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TAX FARMING – PRO ET CONTRA

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This article investigates issues related to a unique experiment carried out in Russia in unifying the collection of all obligatory payments. It analyzes the legal aspects of this approach and presents the variety of methods for collecting such payments. Notions of budget revenue and sources of revenue are considered. Special attention is paid to the forms and practices of tax farming and other obligatory payments.

The article concludes that the budget legislation actually specifies various fiscal charges as sources of budget revenue. The real source of public revenue are the assets and resources making up the national wealth.

Historical examples show that despite the generally accepted denial, tax farming is a normal method and can be applied along with the state monopoly and tax administration. The cases when tax farming is transformed into a state monopoly or excise and vice versa are not rare. Tax farming, which has continued to this day, is also referred to as parafiscal charges or quasi taxes.

JEL Classification: Z

Keywords: taxes; obligatory payments; fiscal charges, tax farming; state regalia, state monopoly; budget; public revenue; sources of revenue.
Introduction

A unique experiment is currently being carried out in Russia in forming a single mechanism for administering tax, customs and other fiscal charges. This mechanism implies a single law and a single administrator. One of the results of this process was that in 2016 insurance contributions were included in the Tax Code of the Russian Federation (the Tax Code) as a separate type of payment, not classified as taxes or charges.

In addition, the Ministry of Finance has recently promulgated for discussion a draft law on the inclusion of five new chapters in the Tax Code - on environmental tax, recycling fees, road user charges, a telecom operator tax and a hotel tax. In general, it confirms the intention to include all obligatory payments in the Tax Code.

Draft amendments to the Tax Code have been promulgated since April 2019, but the ideas expressed in the draft law were discussed by the specialists long before its appearance. Contrary opinions have been suggested.

On the one hand, there are opinions that:

- it will stabilize business practices;
- it will limit the uncontrolled establishment of payments;
- it means there will be greater order and transparency given the appearance of a more experienced controller and stricter legal administration;
- obligatory payments will be inventoried through their systematization in a single legislative act;
- a third “special” part – “Non-tax Payments and Fees” – will be included in the Tax Code;

On the other hand, there are opinions that:

- there is no need for additional regulation of the collection of non-tax payments if the existing rules are applied properly;

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3 This task was set in the Presidential Address to the Federal Assembly of the Russian Federation in 2016.
- the payments planned to be included in the Tax Code are initially unconstitutional and cannot “become” taxes and fees prescribed in accordance with the Russian Constitution;

- the Tax Code should not include payments having no signs of taxes or fees;

- it is inadmissible to legitimize a parallel tax system;

- the inclusion of different “non-tax payments” in one regulatory act is inadmissible;

- legal definitions of the collection provided in Article 8 of the Tax Code must be specified;

- making new forms of obligatory payments will undermine the Tax Code and the logic of its legal regulation\(^7\).

The discussion remains relevant, since the number of “quasi taxes” that are not covered by a single legal regulation is constantly growing.

One of the main issues is whether the amendments to the tax legislation comply with the Russian Constitution. According to Article 57 of the Constitution, everyone must pay legally established taxes and fees, and Article 75 specifies that the general principles of taxes and fees in Russian are established by federal law. This law is the Tax Code, and Article 3 of the Tax Code provides that nobody may be charged with an obligation to pay taxes and fees or other contributions and payments, which are not provided by the Tax Code or imposed other than by the Tax Code.

The Russian Constitutional Court has said that there are other public legally obligatory payments to the budget that are not taxes and do not meet the definition of fees provided by the Tax Code and are not specified in the Tax Code. Such payments are referred as *fiscal charges* by the Constitutional Court citing the practice of non-tax contributions in countries of the EU (Directive 2002/22/EC of the European Parliament and of the Council of 7 March 2002 on universal service and users’ rights relating to electronic communications networks and services - Universal Service Directive)\(^8\).

However, in addition to taxes, fees, insurance contributions, and fiscal charges, the Constitutional Court also determines certain obligatory payments, which, unlike the above, may

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be established by subordinate acts, since they have no signs and elements inherent in tax obligations in the sense of the constitution and law as defined by the Constitutional Court\(^9\). These payments are referred as *parafiscal* here\(^10\) and complete a varied presentation of *obligatory payments*.

These can be illustrated by listing such “old” parafiscal charges as arbitration charges\(^11\) and port charges\(^12\). Deductions from telecom operators to the universal service fund are relatively new\(^13\), as have fees for the passage of vehicles registered in the territory of foreign countries on Russian roads\(^14\), royalty fees for the free reproduction of audio and audiovisual works for personal purposes\(^15\). Urban parking fees are another type of fiscal charge\(^16\) and individual residential premises have been subject to repair fees since 2012\(^17\). There are many other new obligatory payments\(^18\).

A contradictory situation arises. The arrangement of all obligatory payments in one Tax Code corresponds to the Russian Constitution, however the Constitutional Court does not object to the existence of obligatory payments not included in the Tax Code. Another dichotomy is that the Tax Code has already ceased to conform to its name and is being transformed from a codified act with uniform principles and general provisions into a code of laws on obligatory payments, however due to the unified regulation, the overall transparency and quality of the administration of such payments have increased, even prerequisites for reducing the tax burden are appearing.

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10 In Russia, this term was used after the publication of the translation of the monograph by P.-M. Gaudemet “Financial Law” in 1978. “Parafiscales” meant obligatory payments paid in favour of public or private entities not being state or municipal bodies or their administrative institutions (Article 4 of French Ordinance N 59-2 of January 2, 1959).


16 Decree of the Government of Moscow of 20 February 2007 No 99-PP.


18 For example, deductions of enterprises and organizations that operate highly radiation-hazardous and nuclear-hazardous productions and facilities (Federal Law of 01.12.2007 No 317 - FZ); insurance contributions to the compulsory insurance fund (Article 6 of Federal Law of 23 December 2003 No 177 - FZ “On Insurance of Bank Deposits of Individuals in the Russian Federation”, other.
Thus, the concept of the current Tax Code is being undermined, and it has become necessary to search for a new legal structure that would unify all the various fiscal charges in a single, logical legal regulation.

It seems to be the right decision to search for this structure in terms of the actual practice of revenue mobilization and historical experience.

Today, taxes are often identified either directly with budget revenue or with a source of budget revenue. In fact, a tax is neither one nor the other, and, according to the author, is a legal structure for mobilizing public revenue. If we make the most general classification of known methods of mobilization, then we can call, first, the transfer of the recovery of obligatory payments for tax farming (today these are certain parafiscal charges), secondly, the collection of payments through the establishment of state monopoly on certain goods, works or services (this may include fees and some fiscal charges), or the administration and collection of fiscal charges directly by public authorities (these are the taxes specified in the Tax Code and some other fiscal charges).

**Fiscal Charges and Budget Revenue**

Let us consider in more detail the relation between the notions of a source of public revenue, public revenue and obligatory payments (including taxes).

The legal definition of *budget revenue* is money coming into the budget with the exception of sources for financing the budget deficit in accordance with the Russian Budget Code.¹⁹

This definition cannot be considered satisfactory. First of all, this definition does not answer the question of what budget revenue is. In addition, the definition is built through denial: revenue is everything that does not refer to sources for financing the budget deficit. Finally, this notion is not correlated even with the definition of the budget established in the same article of the Budget Code as the form of making money intended to finance the tasks and functions of state and local governments. If the budget is a specific activity, then how can money be received in this form? If we are talking about the budget as a form of money, then what is the peculiarity of such money? In general, the definition of budget revenue does not meet the criteria for the clarity and accuracy of the content of a regulatory legal act.

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However, as a result of long-term law enforcement, budget revenue is generally understood pursuant to the semantic meaning of this word. According to the Explanatory Dictionary of the Great Living Russian Language by Vladimir Ivanovich Dahl, revenue is something that comes to hand, in other words receipts, proceeds in cash\(^{20}\). The English term *income* adopted to refer *inter alia* to public revenue, also means the cash flow coming or received from outside. The definition of budget revenue stipulated by the Budget Code is also *cash*, that is, money coming to the state\(^{21}\).

Thus, according to reading and interpreting the legislative definition, revenue is understood as arising in the budget *ex nihilo*.

It is obvious that this is untrue. Legal relations related to budget revenue arise either from the moment of the fulfillment of the obligation to pay taxes, duties, insurance contributions, and other obligatory payments, or from the moment when the payer has the obligation to transfer to the budget any other amount of money being non-tax budget revenue.

Up to this point, we cannot talk about revenue but about *sources* of public revenue. This notion has long existed in financial law [Yanzhul I. I., 2002: 53-59]. Today it is specified in the legislation. The second section of the Budget Code specifies tax and non-tax revenue received\(^{22}\). The sources include such large groups as taxes and fees, other obligatory payments, public property, paid services of public institutions, penal measures, administrative and civil liabilities\(^{23}\).

A more extensive list of the main groups of sources of budget revenue is in the draft law under discussion concerning amendments to the Budget Code\(^{24}\):

- taxes and fees;
- customs duties and customs fees;
- special, antidumping and compensation duties;
- insurance contributions for compulsory social insurance;

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\(^{20}\) It is interesting that the term gross income means here a result of receipts, that is, gain, profit.

\(^{21}\) Today, this cash is as a single account for recording budget revenue that was opened for the Federal Treasury at the Bank of Russia.

\(^{22}\) For example, clauses 2, 3 article 41, article 42 of the RF Budget Code.

\(^{23}\) Article 41 of the RF Budget Code.

- charges for the use and disposal of state and municipal property, other objects of public property;

- payments according to the results of financial and economic activities of organizations;

- payments charged by state (or municipal) bodies, public institutions for the performance of work and the provision of services;

- recycling fees, environmental fees and negative environmental impact fees;

- consular fees, patent and other patent-related fees;

- fines, penalties, forfeits provided by criminal laws and laws on administrative offences (both federal and regional), tax fines, court fines, fines under the law of the Eurasian Economic Union, contractual fines and penalties, and other penalties for liability;

- payments from the sale of confiscated property, compensation for damage caused to public (or municipal) property, compensation for damage caused to the environment;

- other payments.

This list is open. There is more detailed information about the sources of budget revenue in the Registers of Sources of Budget Revenue (Registers), in the Russian budget system, which are kept by the Ministry of Finance, governing bodies for state extra-budgetary funds, financial bodies of federal subjects and municipalities. The registers contain up-to-date information from the preparation, approval and execution of the budget. There are also lists of sources of revenue, which are codes of taxes and fees, insurance contributions, other obligatory payments, other receipts being sources of revenue for the budgets of the Russian Federation, specifying the legal reasons of their origin, the procedure for calculating amounts, rates, and benefits, and other characteristics.

The government has approved the procedure for making and keeping a list of revenue sources, and the Ministry of Finance has approved the procedure for making and keeping a list of sources of budget revenue.

25 Article № 47.1 of the RF Budget Code, the regulation has been introduced since 2014, but the technical implementation of the registries of sources was completed very recently.

26 In particular, it is: information on procedures for calculations, amounts, rates, benefits, terms and (or) conditions of payment; details of normative legal acts, their definitions; electronic copies of such acts; standards for distribution between the budgets of the Russian Federation budget system; information on public and legal units where payments are credited; budget revenue classification codes of the budget system; information on state and local government bodies, government extra-budgetary funds, the Central Bank of the Russian Federation, state institutions, and other organizations exercising budget powers of chief administrators and budget revenue administrators; information on organizations providing paid state (municipal) services (performance of work); budget revenue forecast indicators; cash receipts indicators; other characteristics.

Federal Register. Regulatory legal acts of federal subjects on the procedures for keeping Registers of the relevant budgets have been adopted.

Public authorities having budget powers (chief administrators and revenue administrators) record and adjust information in the Registers, and the registries (as an information resource) are available in electronic form in the “Electronic Budget” State Integrated Public Finance Management System. Sources of revenue having similar origin are classified in the Register, and according to the federal Register for 2019 and the planned period 2020-2021 there are 7,595 classes.

There is a sense that the picture is completely transparent and clear: all possible sources of revenue are recorded, counted and systematically transformed into figures of cash receipts of budget revenue.

If we argue in this way, there is no reason for analysis. But, according to the author, when determining and making a list of federal revenue sources, the law of identity was violated, since the contents of the Register follow from the classification of budget revenue, and as a result, the broader notion (sources, resources) is presented as a consequence of a narrower notion (revenue, receipts from sources). In fact, all sorts of payments that involve any sources are listed in the registers as sources of revenue.

The author hypothesizes that historical circumstances, legal reality and the economic situation can dictate various methods of revenue mobilization. And while sources (resources) do not change, the method of deriving revenue changes.

Traditional Russian financial law specified public revenue as a historically established set of revenue from public property, taxes and duties plus public credit. It can be assumed that this is due to the influence of cameralistics, from which Russian financial law has developed [Treasury and Budget, 2014: 44-51]. However, today we see the same when trying to make sense of what the criteria for dividing public revenue into tax and non-tax revenue are.

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28 Order of the Ministry of Finance of Russia of 29 December 2018 No 303n “On Approval of the Procedure for Making and Keeping a Register of Sources of Federal Budget Revenue”.
29 For example, Decree of the Government of the Tyumen Region of 27 October 2016 No 444-p “On the Procedure for Making and Keeping Registers of Revenue Sources of Regional Budget and Budget of the Territorial Compulsory Health Insurance Fund of Tyumen Region”.
30 The register of budget revenue sources (for 2019 and the planned period 2020-2021) is available at http://budget.gov.ru/epbs/faces/p/%D0%91%D1%8E%D0%B4%D0%B6%D0%B5%D1%82%D0%94%D0%BE%D1%85%D0%BE%D0%B4%D1%8B%D0%AD%D0%B5%D0%B5%DF%1%81%D1%82%D1%80%D1%8B%20%D0%B8%D1%81%D1%82%D0%BE%1%87%D0%B0%80%BA%BE%1%82%20%BE%1%85%D0%BE%1%84%BE%1%87%D0%BE%1%82%BE%1%84%BE%1%87% reference date 20.02.2019.
In general, classical financial law divided all sources of revenue into extraordinary and ordinary revenue. Further, ordinary revenue can be private (revenues are derived without coercion) and public (coercion is used to derive revenue). Yanzhul [2002: 53] proposes the following system of sources:

- state property (state lands, forests);
- private regalia (state trade, railways, other), legal regalia (postal, telegraph, mining, monetary, others), fiscal regalia (salt, tobacco, wine, others);
- duties and taxes, including direct (land, house, apartment, trade, money capital, personal or poll, income, luxury taxes) and indirect (customs duties, excise taxes);
- fees.

This classification is repeated in most pre-revolutionary works on financial law in one form or another. Sources of revenue are listed in the order of their historical appearance whereas public property as a source is classified together with taxes and duties, although they are a legal construct and are derived from specific sources. This is indicated by the historical names of Russian taxes: poll, land, property and income taxes.

The original view was demonstrated by Berendts [2013: 130-131], who remarked that “it is more correct to classify revenue according to a more specific sign, namely, according to the source and form of receipt”. He proposed the following classification: revenue from state property (including from state trade enterprises, lands, forests, quitrents, public factories and railways, various regalia, operations with treasury capital), and revenue from private property (including direct and indirect taxes, customs duties, other fees).

In general, this approach is relevant if we remember that a source of revenue is national wealth, which consists of two parts, one part is state property, non-produced wealth [Treasury and Budget, 2014: 15-40], and the other part is national income, and a part of this income is alienated from private property into state property and is redistributed. National wealth is an inexhaustible source of all wealth, not only public revenue but also public borrowing and charity. Measuring national wealth is the task of state statistics and macroeconomics\(^\text{31}\), but the results of this measurement do not affect the structure and list of sources of budget revenue.

\(^\text{31}\) In addition to the generally accepted system of national accounts, we know statistical methods, which, for example, A. L. Vaenshteyn used in his colossal work.
The circumstance that distorts the modern and traditional classification of sources of state revenue is the fact that the same object or activity (in the language of modern tax law, a tax object) can exist as a source of several types of revenue.

For example, any land remaining in state ownership can serve as a source of rent (private revenue). The same land can be privatized, and in this case it is subject to a land tax. Subsequently, the land can be nationalized and directly used for public needs. The land remains unchanged in its natural characteristics but the owner changes. Exercising the rights of the sovereign over its territory, the state derives revenue from the land in any case through various alternative methods.

Another example is alcohol or tobacco production. The state can have a full or partial monopoly on this activity, and then it serves as a source of revenue directly derived from state trade. In the event that such activity is transferred into private hands, it brings income to the budget either in the form of fee farming (fees for granting rights and licenses) or in the form of excises.

We repeat that it is incorrect to classify revenue sources as such, and methods of revenue mobilization which can be conditionally divided into tax farming, state monopoly (regalia), and government tax administration (hereinafter taxes). In fact, all these methods are close to each other, and tax farming has signs of tax and regalia, and vice versa.

In this case, the full set of revenue sources will coincide in volume with national wealth. Decisions for determining a source of revenue and selecting a method of mobilization (through tax farming, regalia or direct taxes) are related to budget policy and should be legally aligned. After the mobilization of revenue, it is transferred and credited, which have long been legally defined procedures.

First, the range of sources of public revenue needs to be expanded as much as possible.

Second, it is possible to consider alternative revenue mobilization procedures.

It should be understood that the entire volume of revenue sources will never be updated because of legal restrictions and market demand. That is, the legal mechanisms for the protection of private property and constitutional restrictions on nationalization do not allow the state to redistribute national wealth without limit. Market demand is also a volatile factor. For example, three or four decades ago it was difficult to imagine that the radio frequency spectrum could
become a significant source of budget revenue. In addition, rural land invariably falls in price due to the intensification of agricultural production.

**Tax Farming and its Types: Tax Farming as a Concession**

Having defined the place of methods of revenue mobilization and their correlation with sources of public revenue, let us consider, with a few examples, the most deprecated of these methods – the tax farming system. These examples argue that the tax farming system, direct tax administration by state bodies and state monopoly are very close and easily interchangeable.

Tax farming has several meanings in the literature. As Sergeevich [1910: 26] noted: “Any tax initially arises in the form of tax farming, payment for peace and tranquility to strong neighbors so that they do not fight, do not attack. This is a tribute”. In the sense of criminal punishment, tax farming was used in Russkaya Pravda, which provided the possibility to farm for murder: 40 grivnas for a commoner and 80 grivnas for a noble.

Insofar as the tax farming system is concerned, a kind of concession practiced from antiquity is implied – *the transfer by the state of the right to levy taxes and other state payments for a fee and under certain conditions*. In Rus, this phenomenon was called “feeding”. Usually, a tax farming agreement assumed that a tax farmer contributed funds to the treasury in full or by installments, and then he would receive the right to collect charges from the population. It is usually noted that this form of tax farming was mainly used in the conditions of undeveloped credit, financial difficulties of the state, and weak communications [Prikhodko D.G., 2005; Popov A.I., 2007], however, this is not obvious in the author’s opinion. In any case, tax farming is the most convenient and the cheapest way to organize the collection of budget revenue that is usually in demand in the initial period when forming or restructuring any sector of the economy.

There is another type of tax farming – concessions – which mean that an individual acquired the exclusive right to collect taxes in exchange for public service, primarily military service. This refers to the Byzantine *Pronoia* (Greek Πρόνοια), which had been developed at the end of the Eastern Roman Empire, during the reign of the Komnenos dynasty [Khvostova K.V., 1964; Morozov M.A., 2005: 303-213, 2003: 117-119].

The tax farming system for mobilizing public revenue is unpopular. The system in France, and then in Russia, symbolized the old order [Christian D., 1992: 129]. In addition, the profits of tax farmers gave them excessive power and caused numerous abuses of this power.

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32 This can be understood as *outsourcing* of public functions.
This can be illustrated in historical examples. First of all, we should recall tax farming in ancient Rome. As Rostovtsev [2003: 161] notes, initially, for the construction of public buildings and the collection of taxes, the magistrates entered into agreements with *manceps*, for whose *prades* acted as guarantors against their lands. The guarantors also had their benefit in enterprises. This system began to change after the expansion of Rome, first after the conquest of Sicily and then the expansion of the state to the East. The technology of tax farming developed rapidly, the turnover of tax farming from *ager publicus*, salt, mining, customs, cattle grazing duties grew enormously and a class of people who were professionally engaged in tax farming – publicans – was formed.

Publicans quickly gathered strength and political power becoming the “makers of destinies”. Magistrates were appointed for a short period while “tax farmers were permanent and had the power of capital closely consolidated *ordo publicanorum*. Publicans owned the necessary equipment (warehouses, slaves, etc.); their society was already organized as a college” [Rostovtsev, 2003: 165-166]. This situation was no longer normal and publican societies were reformed in the imperial period – there could not be two authorities in the state.

The negative attitude to the college of the General Tax Farming in pre-revolutionary France (Ferme generale, since 1726\(^{33}\)) was, to a large extent, due to the tradition of gifts to the king and courtiers that made it possible to say that the latter received shares in the income of tax farmers. And, as shown by the investigation which took place after the execution of tax farmers by the revolutionary tribunal (1795), the balance of mutual settlements between the treasury and tax farmers was in favor of the state.

These examples are cited as a negative argument for the tax farming system. The opposite example of how the tax farming system can be effective shows the experience of tax farming of internal customs in Sweden in 1718-1719. Director of the Grand Maritime Customs, Johan Ehrenpreis, personally acted as a tax farmer and director of the customs. Customs revenue for the year increased by 250% as a result. Strict supervision by Ehrenpreis caused urban estates to complain, and tax farming was first abolished for this reason but then returned (before 1765 and from 1777 to 1782, and since 1803) [Minaeva T.S., 2006: 27].

There are enough cases of the reverse transition from tax excise to tax farming or state monopoly. For example, this happened in Russia in relation to customs payments during the Northern War in Russia (1700–1721). After 1721, land border customs were farmed.

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\(^{33}\) Salt tax has been farmed in France since 1546; later an auction fee has been added.
Tax Farming and its Types: Trade Tax Farming

In addition to tax farming and concessions there is another type of tax farming when the subject of the tax farming agreement is any trade or right of monopoly to engage in certain commercial activities. Such tax farming is already close to state regalia and in order to transfer an exclusive right, the public administration should first have it.

Regarding wine tax farming, for example, some researchers directly say that they were “nothing more than a form of fiscal monopoly” [Yachmenev, 2010], and it is hard to disagree with this opinion. Other authors say that wine tax farming was the predecessor of excise [Shepenko, 2001; Kudryashova, 2014] although, as mentioned above, history shows examples of movement from excise to tax farming or monopoly.

In specific historical circumstances, when there were no tax farmers due to overstatements of tax farming or a depletion of trade, tax farming became a tax on trade [Veselovsky, 1909: 309-310]. There are also cases of the reverse transition from a tax (excise) to tax farming or a state monopoly. An example is the restoration of wine tax farming on the initiative of the Finance Minister Egor Frantsevich Kankrin after a period of official sale of alcohol from 1817 to 1826. The new system was noticeably different from the previous system, since it acquired the form of tax farming commissioning and then excise tax farming commissioning (from 1847)\(^\text{34}\). The following parameters were recorded at auctions:

- the procurement and storage of drinks;
- the possible types of public houses;
- measurements and sales prices;
- wine supply, retail and quality control;
- pledges, commitments and the responsibility of tax farmers;
- state supervision and management, pledge selling;
- the production of various alcoholic beverages;
- the collection of excises;
- retail areas;

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\(^{34}\) See Brief Outline of the 50\(^{th}\) Anniversary of the Excise System of Liquor Taxation and the 50\(^{th}\) Anniversary of Activities of Institutions in Charge of Unassessed Taxes - St. Petersburg. 1913, p. 4.
- liability for illegal trade;
- others\textsuperscript{35}.

In general, it should be noted that wine tax farming in Russia earned significant revenue for the budget and became the basis for many of the largest private fortunes [Gavlin M.L., 2002: 92-110].

Fairly condemned, the English opium trade in Hong Kong can serve as an example of how easily trade tax farming is transformed into a state monopoly. The fully legalized revenue of the English colonial administration from Indian opium after the first opium war with Qing China grew continuously and in 1906 was GBP 5,312 million [Kozlov, 2012: 154]. In addition to the supply of opium to the Chinese domestic market, the English administration in Hong Kong covered its costs with revenue from trade directly in Hong Kong, where the opium monopoly was introduced in 1858. Over the years, this trade averaged about 30\% of the Hong Kong budget\textsuperscript{36}. Contracts for the right to open “opium farms” were placed at auctions, that is, they were farmed. “[F]armers […] had production facilities for processing raw opium, special equipment, skilled workers, and a retail chain that included shops and/or opium dens. To keep their businesses safe, they kept a large staff of security guards and informers. A farmer had the right to hire non-governmental “customs agents” who could board the ships and enter houses in order to confiscate smuggled opium” [Kozlov, 2012: 155]. These farms grew and the processed opium began to be exported from Hong Kong. Under the influence of the anti-opium campaign, in order to increase control over trade and not lose revenue, from 1 March 1914, the administration of Hong Kong began to trade without intermediaries, that is, it passed to regalia, and continued until the capture of Hong Kong by Japanese troops in 1941.

Wine tax farming, opium tax farming, and tobacco and salt tax farming [Girs, 1860], oil, mining tax farming [Larina, 2010: 28-31] can be called national trade tax farming. They are distinctly different from local trade tax farming, which should be distinguished as a separate type. Small trade tax farming, in addition to the fiscal effect, results in the development of business and is approved by the majority of economists.

In general, small tax farming was varied, therefore it is difficult to generalize about it; Veselovsky says that it is impossible to make a complete list. For example, in Rus, we can find

\textsuperscript{35} For example, see Conditions for Liquor Tax Farming in 28 Great Russian Provinces and Caucasus Region from 1845 to 1847 (available in the collections of the State Historical Public Library).

\textsuperscript{36} Supplies of opium from British India to China (via Hong Kong) and to Singapore, of course, enriched both the British colonial administration in India and the mother country.
from the Tsar’s Decree of 27 June 1639 that in Novgorod there was kvas, wort, home brew, botvinia (the special Russian dish), hop and hay shaking, soap cutting, oat, and tar tax farming and other small trade tax farming in different cities. In Vladimir, Pereslavl, Kaluga, Tula, Zaraisk, Veliky Novgorod, Nizhny Novgorod, Arzamas for example, there was also hay, carriage, salt, forest, pork shaking, ice holes, wine cubes coating, cake baking, fat blubbering, hay areas, areal writing, vinegar, malt, spinning, grinding, tarring, egg breaking\textsuperscript{37}, wax refinery, bast mat, bast shoes, hose clamps, even ashes and dunghill tax farming [Veselovsky, 1909: 292-294]. In Astrakhan there was fishery tax farming [Kisterev, 2015: 189].

An interesting feature was the organization of small tax farmers in Rus – they functioned “on faith”, in order to confirm that their promises are true, tax farmers kissed the cross – hence the name “kissers”\textsuperscript{38}. In addition, tax farming arose by petition to local authorities of any enterprising person. Often, there were no activities to be farmed before a petition. Subsequently, as a result of a tax farmer refusal due to “depletion of trade” or under a petition of the local community representatives, tax farming could be terminated but events could have developed in another way – payment was imposed on society, that is, tax farming changed into a tax on trade. Sometimes tax farmers were forced to continue without any “increased value” of the tax charge.

**Conclusion**

Numerous fiscal charges that exist beyond legal regulation of the Tax Code are inherently alternative ways for mobilizing budget revenue, which are historically called tax farming and regalia and which exist to this day.

The notion of a source of budget revenue has recently emerged in budget legislation, which, however, specifies fiscal charges. These charges are a method of revenue mobilization, and the actual sources are natural, tangible and intangible resources, other assets that together constitute the national wealth. Deriving public revenue always relates to three consecutive actions: determining the source of revenue, determining the mobilization method, and cash revenue administration.

The methods for mobilizing budget revenue can be conditionally divided into tax farming, monopolies and direct administration by the authorities. These methods are interchangeable and have common features. In fact, deriving revenue from one source or another is unique, but different methods are combined to achieve a better social and economic effect.

\textsuperscript{37} A curious kind of gambling has been practiced in taverns along with dicing and card playing, which were also farmed.

\textsuperscript{38} The profession of a ‘kisser’ lasted until the 19th century but after the 18th century this mainly related to the public house kissers.
The negative attitude to tax farming as a method for deriving budget revenue has historical roots, but the tax farming system continues to exist as fiscal and para-fiscal charges. Its shortcomings are not connected with the system as such, but with the possible lack of control, and abuse. The danger of the tax farming system is the excessive power that contractors can acquire which occurs when tax farming is centralized in a region or a state. That is, the risk of abuse increases significantly for large tax farming concessions, and is much lower for small tax farming, which is sometimes even more preferable than excise or direct taxes. Small, local tax farming can even serve in some cases as a method to control and streamline economic activity or the development of new types of entrepreneurship.

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