

## Lesson 14

Topic: Types of taxes paid by pharmacy organizations under special taxation regimes

Questions discussed on the topic of the lesson :

1. Special tax regimes
2. Simplified taxation system: purpose of implementation, transition conditions
3. Restrictions on the application of the simplified taxation system
4. Tax rates applied under the simplified taxation system
5. Patent taxation system

**Special tax regimes** - the totality of these taxes is replaced by the payment of a single tax. The following *special tax regimes* may apply :

- simplified taxation system (STS);
- the patent system.

### Simplified taxation system

The main goal of the simplified taxation system is to simplify as much as possible both accounting and the procedure for calculating taxes for small organizations. The main idea when introducing this taxation system was that in the future, perhaps, it will not keep accounting at all if the organization switches to "simplified". To date, this goal has been achieved only in relation to individual entrepreneurs. It should be noted that the transition of small enterprises to a simplified taxation system has a very beneficial effect both on doing business in general and on the collection of tax payments. As for most enterprises, they must keep records of income and expenses, in the manner prescribed by Chapter 26.2 of the Tax Code of the Russian Federation - on the basis of a book of income and expenses and accounting for fixed assets and intangible assets in the manner prescribed by the legislation of the Russian Federation on accounting and adopted in accordance with it

The transition to the simplified system is voluntary. An interesting fact is that in the Tax Code there is no mention that the "simplification" is intended only for small businesses. Therefore, it can be logically concluded that pharmacy organizations that do not fall under the category of small enterprises can also apply a simplified taxation system. To transfer, it is enough to write an application, and you do not have to wait for an affirmative decision of the tax inspectorate. The application is submitted to the tax authority at the place of its location in the period from October 1 to November 30 of the year preceding the year from which taxpayers want to switch to the simplified taxation system. At the same time, pharmacies in the application for the transition to the simplified taxation system must report the amount of income for nine months of the current year.

**The advantages of the system** . In addition to the obvious simplicity of accounting, there is another important plus of this system. Pharmacies in the transition to "simplified" will not pay income tax, value added tax, sales tax and property tax. In addition, they are exempted from paying the unified social tax. However, this provision does not exempt pharmacies from paying insurance premiums to the pension fund. All other taxes, pharmacies using the simplified system, pay in the usual manner.

Who has the right to switch to "simplified". The simplified taxation system, being a special tax regime, is not applied simultaneously with the use of other tax regimes. The most common is a special tax regime in the form of a single tax on imputed income for certain types of activities. If the legislation of a constituent entity of Russia provides for the use of a single tax system on imputed income for pharmacy activities, then the imputed tax system should be used.

The current version of Chapter 26.2 of the Tax Code of the Russian Federation establishes that **those organizations that produce excisable goods cannot apply the simplified system** . The law also includes ethyl alcohol from all types of raw materials as excisable goods, with the exception of cognac alcohol and alcohol-containing products (solutions, emulsions, suspensions and other types of products in liquid form) with a volume fraction of ethyl alcohol of more than 9 percent. Immediately make a reservation, this provision does not apply to the activities of pharmacy enterprises. First of all, because the following alcohol-containing products, which are sold by pharmacies, are not considered as excisable goods:

- medicinal and therapeutic and prophylactic products that have passed state registration with the authorized federal executive body and entered in the state register of medicines and medical devices, medicinal and therapeutic and prophylactic products, including homeopathic preparations, manufactured by pharmacy organizations according to individual prescriptions and requirements of medical organizations, poured into containers in accordance with the requirements of state standards for medicines (pharmacopoeia articles);

- veterinary drugs that have passed state registration with the authorized federal executive body and entered in the state register of registered veterinary drugs developed for use in animal husbandry on the territory of the Russian Federation, poured into containers of no more than 100 ml (containers containing more than 100 ml of a substance are exempt from excise taxes if intended for use in hospitals and other health care settings).

Thus, the tax legislation allows pharmacies, as enterprises selling alcohol-containing products, to apply a simplified taxation system.

However, there is a certain category **of pharmacies that still will not be able to apply the "simplification"**. Firstly, these are pharmacies with branches and representative offices. Secondly, another restriction provided for by 346.12 of the Tax Code of the Russian Federation and which does not allow the pharmacy to switch to a simplified taxation system is the excess of the average number of employees for the tax (reporting) period over the established limit of 100 people.

At the same time, the law determines that the average number of employees is determined in accordance with the procedure established by the State Committee of the Russian Federation on Statistics. Organizations should keep in mind that the average number of employees of organizations applying for the transition to a simplified taxation system for the reporting period is determined taking into account all of its employees, including those working under civil law contracts and part-time jobs, taking into account actual hours worked, and also employees of separate subdivisions of the specified legal entity. This procedure for determining the average number of employees, which is currently in force, is set out in the Instruction for filling in organizations of information on the number of employees and the use of working time in the forms of federal state statistical observation, approved by the Decree of the State Statistics Committee of Russia of December 7, 1998 N 121 (hereinafter - Instruction N 121). Therefore, taxpayers should use the calculation algorithm that is given in this instruction. At the same time, in accordance with Instruction N 121, the average number of employees consists of:

- the average number of employees;
- average number of external part-timers;
- the average number of employees under civil law contracts.

The next **constraint for applying the simplified system taxation**, which is introduced by chapter 26.2 of the Tax Code of the Russian Federation, **is associated with the cost of depreciable property** owned by the taxpayer. According to subparagraph 15 of paragraph 3 of Art. 346.12 of the Tax Code of the Russian Federation, organizations in which the value of depreciable property owned by them exceeds 100 million rubles are not entitled to apply the simplified taxation system.

There are income limits. So, in order for a pharmacy to be able to switch to a simplified taxation system, sales income (determined in the manner prescribed for profit taxation) should not exceed 11 million rubles (excluding value added tax and sales tax) for nine months of that year in which the organization submits an application for the transition to a simplified taxation system (from the new calendar year).

Pharmacies are required to stop using the simplified taxation system and are considered to have switched to the general taxation regime if, following the results of the tax (reporting) period, the taxpayer's income exceeds 15 million rubles (clause 4 of article 346.13 of the Tax Code of the Russian Federation).

In addition, pharmacies whose value of depreciable property owned by them exceeds 100 million rubles cannot apply the "simplification" system.

How to pay tax? Article 346.14 of the Tax Code of the Russian Federation establishes that the objects of taxation are either pharmacy income or income reduced by the amount of expenses. If the pharmacy chooses income as the object of taxation, the tax rate will be 6 percent. If the pharmacy chooses to pay tax after deducting all expenses incurred from income, the tax rate will be 15%. The choice of one or another model depends entirely on the payer, that is, the pharmacy.

The tax period is a calendar year. And the first quarter, six months and nine months of the calendar year are recognized as reporting periods. The tax will be paid in quarterly advance payments based on the results of each reporting period, taking into account previously paid advance payments. Pharmacies that pay income tax have the right to reduce the amount of tax by the amount of insurance contributions to the pension fund. The paid advance payments will be counted towards the payment of tax. For this tax, the pharmacy must submit a tax return to the tax office. The deadline for submitting a declaration for advance payments is the 25th day of the month following the reporting period, for the tax period - March 31 of the year following the reporting one.

**Starting July 1, 2020 in accordance with Article 346.27. The Tax Code of the Russian Federation**, the sale of medicinal products subject to mandatory labeling with identification means, including control (identification) marks in accordance with the **Federal Law** of April 12, 2010 N 61-FZ "On the Circulation of Medicines", does not apply to retail trade.

Consequently, pharmacy organizations can be either on the general taxation regime or on the simplified taxation system. Pharmacies in this case are exempted from paying: income tax, value added tax (VAT), property tax.

#### **Simplified taxation system (STS)**

**Taxpayers** are organizations and individual entrepreneurs who have switched to a simplified taxation system. An organization has the right to switch to a simplified taxation system if:

- according to the results of nine months of the year in which the organization submits a notification on the transition to a simplified taxation system, income did not exceed 112.5 million rubles.
- the average number of employees does not exceed 100 people

Organizations and individual entrepreneurs who have expressed a desire to switch to the simplified taxation system from the next calendar year, notify the tax authority at the location of the organization or the place of residence of the individual entrepreneur no later than December 31 of the calendar year preceding the calendar year from which they switch to the simplified system taxation.

**The objects of taxation** are:

- income;
- income less expenses.

**The tax base** is the monetary value of the income of an organization or an individual entrepreneur.

**The tax period** is a calendar year.

**Reporting periods** are the first quarter, six months and nine months of a calendar year.

**The tax rate** is set:

- in the amount of 6 percent if the object of taxation is income
- in the amount of 15 percent if the object of taxation is income reduced by the amount of expenses

## **Patent system**

**The patent system of taxation** is applied by individual entrepreneurs:

- repair, cleaning, dyeing and tailoring of footwear, textile and knitwear according to the individual order of the population;
- hairdressing and cosmetic services;
- services for the production of assembly, electrical, sanitary and welding works;
- veterinary activities;
- retail trade carried out through objects of a stationary trading network with trading floors.

**Retail trade** - entrepreneurial activity associated with the sale of goods (including for cash, as well as with the use of payment cards) on the basis of retail sale and purchase agreements .

**The patent system of taxation does not apply to:**

- retail trade carried out through the objects of a stationary trading network with a trading floor area of more than 150 square meters;
- wholesale trade, as well as trade carried out under supply contracts.

Individual entrepreneurs who have switched to the patent system of taxation are recognized **as taxpayers** .

The document certifying the right to apply the patent system of taxation is a patent for the implementation of one of the types of entrepreneurial activity

The patent is valid throughout the territory of the subject of the Russian Federation. An individual entrepreneur has the right to obtain several patents. A patent is issued at the choice of an individual entrepreneur for a period of one to twelve months inclusive within a calendar year.

**The object of taxation** is the potentially receivable annual income of an individual entrepreneur in the relevant type of entrepreneurial activity, established by the law of the subject of the Russian Federation.

**The tax base** is defined as the monetary expression of the annual income potentially receivable by an individual entrepreneur by type of entrepreneurial activity, in respect of which the patent system of taxation is applied.

**The tax rate** is set at 6 percent.

**The tax period** is a calendar year. If a patent is issued for a period of less than a calendar year, the period for which the patent was issued is recognized as a tax period.