister's strategy unit allegedly put forward proposals to impose increased duty on foods which are deemed to be unhealthy, such as fast food, butter and full-fat milk, chocolate bars and pastries.

Predictably, fat tax is a highly controversial concept, with many people arguing that it patronises consumers by implying that they cannot think for themselves and therefore need to be taxed into weight loss. Others argue that it is impossible to make definitive decisions about what food is healthy and what is not - for instance many fruits have a high sugar content, but it seems ridiculous to consider imposing a fat tax on fruit. However, recent statistics from the British Medical Journal indicate that a fat tax could help prevent 1000 premature deaths from heart disease every year in the UK.

U.K. Docs Suggest Tax Breaks for Exercise

LONDON - Money spent on sports and exercise should be tax deductible as part of a national strategy to fight flab, say doctors in Britain who are grappling with one of the world's most rapidly growing obesity epidemics.

Ahead of a daylong conference on tackling obesity in primary care clinics, the Royal College of General Practitioners called on the government to consider tax breaks to make exercise more accessible and affordable to everybody.

The group, the standard bearer for general medical practice, also urged the government to get healthier food into schools and workplaces.

"With about 22 percent of the UK adult population obese this is an issue of growing concern to the medical community," said Dr. Graham Archard, chair of the college's clinical network. "More needs to be done to ensure sport is available to all. Most people can't afford sports such as tennis at the moment."

"One idea might be to offer tax relief on exercise — after all, obese people are likely to use more National Health Service resources than fit and healthy people," Archard said.

The conference takes place as health officials are finalizing a new public health strategy, expected to be unveiled later this year.

The United States has the biggest proportion of fat people in the industrialized world — with nearly two-thirds of adults overweight or obese — but experts say the ranks are swelling fastest in Britain, where obesity rates among adults have almost quadrupled over the last 25 years.

Britain already has an "exercise on prescription" program, whereby doctors can refer patients to supervised exercise programs in gyms or local leisure centers.

There are no official statistics tracking how successful the initiative has been, but a survey conducted last year suggested that 89 percent of local health authorities offered exercise on prescription.

Each local health authority handles the program differently and services range from discounted rates at sports centers to free trial memberships.

However, the International Obesity Task Force, a coalition of scientists working in obesity research, prevention and treatment, said the British program was largely "cosmetic" and not widely used.

"A three-month free ticket to a sports center is not going to solve a lifetime problem," said the policy coordinator at the obesity organization. "Obese people need intensive support and follow-up."

Tax breaks for exercise are a step in the right direction and can encourage people to be active, but the approach is too limited. Everybody needs to be more active and it has to be built into the environment, right across the society. Tax breaks tend to benefit people who can afford it anyway. Many people can't afford the sports club membership fees for which they would get a tax break.

United States of America. - IRS

There is likely no other U.S. governmental agency more maligned or reviled than the Internal Revenue Service (IRS). First conceived as a temporary fundraising measure in support of the Civil War effort, today the IRS is a complex and powerful organization responsible for administering and enforcing internal revenue laws. The IRS performs a number of vital functions that are key to government funding and support.

In 2004 the IRS collected in excess of \$2 trillion in revenue from businesses and individuals in the form of taxes. While not directly responsible for setting tax code, the IRS has considerable authority to interpret and implement tax laws approved by Congress. The 16th Amendment passed in 1913 formally granted Congress the power to assess income taxes.

The onerous Form 1040 most individuals file every April was introduced that same year, while payroll withholding and quarterly tax payments were introduced during World War II. The Department of Treasury's tax collecting and code enforcement arm has often struggled to present a humane face to its constituency. Consequently, the Internal Revenue Service Restructuring and Reform Act of 1998 instituted measures to improve IRS efficiency, accuracy and accountability.

Organizational Structure

The IRS is a branch of the Department of Treasury. The Commissioner of the IRS is selected by the President and approved by Congress. The Commissioner directly oversees the specialized IRS units (like the National Taxpayer Advocate). Two Deputy Commissioners who head the Services and Enforcement, and Operations Support units support the commissioner.

Elements of the USA Tax Reform

Fundamental tax reform revolves around changes in three main features of the tax system: the tax base; allowable deductions from the base, and tax rates. Revenue needs constrain these choices; narrower bases and more generous deductions typically require higher tax rates to raise a given amount of revenue. Tax systems differ in other important ways — how visible the tax system is to the public; who sends the tax payments to the government (business or households, for example); and how easy the tax system is to comply with and enforce.

The Tax Base

The current federal "income" tax is a complex hybrid between an income and consumption tax, with some features that violate the principles of either system. A pure income tax would tax all labor earnings and capital income, whether obtained in cash or other forms. The current tax system, however, does not tax the imputed rental income on owner-occupied homes. Nor does it tax fringe benefits such as employer-financed health insurance. The appreciation of assets that are not sold represents income but is usually not taxed until the asset is sold. If the asset is not sold during the owner's life time, appreciation will never be taxed under the income tax (but may be under the estate tax). Contributions to qualified pension plans are part of compensation but are not included in current taxable income; instead, individuals pay tax on pensions when received. In addition to not taxing many forms of income, the current income tax taxes some forms twice or more: corporate earnings are taxed at the corporate level and again at the individual level when they are remitted as dividends. The system also taxes some items that are not properly considered income: for example, the inflationary component of interest payments or of realized capital gains.

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