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OPERATION OF LUXURY TAX IN RUSSIA AND KAZAKHSTAN BASED  
ON THE STRATEGIC PLANNING PRINCIPLES

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**Abstract**

*The object of the study is the operating of the luxury tax in the system of financial and strategic planning.*

*The subject of the study is the definitions of «luxury», «luxury tax», the operating principles of strategic management, and «information environment» of the luxury tax.*

The article explores different sources of the term «luxury», luxury tax, financial policy, strategic planning. The authors consider and analyze the practices of different scientists and classics, disclose information about the relationship between planning and the final outcome. The expediency of a balanced decision on the adoption of a new tax is justified; in particular, there are examples of strategic financial planning. The methodological basis of the study includes comparative analysis and the comparative law method. The authors analyze their conclusions and proposals on the importance of the financial and strategic planning impact on the introduction of a luxury tax.

**Key words:** luxury, luxury tax, operation, taxation policy, financial policy, strategy, management.

СТРАТЕГИЯЛЫҚ ЖОСПАРЛАУ ПРИНЦИПТЕРІНЕ СҮЙЕНЕ ОТЫРЫП,  
РЕСЕЙ МЕН ҚАЗАҚСТАНДА СӘН-САЛТАНАТҚА САЛЫНАТЫН  
САЛЫҚТЫҢ ЖҰМЫС ІСТЕУІ

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**Аңдатпа**

*Зерттеу нысаны қаржылық және стратегиялық жоспарлау жүйесіндегі сән-салтанат салығының қызметі болып табылады.*

*Зерттеу пәні «салтанат», «сән-салтанат салығы» дефинитивтері, стратегиялық менеджменттің жұмыс істеу принциптері, сондай-ақ «ақпараттық қоршаған орта» сән-салтанат салығы болып табылады. Мақалада «Сән-салтанат» терминінің, сән-салтанат салығының, қаржы саясатының, стратегиялық жоспарлаудың әртүрлі көздері зерттеледі. Авторлар әр түрлі ғалымдар мен классиктердің тәжірибелерін қарастырады және талдайды, жоспарлау мен соңғы нәтиже арасындағы байланыс туралы ақпарат береді. Жаңа салықты қабылдау үшін сараланған шешімнің орындылығы негізделеді, сонымен қатар стратегиялық қаржылық жоспарлаудың мысалдары келтіріледі. Салыстырмалы талдау және салыстырмалы-құқықтық әдіс зерттеудің әдіснамалық базасы болып табылады. Авторлар сән-салтанатқа салық енгізген жағдайда қаржылық және стратегиялық жоспарлау әсерінің маңыздылығы бойынша өз тұжырымдары мен ұсыныстарын талдайды.*

**Түйінді сөздер:** салтанат, сән-салтанат салығы, қызмет ету, салық салу саясаты, қаржы саясаты, стратегия, менеджмент, басқару.

**ФУНКЦИОНИРОВАНИЕ НАЛОГА НА РОСКОШЬ В РОССИИ  
И В КАЗАХСТАНЕ ОПИРАЯСЬ НА ПРИНЦИПЫ  
СТРАТЕГИЧЕСКОГО ПЛАНИРОВАНИЯ****Баймагамбетов А.А.<sup>1</sup>**<sup>1</sup>*Кокшетауский университет имени Абая Мырзахметова, Кокшетау, Казахстан***Нефас С.<sup>2</sup>**<sup>2</sup>*Университет имени Миколас Ромерис, Вильнюс, Литва***Аннотация**

*Объектом исследования* является функционирование налога на роскошь в системе финансового и стратегического планирования.

*Предмет исследования* являются дефинитивы «роскошь», «налог на роскошь», принципы функционирования стратегического менеджмента, а также «информационная окружающая среда» налога на роскошь. В статье исследуются разные источники термина «роскошь», налога на роскошь, финансовой политики, стратегического планирования. Авторы рассматривают и анализируют практики разных ученых и классиков, раскрывается информация о связи между планированием и конечным результатом. Обосновывается целесообразность взвешенного решения для принятия нового налога, в частности приводятся примеры стратегического финансового планирования. Методологическую базу исследования составили сравнительный анализ и сравнительно-правовой метод. Авторы анализируют свои выводы и предложения по важности влияния финансового и стратегического планирования при введении налога на роскошь.

**Ключевые слова:** роскошь, налог на роскошь, функционирование, политика налогообложения, финансовая политика, стратегия, менеджмент, управление.

**Introduction**

At present, the introduction of a luxury tax is becoming increasingly urgent. After all, on the one hand, the introduction of this tax will contribute to reducing the social gap between the poor and the rich, as well as help the middle class not to feel too restrained in the tax burden. First, the effect of the luxury tax will be psychological, as the population will understand that the state is taking steps towards social justice, forcing to share those who have significant wealth. After that, in the future, it is possible to equalize incomes of the population due to the fact that the financial resources obtained in this way can be directed to the development of the economy, social, medical spheres, etc.

On the other hand, incorrect definition of the concepts «luxury», «luxury tax», an improperly designed mechanism of the luxury taxation, as well as the further irrational distribution of the tax burden can lead to the situation where the tax can seriously affect the middle class which will contribute more to reducing the already small households' disposable money income, and therefore complicate the situation with the social gap between the poor and the rich leading to social tension. Besides widening the social gap between population strata, the wrong mechanism of luxury taxation can be increased in the tax burden on the rich just because they have more resources and opportunities. In the end, this may lead to the fact that persons with large resources and income prefer to hide their income, assets, and expenses, thereby increasing the likelihood of corruption precedents, and raising the level of criminality in society.

In the worst case, citizens with more money can leave the country and move to places where taxation conditions will be less stringent to the population, thereby contributing to the outflow of population, reducing tax revenues to the budget, which can ultimately undermine the country's potential.

Thus, it is quite clear that in order to justify the introduction of such an institution as a «luxury tax» it is necessary to understand its feasibility. Based on this, *the aim of this work* is to build relationships between luxury taxation and the system of strategic planning principles.

The following *objectives* are based on the aim mentioned above:

- to analyze the scientific material, to give an adequate definition of the concepts «luxury» and «luxury tax»;
- to study the essence of strategic planning, and project it on the mechanisms of luxury tax;
- to study of the operating of the luxury tax based on the strategic planning principles.

Based on the line of the study, *the object of the study* is the operating of the luxury tax. *The subject of the study* is the definitions of «luxury», «luxury tax», the operating principles of strategic management, and the «information environment» of the luxury tax. To conduct this study the method of comparative analysis and comparative law method were used as the *methodological basis*.

### 1. *The concept of luxury tax*

Analyzing the term «luxury» among many scientific sources, such as V. Dal (1819), V. V. Lopatin (1935), D.N. Ushakov (1934), W. Sombart (1913), etc., interesting patterns and coincidences were revealed. For example, in the explanatory dictionary of the Live Great Russian language by V. Dal, the concept of "luxury" stands for the elegance, abundance of beauty, wealth and completeness, the luxury of nature, luxury furnish, excess facilities, and wastefulness.

In another Russian explanatory dictionary by V. V. Lopatin, the term «luxury» means magnificent beauty, «luxury» of dresses, excess in comfort, in pleasure to live in luxury and other luxury goods. External magnificence, extravagance in living comfort and pleasure associated with wasteful, expensive, but not the desirable item, and the abundance and natural wealth are considered in the dictionary by T. F. Efremov. According to an earlier explanatory dictionary by D.N. Ushakov, the concept of «luxury» in 1934 was understood as external magnificence, «luxury» in the decoration of rooms, excess in comfort, in comfort life and pleasure associated with costs that exceed the average standard of living. Another «luxury» was natural wealth and abundance.

In addition to all the scientific sources there is still the dictionary by Kuznetsov, which also provides a definition of «luxury», and according to this dictionary «luxury» can be understood as the splendor of anything, the house is furnished with luxury, the presence of excess in living comfort and pleasure, abundance and natural wealth. But the German sociologist W. Sombart in his work «Luxury and Capitalism» wrote that «luxury» is a category that goes beyond the necessity. W. Sombart considered that «luxury» can also be presented as quantitative and qualitative. In quantitative terms, this means using more items than it is necessary to perform an action (for example, owning more prestigious real estate). But quality luxury involves the use of only the best products.

Besides the above definitions, we can also note one philosophical dictionary by Comte-Sponville, in which «luxury» is defined as the desire to use the useless things. The concept of luxury is relative by its nature, however, it always assumes excess, or, as Kant said excess in comfort, elegance, or expenses. Luxury is the reverse of natural and necessary pleasure in Epicurus' understanding, it is always associated with cultural pleasure in excess. If luxury becomes a necessity, it becomes a trap. According to the dictionary by Ozhegov (1960), the

word «luxury» means lush beauty, excess in comfort and pleasure, as well as the presence of luxury goods.

If we look at the analysis of the term «luxury» in table № 1 which shows all nine of the above scientific sources, we note that according to the characteristic of «Excess amenities (comfort)» opinions coincide in 7 scientific sources (V. Dal, V.V. Lopatin, T.F. Efremov, V. Sombart, etc). There are also six cases of coincidence in the definition of «luxury» on such an indicator as «Excess in pleasures», which are described in the writings by V.V. Lopatin, T.F. Efremova, D.N. Ushakov, Kuznetsov, etc. According to the characteristic of «Natural wealth» V. Dal, V.V. Lopatin, T.F. Efremov and Kuznetsov have the same opinions.

The analysis allows us to say that in most of the above scientific sources, the concept of «luxury» refers to excess in comfort, excess in comfort, natural wealth, luxury furnish, wastefulness, and some of the sources focused on luxury real estate and we can say that these characteristics are more inherent in each definition, and this suggests that the term «luxury» in most cases is similar to the definitions of different classics and different times, which speaks about the constancy to the values reflecting the definition of «luxury».

If we analyze the term «luxury tax», we must first remember that the tax means mandatory and gratuitous payments collected by the state from legal entities and individuals, in accordance with the procedure established by law on a non-refundable basis.

According to the tax terminology dictionary [1], a luxury tax is an indirect tax that is levied on luxury goods. As for the sales tax of luxury goods, according to the same dictionary, it is an ad valorem indirect taxation of expensive specific non-essential goods that arbitrarily relate to luxury goods (for example, toilet accessories, cosmetics, jewelry, pearls, precious stones and metals, high-quality leather products, furs, and cars). In some countries these goods are subject to VAT at the highest rate; in others, except for VAT, excise taxes are levied at a high rate on the entire list or only cars. Sometimes, in addition to VAT at the regular rate or aggregate sales tax, special taxes are imposed on a wide range of goods or on certain types of goods.

Table 1 Types of goods and scientific sources

Scientific sources Characteristics	V. Dal	V.V. Lopatin	T.F. Efremov	D.N. Ushakov	Explanatory dictionary by Kuznetsov	W. Sombart	Dictionary by Comte-Sponville	Dictionary by Ozhegov
Excess facilities (comfort)		✓	✓		✓	✓	✓	✓
Excess in pleasures		✓	✓	✓	✓		✓	✓
Natural wealth	✓	✓	✓		✓			
Luxury furnish	✓			✓				✓
Extravagance	✓		✓					
Luxury property (house)					✓	✓		
Boastfulness	✓							

Jewelry (gold, gemstones, works of art)						✓		
Costs above the average standard of living				✓				

## 2. *The essence of strategic planning*

In today's world, it is very difficult to make a decision. Decision-making is a very responsible process. All the classics of strategic planning such as Ansoff I. [2] (1957), Drucker P.F. [3] (2008), Mintzberg H. [4] (1994), Porter M.E. [5] (2008) and others note that a decision must be made only when we have carefully analyzed the situation and know well what the situation is. We think that for the vision of a luxury tax, this is also appropriate. Ansoff I. said that the decision should be made only by responsible and competent employees, but the most important thing is who they should own, and Drucker, P. F., Mintzberg H., and Porter M.E drew attention to this that the most important thing for decision-making is to look ahead, i.e. to foresee the strategy. All3 managers know that management consists of 4 main functions - planning, decision making, implementation of decisions and control, but planning is the most important thing. Based on the above mentioned classical models of strategic management/planning (such as the USA, Canada, New Zealand, Great Britain, Sweden, in which planning has been carried out for decades) Lysochenko A.A., Sviridov O.Y. [6] provided a very clear essence of strategic management and revealed its main features:

- 1) development of long-term development direction;
- 2) predictive management aimed at developing a development concept that allows achieving competitive advantages;
- 3) development of a set of strategies, their implementation in time, fixation of changes, reformulation of the strategy, strategic control;
- 4) synthesis of intuition and art of top management to lead to strategic goals;
- 5) implementation of the developed strategy due to high corporate culture.

Speaking about the problem under consideration - the operating of the luxury tax, based on the principles of strategic planning, we think that the term «management» is suitable for us, which was revealed by Stoshkus S. (2002) [7] saying that «Strategy» is a long - term goal-oriented development direction of an organization or activity that determines the scope of its activity and means of achieving the goal, as well as relationships in the environment (Fig. 1). Goals achievement is also emphasized by Mescon and others. [8]

On the issue under study, these components will be revealed: the goal of introducing a luxury tax, the tasks, implementation of the plan, monitoring and corresponding to the environment. All this we will analyze in the next heading.

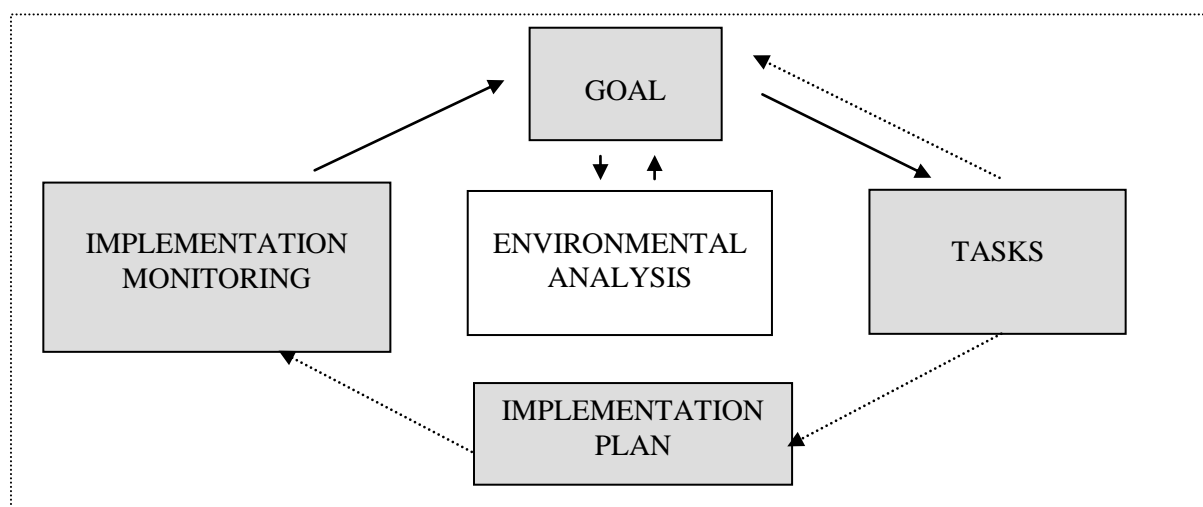


Figure 1 The Strategy concept

### 3. *The operating of the luxury tax in Russia and Kazakhstan based on the principles of strategic planning.*

If currently the organization or any industry does not have a strategy, its activity is not effective, and it can be assumed that the same principle applies in the field of taxation. So, it is important to look at how the principles of strategic planning were used or will be used in the introduction of a new luxury tax in Russia and Kazakhstan.

The main component of strategic planning is environmental awareness. When this was done in Russia [9], we foresaw the following:

First, the transition to real estate tax throughout the city for all types of objects and for all categories of taxpayers is a sharp change in the structure of the tax base. The active part of the fixed assets comes out of it, and the value of the residential and commercial real estate increases.

Secondly, the redistribution of the tax burden in the direction of its multiple increases for individuals is unacceptable because of the socio-economic situation, the need to comply with the ratio of the size of the tax on residential properties with the rent of similar housing.

Thirdly, when replacing the previous taxes (on land and property) with a new one - on real estate - the amount accrued for payment was less than the amount of two taxes. However, these budget losses were offset by an increase in the number of taxpayers, as well as by the proceeds from the redemption price of land acquired by the city's organizations. In addition to the above factors of implementing a luxury tax Nikolaev E. indicates another one very relevant factor at present. It is the anti-corruption «determination of the optimal level of the tax burden for taxpayers falling under the introduced tax in order to eliminate the emergence of illegal schemes to avoid the payment of this tax» [10].

Figure 1 shows that in Russia [11] there are following goals in determining the policy of real estate taxation:

- determine the tax base, real estate tax rates, and rents in such a way that the total income was at least not lower than the income from the replaced taxes in the budgets of all levels;
- to ensure the expansion of the tax base by including objects of state and municipal property (owned by persons on the rights of economic management and operational management);

– to ensure a balanced transition to the new tax, avoiding drastic changes in the tax burden for homeowners, garages, as well as for owners of industrial real estate.

The purpose of financial policy in Kazakhstan is to develop measures and their implementation through the financial mechanism to ensure sustainable economic growth on the basis of industrial and innovative development, structural adjustment of the national economy, the revitalization of foreign economic activity by integrating the economy into the world economy, uninterrupted and increasing financing of social programs. At the same time, the financial policy mechanism should provide social protection of the population in the market processes from inflation, unemployment, and loss of income [12].

When we analyze the purpose of the luxury tax, we see that the tax will contribute to the onset of equality in the distribution of the tax burden. It is about introducing an effective tool to combat social inequality. Undoubtedly, such changes will entail a reduction in social tension. The next goal we can call is that the introduction of a tax will change the investment of means of wealthy segments of the population from unreasonably excessive consumption and direct them to more needy investment state projects. Thus, the goals of introducing a luxury tax include changing capital flows to the real sector of the economy, anti-corruption, and social aspects [13,14,15,16].

The second component in strategic planning includes tasks. Melnikov V. D. [17] specifies the General tasks solved by financial policy: a) ensuring the conditions for creating the most possible amount of financial resources based on the characteristics of each specific stage of the country development. Another task is the rational distribution and use of financial resources between the spheres of social production, sectors of the national economy, the direction of resources for certain purposes [18].

Another important task, as V. D. Melnikov [19] notes, is the development of an appropriate financial mechanism for fulfilling the outlined directions of economic development and its constant implementation. We see that in Russia this mechanism was created and consisted of such components as: information base, organization of logistics and staffing, creation of real estate register, mass real estate revaluation, analysis of the tax consequences, the creation of a regulatory framework, analysis of public opinion and the development of a campaign to support the reform.

In Kazakhstan, this mechanism consisted of similar components, for example, the President of Kazakhstan set a complex, multi-component task. It is necessary to develop a system of incentives for the qualitative development of the economy while ensuring the transparency of the tax system, neutrality in taxation, simplicity, and efficiency of tax administration [20].

The third component is the implementation of the plan to introduce a new tax. Planning we have already mentioned when we talk about the financial mechanism, but we can also add that here it is connected with what we often call financial management. But this is the process of influencing the financial, economic and social systems in order to improve and develop them. This uses techniques and methods of purposeful influence on the object to achieve the desired result.

In the financial system, management is carried out through the financial mechanism and its methods, levers, incentives, and sanctions. When we talk about Kazakhstan, we know that financial management can be strategic and operational. Strategic financial management is important for our problem. This is entrusted by the Constitution of the Republic of Kazakhstan to the highest bodies of state power and management: Parliament, Presidential Office, Government, and the Ministry of Finance.

The fourth component (Figure 1) is implementation monitoring. So far, neither in Russia nor in Kazakhstan this has been done.

### **Conclusion**

In today's world making a decision is very difficult. Decision-making is a very responsible process. The introduction of such a tax as a «luxury tax» in the Republic of Kazakhstan deserves a qualitative and balanced analysis; as such an introduction can affect the tax situation both positively and negatively.

We have come to the conclusion that the concept «luxury» can be understood as excess in comfort, excess in pleasure, natural wealth, luxury furnish, wastefulness, and some of the sources have focused on luxury real estate and we can say that these characteristics are more inherent in each definition, and this suggests that the term «luxury» in most cases similar to the definitions of different classics and different times, which speaks about the constancy to values reflecting the definition of «luxury».

However, at present the organization or any industry does not have a strategy, its activities are ineffective, and it can be assumed that the same principle applies in the field of taxation. So, it is important to look at how the principles of strategic planning were used or will be used in the introduction of a new luxury tax in Russia and Kazakhstan.

A key component of strategic planning is environmental awareness.

In the financial system, governance is exercised through the financial mechanism through its methods, levers, incentives, and sanctions. When we talk about Kazakhstan, we know that financial management can be strategic and operational. Strategic financial management is important for our problem. This is entrusted by the Constitution of the Republic of Kazakhstan to the highest bodies of state power and management: Parliament, Presidential Office, Government, and the Ministry of Finance.

Thus, it is quite clear that in order to justify the introduction of such an institution as a «luxury tax» it is necessary to understand its feasibility.

In the history of many countries, there is a similar tax and it functions perfectly there, but we will not forget that such an introduction has not reached its logical conclusion in view of the expediency of both economic and social effects in other countries. Many countries after the introduction of the «luxury tax» more than once it was finalized and made adjustments and amendments to the tax legislation in order to increase the positive economic and social effect but not to violate the principles of tax legislation and not to violate the constitutional rights and freedoms of taxpayers that leads to social tension.

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