

1 Formation of Effective Model of small Businesses and
2 Entrepreneurship' Regulatory Environment in the Russian
3 Federation under the Wec and the usa Sanctions

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6

7 **Abstract**

8 Thematic justification: Issue of entrepreneurship development is stated under the sanctions,
9 aimed at interstate socio-politic processes, transformation of participants' interest in the
10 framework of domestic policies, balances of loss and strategic-manufacturing, law regulatory
11 methods in business, could be considered as one of the methods of business entities' recourse
12 and interest defense, which exist in entrepreneurship legal regime. Thus the article validates
13 implementation of effective model of small businesses and entrepreneurship' regulatory
14 environment and minimization of section politics' negative results. The research method is
15 methods of comparative legal analysis of regulatory system, based on business investigation
16 mathematic models in Russia, scientifically proving results on positive and negative points of
17 business regulations, revealing degenerative processes in the prospects of business and
18 government interaction. sanctions, legal policy, business and government, business under the
19 sanctions, legal regulation of small businesses in russia.

20

21 **Index terms**— sanctions, legal policy, business and government, business under the sanctions, legal regulation
22 of small businesses in russia

23 **1 Introduction**

24 Recently business development tendencies in Russia are determined not only by external factors, but also by
25 continued impact of interstate negative tendencies. Their specific feature is dependence on external environment,
26 including proper limited financial background and demand for additional high-priced borrowed financial resources.

27 As a result, geopolitical processes, as territorial integrity of states with inevitably high risks, should be taken
28 into consideration. In these circumstances government support for maintaining business development should be
29 put forward as a priority.

30 Entrepreneurship provides constant economic growth, improvement of the quality of life. However today,
31 entrepreneurship is dependent on political decisions and sanctional policy of the WEC and the USA, RF product
32 embargo in return. (November, 2017). On the one hand, it makes Russian economic growth difficult, on the
33 other hand, opens the door to strengthening the business area. Western countries have stronger small businesses
34 as opposed to Russia, thus the necessity of increase of small business entity number is growing wider within the
35 RF business sector.

36 In that context it is necessary to analyze existing mechanisms and find adequate ways of improving of legal
37 regime of business governmental support in the Russian Federation.

38 It is also necessary to refer to economic trends for determination of legal policy development thrust,
39 international ground should be also scanned in this situation as well as interstate social strain. Modern researchers
40 make some deductions, proving the leading role of national state law and legal framework in the process of state
41 development; it is proved that the society consists of its sphere of economic relations, and its form is political
42 system and legal framework. Economy of law should be based on solid theoretical data, accumulating different
43 subject area, and become «law politeconomy» 1 ?? ?????? ?.?. ????? ?????????? ??? ?????????? ? ?????? ??????//
44 ?????????? ??????. 2013.? 4 (5). ?. 54-65.

45 . Therefore, legislative analysis is considered the point of crucial importance, regulating business development
46 in Russia. Its imperfection can provoke the economic gap to developing countries.

47 2 II.

48 3 Materials and Methods

49 4 a) Methods of Research

50 Comparative method of basic law institutions, hermeneutics of normative acts, analysis of empirical data,
51 summary of crucial information within business research process are the main theoretical methods used in the
52 study; together with law model building, graphic presentation of results.

53 5 b) Empirical Data of Research evolves

54 A gents and business organizations' expectations: key elements, factors and consequences. Opinion poll was held
55 by authorial questionnaire.

56 Total amount of respondents -980, male -58%, female -42%. Age -18 -55 y.o., average age -33 y.o., respondent
57 coverage -26-36 y.o.. Residential status: Moscow -45% (of respondents); Smolensk, Tver', Ryazan, Yaroslavl
58 -(12%), Saint-Petersburg (43%). Economic sectors, which respondents are involved in finance (25%), construction
59 -(12,0%), food industry (13,0%), production of goods (15,0%), commerce (15%), small businesses (20%). Among
60 the respondents 76,4% are specialists , 17,6% -headers 1-2executive stuff, 5,6%heads of small groups (up to 3
61 people) and 0,4%heads of Depts., etc. Average employment history -11,5% total (in professional sphere) -5,8%,
62 open term employment contract -81,1%, 13,5%temporary contract (from 1 to 5 years), 5,2%employment contract
63 for less than 1 year, 2 respondents admitted themselves working on verbal agreement.

64 As for education basis, 36 ,7% of respondents have middle-school course background, 1,7%second middle-school
65 course background, 98,3%respondents with higher education, 1,4%second higher education, 5,8% -PhD graduates
66 and PhDs.

67 6 c) Normative Base of Research

68 Direct relation to market regulation has a number of articles of the Constitution that establish the legal
69 foundations of a single Russian space: 1) Article 8 on the unity of the economic and legal space of Russia;
70 on the diversity of forms of ownership; 2) Article 9 -on private ownership of land; 3) Article 15on the compliance
71 of national legislation with generally accepted principles and norms of international law; 4) Article 74on the free
72 movement of goods, services and financial resources on the territory of the Russian Federation.

73 Civil legislation is represented by the Civil Code of the Russian Federation, the fundamental code of laws on
74 forms and conditions of entrepreneurship. The Civil Code establishes the right of citizens and their associations
75 to engage in business as their absolute private law; guarantees to each subject the rights of genuine property
76 and personal rights that are not subject to intrusion into this sphere of the state; gives the right to own any
77 property without restriction of its composition, quantity and value, and restrictions on certain objects can only
78 be for reasons of public good and security; finally, provides protection among other personal benefits of business
79 reputation and entrepreneurial secrecy.

80 Legislative

81 7 d) Study phase

82 i. The study has 3 phases Phase 1 -collecting and analysis of empirical data, theoretical analysis of existing
83 methodological approaches in law, economic and politological scientific works, issue highlight, aim determination,
84 research methods determination, plan making; Phase 2 -expert-analytics, analysis, verification and specification
85 of results, flowing from collecting and analytical process of empirical data; Phase 3 -completion of empirical data
86 processing, specification of theoretical and practical results, the results systematized.

87 8 III.

88 9 Results

89 10 a) Structure and Content of the Model

90 In the Unified register of entities for small and medium entrepreneurship in Russia 5 925 282 SMEs entities were
91 registered (February, 2017), total amount contains 5 636 789 entities of micro-enterprises (95%), 267 558 entities
92 -small enterprises (4,5%), 20 935 medium enterprises(0,4%). Self-employed entrepreneurs -3 074 668 of small and
93 medium business entities (52%), corporate bodies -2 850 614 (48%).

94 SMEs amount was growing from August 1, 2016 to February 10, 2017 in 401 517 of economic entities (7,3%).
95 This dynamics is closely connected with 2016 political measures. The sector development accelerates market
96 improvement and technological and organizational mobility; creates competitive conditions, provides commerce
97 progress. Besides, small entrepreneurship is a solid ground for social stability, ministrant to reduction of strict

98 stratification of society, weakening of unemployment and instability. ?? It should be mentioned that despite of
99 entrepreneurship importance for economy sector, small and medium entrepreneurship contribution to Russian
100 economic development is substantively lower, than it is in most part of developed and developing countries (Please,
101 see the figure below). The only explanation is that small and medium entrepreneurship in Russia is represented by
102 micro-enterprises, (94, 2% of total amount of entities). Small and medium enterprises cover only about 6-7 % ?f
103 total number of basic funds and less than 7-8 % of total investment volume to state capital. Research shows that
104 workforce productivity level in medium businesses is twice-three times lower than in developed nation states.

105 Moreover, negative tendencies in small entrepreneurship, as we think, were predetermined with administrative
106 and economic barriers. Beurocratic procedures, absence of transparent legislative base and adequate institutional
107 potential, constant checks-out, high fines and taxes -are the key obstacles for small entrepreneurship development
108 in Russia. From the beginning of 2013 annual demanded superannuation contributions from SE in the RF were
109 dramatically increased, without taking into consideration business fixed income, and came to 32 479,2 RUB.
110 Later they decreased to 2072, 53 RUB. However, in Russia, resulting from obvious changes, over one and a half
111 million enterprises were closed, still new ones did not eager to incorporate. It is wide known, blocking access to
112 the capital market for the number of largest Russian banks was one of sanctions consequences that determined
113 fast credit rates growth. As a result, today greater part of self-employers is offered credits at a rate of 25 % per
114 annum. Modern economic paradigm entails no rejecting loan proceeds. It is also connected with bad competition
115 practices when some producers 'withdraw into the shadows'. ?? If before geopolitical crisis business sector in
116 Russia indicated exponent-growing development (more than 15% annually), then from 2014 rate of business agent
117 change decreased a lot. For example, if in 2016 number of micro -enterprises practically did not have up-down
118 leaps, then small and medium enterprises reduction equaled more than 84,8% (Pic. 3).

119 **11 Intensity of Entrepreneurship Sector Development in Russia, 120 rate of expansion (%)**

121 Together with subsidiary as strict measures of financial boost, it is possible to supply small and medium
122 entrepreneurship by providing them with new infrastructure, e.g. material, taxation, producinginnovative,
123 consulting etc. In 2015 SME financial provision with non-bearing grants was approximately 17 billion RUB.

124 Grants for capital facilities for small businesses was 1,6 billion RUB. In these circumstances, the Russian
125 Federation actors, in the framework of SME's Project, by far shifted the Project stress ad preferred to construct
126 techno parks, industrial parks, business incubators, centers of competence in innovation sphere, manufactures and
127 farming, instead. b) Respondent Empirical Database Analysis 34% of Russian residents prefer selfemployment,
128 in 1991 -29%. The rate of those, not wanting self-employment, had risen from 49% to 60%. It is admitted that 25
129 years ago Russians were not into all these "business-economics things", therefore today's just-starters make sense
130 of entrepreneurship. The authors also put a focus on growth in number of potential business makers, having
131 confidence about starting individual enterprise (from 35% to 71%). Number of respondents, who actively work
132 on organizing individual business, twice as high (from 8% to 17%).

133 As research shows, in global prospect the young in Russia are rather interested in business: 62% of respondents
134 consider it possible to start their own business -while average global rate is 34%; 45% of Russian youth are not
135 afraid of contributing to small business and enterprise.

136 Age (ready to contribute): 20-25 -41,2%, 26-33 -30,8%, 35-45 -16, 7%, 45-55 -11,3% 37,1% of future
137 entrepreneurs want to be involved in this field; 24,5% -tertiary production (service production) The most
138 attractive sphere for future businessmakers is trade sector. Among the positive innovations regarding the
139 regulation of small business, on the basis of Federal Law No. 477-?? of December 29, 2014 "On Amending
140 Part Two of the Tax Code of the Russian Federation", one can note the granting to the constituent entities of the
141 Russian Federation of the right to establish taxpayers registered as individual entrepreneurs and transferred to a
142 simplified or patent system of taxation, a tax rate of 0%. Also, the problems in the field of access to real estate
143 have been eliminated: changes in the number of enterprises from small and medium enterprises, May 29, 2015,
144 No. 156-??, provide property support in the form of transfer to the ownership and / or use of state (municipal)
145 property on a preferential basis in accordance with state programs (subprograms), as evidenced by Federal Law
146 No. 209-?? of July 24, 2007 "On the development of small and medium business in the Russian Federation" (as
147 amended and supplemented, effective from 01.08.2016). Stagnation processes observed in a number of cases in line
148 with the development of entrepreneurship in Russia were the result not only of the impact of the financial crisis
149 in the country, but mainly of the strategy of the implemented state social and economic policy, which, according
150 to the author's approach, does not fully take into account the interests of small and medium enterprises. As
151 it was ment quantitative composition of small businesses, is a progressive trend towards their decline, although
152 the activities of small business organizations in the Russian Federation are regulated by a fairly extensive list of
153 documents.

154 According to the Ministry of Economic Development of Russia, about 20,000 normative legal acts are adopted
155 annually in our country, which makes certain industries overloaded with regulations and in some cases leads
156 to unbalanced decisions. The introduced norms limited the entrepreneurial initiative and provoked the loss of
157 economic sense of special tax regimes that had previously exempted a small business from paying three taxes:
158 corporate property tax, profit tax and value-added tax. In addition, the provisions introduced are contrary to

12 D) OPTIMIZATION AND CONSOLIDATION OF LEGISLATIVE ACTS IN SME

159 clause 7, section IV of the Strategy for the Development of Small and Medium-Sized Enterprises in the Russian
160 Federation for the period until 2030, which provides for the provision of tax benefits in the framework of special
161 tax regimes.

162 Due to the 04.04.2016 Decree of the Government of the Russian Federation No. 265 "On the marginal values
163 of income received from the implementation of entrepreneurial activities for each category of small and medium
164 businesses", the status of SME entity to legal entities and individual entrepreneurs will be automatically assigned,
165 without passing administrative procedures related to the provision of additional documents. On 02.06.2016, in
166 accordance In order to counteract the sanctions imposed on the Russian Federation and to neutralize geopolitical
167 tensions, the Government of the Russian Federation adopted Decree No. 98-r in 2015, which contained a number
168 of anti-crisis measures, including those related to supporting small business development.

169 12 d) Optimization and Consolidation of Legislative Acts in 170 SME

171 It should be admitted that entrepreneurship in Russia already has a fairly broad legal basis, but it is not enough.
172 The problem is that it is one-sided and the legal aspects are not implemented, which makes it absurd to adopt any
173 new regulations. As for the field of activity, the small business has its own niche in the economy, which provides
174 the most effective return on work, both with whole giant enterprises, and with an individual. This position is
175 due to the features and functions of a small enterprise.

176 The legislation of the Russian Federation on administrative violations has been amended to provide
177 administrative punishment to subjects of SMEs solely as a warning. This measure will reduce the administrative
178 burden on entrepreneurs focus on the prevention of administrative violations.

179 Decisions have been made that reduce the costs of entrepreneurs in connection with compliance with the
180 requirements of the legislation on control and supervision activities: introduced the institution of preliminary
181 verification of the complaint, other information on the violation of the mandatory requirements that was
182 verified by the audited body (supervision); it is possible to apply checklists containing systematized mandatory
183 requirements when conducting inspections with respect to standard facilities, the activities of which are carried
184 out by small business entities.

185 In the procedures for assessing the regulatory impact and assessing the actual impact, mechanisms have been
186 introduced to analyze the impact of the consequences of the adoption of regulatory legal acts on the activities
187 of small and medium-sized enterprises ("SMEs"). The opportunities of small enterprises for the application of
188 special tax regimes have been expanded. In particular, the threshold amount of income (up to 120 million rubles),
189 as well as the marginal value of fixed assets (up to 150 million rubles) for the application of a simplified taxation
190 system, was increased.

191 Up to January 1, 2021, the taxation system was extended in the form of a single tax on imputed income, which
192 would create predictable conditions for the activity of over 2 million taxpayers.

193 Simplified personnel records management in microenterprises (with a number of employed up to 15 people).
194 Such enterprises are exempted from the obligation to approve local acts on labor law matters. Such a decision
195 will reduce the financial burden in connection with the fulfillment of labor law requirements for 90% of small
196 business entities.

197 For the first time in the field of small and medium-sized business development, a strategic planning document
198 for the long-term perspective has been approved -the Strategy for the Development of Small and Medium-Sized
199 Enterprises in the Russian Federation for the period up to 2030. This document is aimed at increasing the share
200 of small and medium-sized enterprises in the gross domestic product by 2 times (from 20 to 40%), approved the
201 target model for the direction "Support of small and medium businesses." Its implementation in entities of the
202 Federation is planned for 2017.

203 In addition, the Presidium of the Council under the President of the Russian Federation for Strategic
204 Development and Priority Projects approved the provisions of the priority project on the main direction of
205 the strategic development of the Russian Federation "Small Business and Support for an Individual Business
206 Initiative", providing for the implementation in 2017-2018 of measures to support both new and operating
207 enterprises to increase the number of employees in small business.

208 In 2016 11,1 billion rubles was distributed to federal funds from the regional budget for subsidiaries, guarantees,
209 microloans, implementation of institutional activities, forming SME supplement (business incubators, export
210 centres, centres of competence in innovations and industry ,capital construction).

211 Branch of SME supplement regional organizations is extended: due to financing of 2016 321 centres of
212 competence were created. These institutes provide wide spectrum of informative-consulting, socialoriented and
213 financial and credit services in export as well as services for SMEs, involved in innovations and industry.

214 A resolution was adopted by the Government of the Russian Federation aimed at improving the procedure of
215 transferring federal property to the entities of small and medium business. A multiple increase in the number
216 of real estate objects included in the list of federal property intended to provide property support to small and
217 medium-sized enterprises is expected. The launch of a single register of small and medium businesses, which
218 provided a new level of access to government support measures: from August 1, 2016, entrepreneurs do not need
219 to prove their belonging to small or medium-sized businesses.

220 For 2017-2018, there is an exemption from the payment of income tax for self-employed citizens engaged in
221 tutoring, supervision and care of certain categories of citizens, cleaning of dwellings and housekeeping, which sent
222 a notice to the tax authority. At the same time, the subjects of the Federation are entitled to expand the list of
223 activities of self-employers, the income from which they exempted from taxation. Measures have been taken to
224 develop a single-window system to provide services to entrepreneurs. Multifunctional centers providing state and
225 municipal services that provide services to small and medium enterprises are included in the list of organizations
226 that form the SMEs infrastructure.

227 A pilot project was implemented with the participation of 39 constituent entities of the Federation to create
228 and develop the MFC business network. More than 500 windows have been created to provide services SMEs.
229 Services such as the development of business plans, commodity and legal expertise, business and risk assessment,
230 legal support, property insurance for individuals and legal entities, acceptance of applications for participation
231 in competitive selection for subsidies, microloans and a number of others are being introduced. The practice
232 of providing comprehensive services on the principle of business situations is "gathering speed". SMEs demand
233 stimulation is accelerated by quota extension for single source contract in goods, works, services by governmental
234 companies from SMEs from 10 to 15% (the decision will come into force on January 1, 2018).

235 To support SMEs and organizations that form the infrastructure for supporting SMEs; attracting funds
236 from Russian, foreign and international organizations to support SMEs; organization of information, marketing,
237 financial and legal support of investment projects implemented by SMEs; organization of measures aimed at
238 increasing the share of purchases of goods, works and services by customers determined by the Government of the
239 Russian Federation, from SMEs in the annual volume of purchases of goods, works, services, as well as innovative
240 and high-tech products; ensuring information interaction with government authorities, local authorities, other
241 bodies, organizations in order to provide support to SMEs; preparation of proposals on improving measures
242 to support SMEs, including proposals to improve regulatory and legal regulation in this area. The joint-stock
243 company "Federal Corporation for the Development of Small and Medium

244 Enterprises" (SME Corporation) was established without a time limit and operates in accordance with the Civil
245 Code of the Russian Federation, Federal Law No. 208-FL of December 26, 1995 "On Joint Stock Companies",
246 Federal Law of July 24, .2007 ?209-FL "On the development of small and medium business in the Russian
247 Federation", Presidential Decree No. 287 of 05.06.2015 "On measures for the further development of small and
248 medium businesses", other legislative and regulatory legal acts of the Russian Federation. The SME Corporation
249 carries out its activities as an institution for development in the sphere of small and medium businesses in
250 order to coordinate the provision of support to small and medium enterprises (SMEs) under Federal Law No.
251 209-FZ of July 24, 2007 "On the Development of Small and Medium Enterprises in the Russian Federation
252 "After the change of the name of the joint-stock company" Non-bank deposit-credit organization "Agency of
253 Credit Guarantees". Today the SME Corporation cooperates with 15 federal banks and regional guaranteeing
254 organizations (hereinafter referred to as the RGO) with 43 federal and 248 regional banks. In 2015, the SME
255 Corporation, in conjunction with the Russian Ministry of Economic Development and the Bank of Russia,
256 developed and adopted a program to stimulate lending to small businesses to reduce interest rates on loans
257 through warranty support tools. Due to this, the interest rate will be reduced to 10-11%.

258 In accordance with Art. As can be seen from the generalization of the data presented in the documents,
259 the tasks of the "SME Corporation" have some differences. Firstly, according to the legislation system, «SME
260 Corporation»'s jobs are oriented as well to organizations, forming the infrastructure of SME support.

261 Secondly, information, marketing, financial and legal support, in accordance with the presidential decree,
262 applies exclusively to investment projects implemented by small and medium businesses, while the law does not
263 provide such clarifications.

264 Thirdly, neither the law nor the strategy provides for the tasks of the "SME Corporation" to assess the goods
265 purchases conformity, works, services to the requirements of the legislation of the Russian Federation providing
266 for the participation of small and medium businesses in procurement.

267 Fourth, the law and strategy do not identify the share of foreign participation and the organizational and legal
268 form of the customer.

269 Thus, in order to bring these documents in line and ensure the synchronization of legislation, we consider it
270 necessary to eliminate the inaccuracies.

271 As the analysis of Russian legislative system showed the emphasis in SME development was put on access
272 to financial resources, providing tax concession and preferences, administrative barriers reduction in creating
273 infrastructure elements (organizations, making purchases of goods and services, produced by small businesses;
274 entrepreneurship assistance development fund ,consulting centres etc.).

275 According to our empirical analysis, some business participants admit improvement of legal environment and
276 government assistance, regulating SME's activities in the Russian Federation: 9,7% of respondents state absence
277 or imperfection of SE legal environment, 53% -state that social demand for SME's production is not enough,
278 54%-lack of personal financial base.

279 51% of retail trade enterprises heads admit high tax rates that assent only to poor demand for on-the stock
280 products (53%). For small constructing businesses only 15% of respondents highlight high tax rate. Poor demand
281 and lack of personal finances is much more serious problem for small constructing businesses (39 and 33% in
282 parallel).

283 Consequently, according to the analysis of the legislative system and professional experience in SE, the RF
284 normative legal base on SE is considered complete enough. However, real root of the crisis is not about sanctions
285 or embargo, not legal inadequacy and legislative imperfections, it is economic policy mistakes, corruption in
286 business. Corruption model of entrepreneurship was formed in Russia, destructing governmental fundaments.
287 Conclusion: Russian SMEs is based on solid law ground though it is not enough. The problem is, it is one
288 dimensional, some aspects are omitted, making the process of new statutory instruments adoption a complete
289 absurd. As for business segment, small entrepreneurship is an apart niche in economics, providing the most
290 effective result, it works with both giant businesses and an individual. The position is explained by small
291 entrepreneurship's peculiarities and functions.

292 13 e) Analysis of measurement in SMEs support system in the 293 Russian Federation

294 The system of measures of state support for the development of small business is the basis of the federal program of
295 the Ministry of Economic Development of Russia "Economic development and innovative economy" Subprograms
296 2 "Development of small and medium-sized businesses", which includes activities 2.1 "Federal financial program
297 for supporting small and medium-sized businesses", 2.2 " -legal regulation of SMEs" and 2.3" Promoting the
298 development of youth entrepreneurship "(implemented from 08.06.2016). At the same time, one can note the
299 inconsistency of state support for entrepreneurship, which in 2005-2010 was carried out in much larger volumes
300 than now. Thus, the volume of support for small business forms from the federal budget for the period under
301 review increased by an average of 16 times, in the overwhelming majority of Russian entities, there was also a
302 significant increase in the allocation of funds. But from 2011 the marked trend has radically changed: in the
303 budget plans for "support" of small enterprises in 2011 there were 20.8 billion rubles, in 2012 -10 billion rubles,
304 and in 2013 -and at all 5, 8 billion rubles. It should be noted that in recent years there has been a steady increase
305 in interest rates and tariffs for the use of natural monopoly services, which further reduces the value of funds
306 allocated from budgets to support small business and entrepreneurship in the Russian Federation.

307 As was noted in § 3.5.of this article, since the implementation of the state program, a number of changes in
308 the legislation have been adopted, which ensured regulation of this sphere of economic relations. In some cases
309 the measures of legal regulation are not specific. Therefore, in governmental agenda «Economic development
310 and economics of innovations » there are some vogue statements in describing basic assessments: ? « Symbiosis
311 of business and tax accounting»; ? « liberalization of legislation»; ? « SMEs development in some economic
312 spheres» etc. These statements consider their violent interpretation, not allowing determine action plan for
313 government agenda implementation.

314 The authors also analyzed the purpose and objectives of this federal program for compliance with the
315 Methodological Guidelines for the Development and Implementation of State Programs of the Russian Federation
316 approved by Order No. 690 of the Ministry for Economic Development and Trade of the Russian Federation,
317 November 20, 2013. The guidelines contain requirements for the objectives of program documents: specificity,
318 measurability, attainability, relevance.

319 In analyzing the purpose of the subprogram "Development of SMEs" of the federal program "Economic
320 development and economics of innovations", some inaccuracies were established. In particular, the goal of the
321 subprogram is formulated as follows: "increasing the share of SMEs in the economy of the Russian Federation".
322 From an economic point of view, the phrase "share in the economy" is absurd and abstract. That is, it does
323 not meet the criterion of "concreteness" of the Guidelines. Consequently, the goal is not measurable, abstract
324 and unattainable. We believe that it is more correct to replace this formulation with "the share of SMEs in
325 GDP". Along with the federal program of the Ministry of Economic Development of Russia, each constituent
326 entity of the Russian Federation implements a set of measures to improve small business in the adopted regional
327 documents that ensure the achievement of the state's objectives to increase the contribution of SMEs to the
328 country's economy. It must be recognized that Russian regions are very diverse in their business conditions, and
329 this requires some special features in the nature of the support provided.

330 In this regard, the country's leadership at all levels of the economy should strive to create favorable conditions
331 for the development of independent SME companies. Among such conditions is the abolition of the privilege
332 on the property tax of organizations for payers of special tax regimes, the introduction of trade fees, arbitrary
333 changes in the layout of non-stationary retail facilities in certain constituent entities of the Russian Federation,
334 and a number of other measures. Moreover, the system of administrative and legal regulation in certain sectors
335 and spheres remains unfriendly to small enterprises and does not take into account the specifics of making business
336 in small forms of management. Combined with a high level of fiscal burden, these circumstances do not allow
337 enterprises to increase the sales market on the early stages of activity, increase profitability and thus provide a
338 transition from micro-business to SMEs.

339 In addition, both the academic community and practitioners often discuss the application of the socalled
340 "tax vacations", which is especially important for goods, works and services potentially located in the import
341 substitution orbit. Periods of "tax vacations" should be determined taking into account the individual
342 characteristics of the emerging Russian market, and they must correspond with the indicators of profitability

343 of products. Also the programs of soft loans, subsidies and interest-free loans available to small businesses, which
344 should be provided to implement the most promising business ideas and can carry a positive impact.

345 Speaking about the support of small business in Russia, it should be stressed once again that the main focus
346 should be put not on allocating any funds, but, first and foremost, on creating a favorable business climate, in
347 which the process of formation and development of small business will be really effective.

348 Nevertheless, the state still takes certain measures to implement the policy of import substitution and support
349 of entrepreneurship: ? Developed and implemented sectoral import substitution programs (in energy, industry,
350 agriculture, IT);

351 ? An industrial development fund has been set up that facilitates the acquisition of more profitable borrowed
352 funds (loan rate from 5% per annum); ? Conditions created for the creation of certain preferences for domestic
353 commodity producers in state and municipal purchases.

354 However, the problem of the formation of SMEs remains and the main reason, as we have seen, is the lack
355 of real-functioning financial and credit mechanisms to ensure the effective operation of enterprises. The tax,
356 administrative, banking, currency norms of the law regulating entrepreneurial activity are still quite contradictory
357 and not consistent, as a result, only a quarter of enterprises carry out their entrepreneurial activities legally. The
358 system of law regulating relations in entrepreneurship should be transparent, clear, stable, and the procedure is
359 understandable and accessible. The current normative acts do not have a clear and wellthought mechanism of
360 implementation, creates uncertainty in the development perspective, leads to indifference of the active part of the
361 population and mix it up, stimulate the development of "shadow" business, "shadow" capital, feeds corruption.
362 The contradict nature of legislative acts, their ambiguous interpretation by different state structures, bureaucratic
363 entanglement of business registration procedures, licensing, product certification, registration of property rights,
364 etc., as well as related significant financial costs remain the main problems in the sphere of small enterprise.
365 Negative impact on small business is rendered also by local governments, trying to compensate a part of incomes
366 left in the federal budget, enter additional local taxes and gathering. Underestimation of the importance of
367 small business by the state causes distrust of the authorities of the business community, leads to aggravation
368 of existing problems, to a decrease in the dynamics of its development, and to the curtailment of the private
369 sector of entrepreneurship with simultaneous aggravation of economic problems and increased social tensions in
370 the country.

371 The imperfections of the tax system, plus excessive administration, and at the same time corruption -all this
372 hampers the establishment and development of entrepreneurship in Russia: all documents regulating the activities
373 of small enterprises were prepared by different power structures, and each of these normative acts contains logical
374 requirements, but together they create intractable barriers to the implementation of private entrepreneurship.

375 However, even a small enterprise that has decided to complete entrepreneurial activity is not in a position to
376 do so legally. The current legislation establishes a complicated procedure for the voluntary dissolution of legal
377 entities. As a result, there is a significant number of non-performing firms that exist only formally.

378 Unfortunately, in the designated sphere it is possible to ascertain the certain unsystematic nature of the
379 decisions made.

380 Regulatory legal documents, regulating social and labor relations in the Russian Federation, take little
381 account of their specifics in the sphere of small business, which leads to social insecurity of hired workers in
382 small enterprises, especially those who have labor relations with entrepreneurs without forming a legal entity,
383 unsatisfactory position in the field of labor protection, safety precautions.

384 In addition to the main reasons that hamper the dynamic development of SMEs unfair competition factor
385 can be attributed, and violation of the anti-monopoly legislative framework. The complicated procedure for
386 registration of land lease associated with large time and material costs, regulated both at the federal and regional
387 levels, the high cost of renting and redemption of premises, complicated procedure for registering the rights to
388 non-residential premises also restrain entrepreneurial activity.

389 IV.

390 14 Discussions

391 Surfing through the literature on law allows us to state the absence of special studies devoted to the problem
392 of a scientifically grounded structural and functional model for the implementation of the legal mechanism for
393 the functioning of SMEs in undersanctions Russia. However, certain issues of improving the legal mechanism for
394 impact on the sustainable development of entrepreneurship were highlighted in the works of Marchenko M.N,
395 (2006), Ashmarina E.M. (2015), Sokolova N.A (2016).

396 The role of law in the formation of the economic functioning of the state was considered by Kuksin I.N,
397 Matveyev P.A, (2012). Formation of the credit policy of a commercial bank in the field of small business
398 lending was analyzed in detail (Minasyan G.S 2015); issues of intellectual support of innovative development of
399 entrepreneurship were devoted to works of Malyara N.S, Aktyamova M.K, Bobrova A.V, 2014. Measures to
400 ensure the rights and legitimate interests of SME in the implementation of state control (supervision), as well as
401 measures to ensure financial support for the subjects considered in the works of Morozova N.S, 2012.

402 The problems of intellectual provision of innovation support for the entrepreneurship development are
403 considered in the work of Petrishche V.I, 2011, in particular, it is shown that the knowledge economy
404 fundamentally changes all traditional principles, approaches and models for the development of competitive

405 entrepreneurship; Entrepreneurship in the knowledge economy is increasingly focused on maximizing the market
406 value of companies.

407 The main tasks of developing the SMEs infrastructure in the region were considered in the works of Petrov S.M,
408 2012, while he dwelled in detail on the work of the SMEs microfinance fund; to help in the rental of real estate
409 and the possibility of its acquisition by installment payment; on granting to businessmen of the right of rent on
410 a long-term basis of the state and municipal property without auctions carrying out. Analysis of the role of the
411 state in promoting small business development stopped (Morkovina S.S), 2008, stressing that the key to ensuring
412 sustainable development of a small enterprise at the state level are measures to regulate tax legislation in the
413 sphere of small business, creating an effective system of its financial support, potential of industrial enterprises
414 through the allocation of production on preferential terms. The tools of public-private partnership as a factor of
415 innovative activity of small business in the region were considered in the works of Esina L.A, 2012, in particular
416 it is shown that the Tax Code of the Russian Federation offers special tax regimes for small business subjects,
417 and regions are given the right to determine certain tax preferences for them; in order to increase accessibility
418 and reduce fees for the use of borrowed financial resources, it is necessary to attract loans to members of small
419 business entities.

420 During the stage-by-stage monitoring of scientific literature, it was revealed that development focuses on state
421 regulation and management in the sphere of economic activity, this is due, firstly, to the fact that the market
422 relations themselves generate negative forms of economic relations, and secondly, under appropriate conditions,
423 legal regulation gives impetus to new economic forms of relationships. The state affects with several methods:
424 economic (taxes, prices, credits, quotas) and administrative (registration, licensing).

425 The analysis of legal practice made it possible to come to the conclusion that the most important function of the
426 state in the economic sphere is to create the necessary conditions for ensuring its normal and efficient functioning
427 and maintaining the balance of the private interests of the state, society and the individuals. An effective
428 mechanism for monitoring the observance of existing legal norms, take the necessary measures to overcome
429 economic instability, increase the competitiveness of domestic products. It is necessary, as it is admitted in the
430 literature to: conduct an active state anti-inflationary, monetary, monetary and fiscal policy, focused on import
431 substitution and support for the real sector of the economy.

432 V.

433 15 Conclusions

434 It is established that normative legal acts, regulating entrepreneurial activity, contain conflicting norms, are
435 contradictory in the methodology of resolving social relations, it does not have a clear and wellthought mechanism
436 for implementation, the failure of the state to take the decisions it feeds the corruption component, as a result
437 only a small number of enterprises carry out their activities legally, the instability of the legislation in the sphere
438 of tax and financial regulation of the sector remains.

439 Despite the measures taken in recent years, first of all, it should be noted that for some types of activities
440 the problem of high costs for administrative procedures remains very serious, excessive administrative burden
441 on small businesses, a number of administrative procedures are being singled out, amendments to the legislation
442 introduced in the relevant plans of measures, generally facilitate the simplification of procedures, nevertheless
443 remain generally unfavorable in comparison with economically developed countries.

444 The materials of this article can be useful for entrepreneurs adapting to new conditions of economic activity,
445 for specialists in the field of economic, financial and business law. In the process of research, new questions and
446 problems appeared that needed their solution. It is necessary to continue research on the development of methods
447 for assessing the effectiveness of legal regulation of entrepreneurial activity and solving the problem of improving
448 legal technology in the codification of normative acts in the field of entrepreneurship.

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²Formation of Effective Model of small Businesses and Entrepreneurship' Regulatory Environment in the
Russian Federation under the Wec and the usa Sanctions

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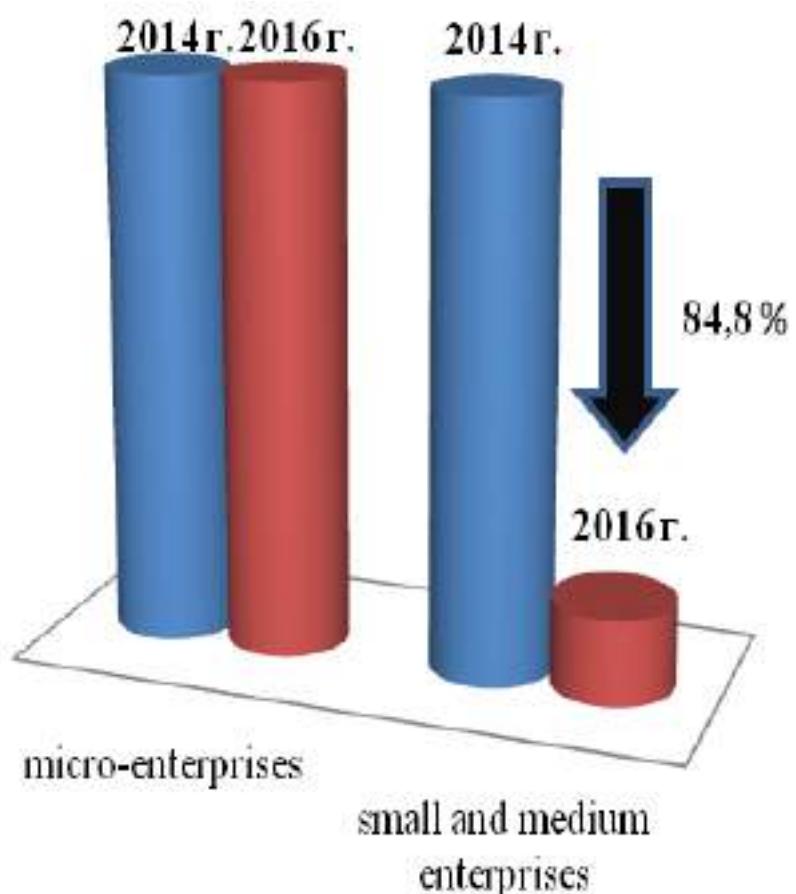


Figure 1: Fig.



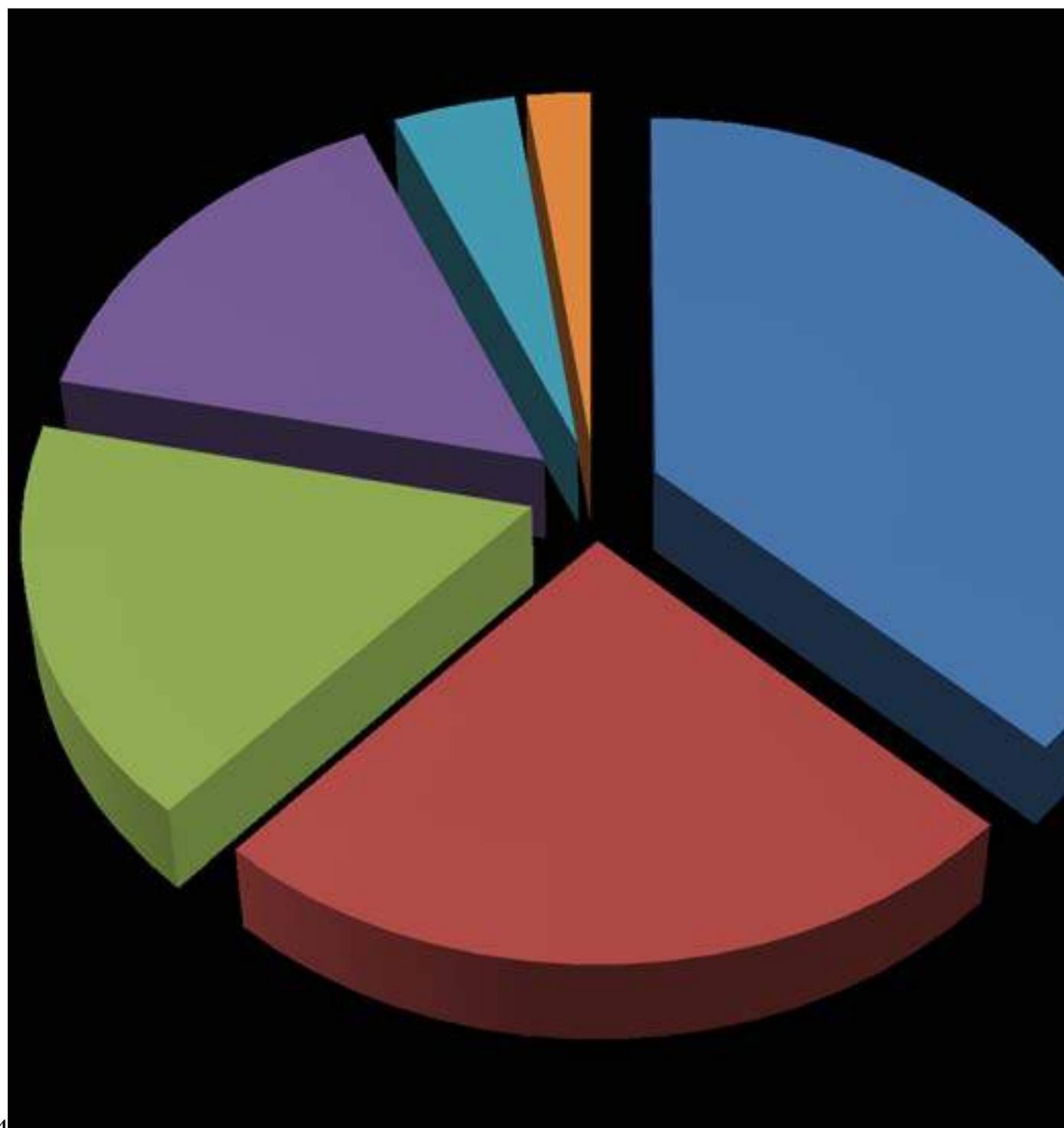
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Figure 2: Fig. 1 Fig. 2



4

Figure 3: 4 Formation



4

Figure 4: Fig. 4

Figure 5:

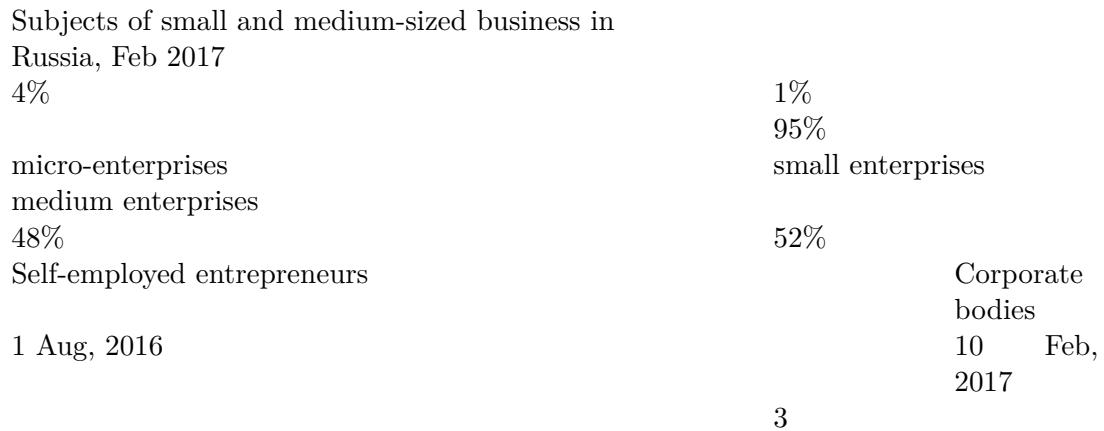
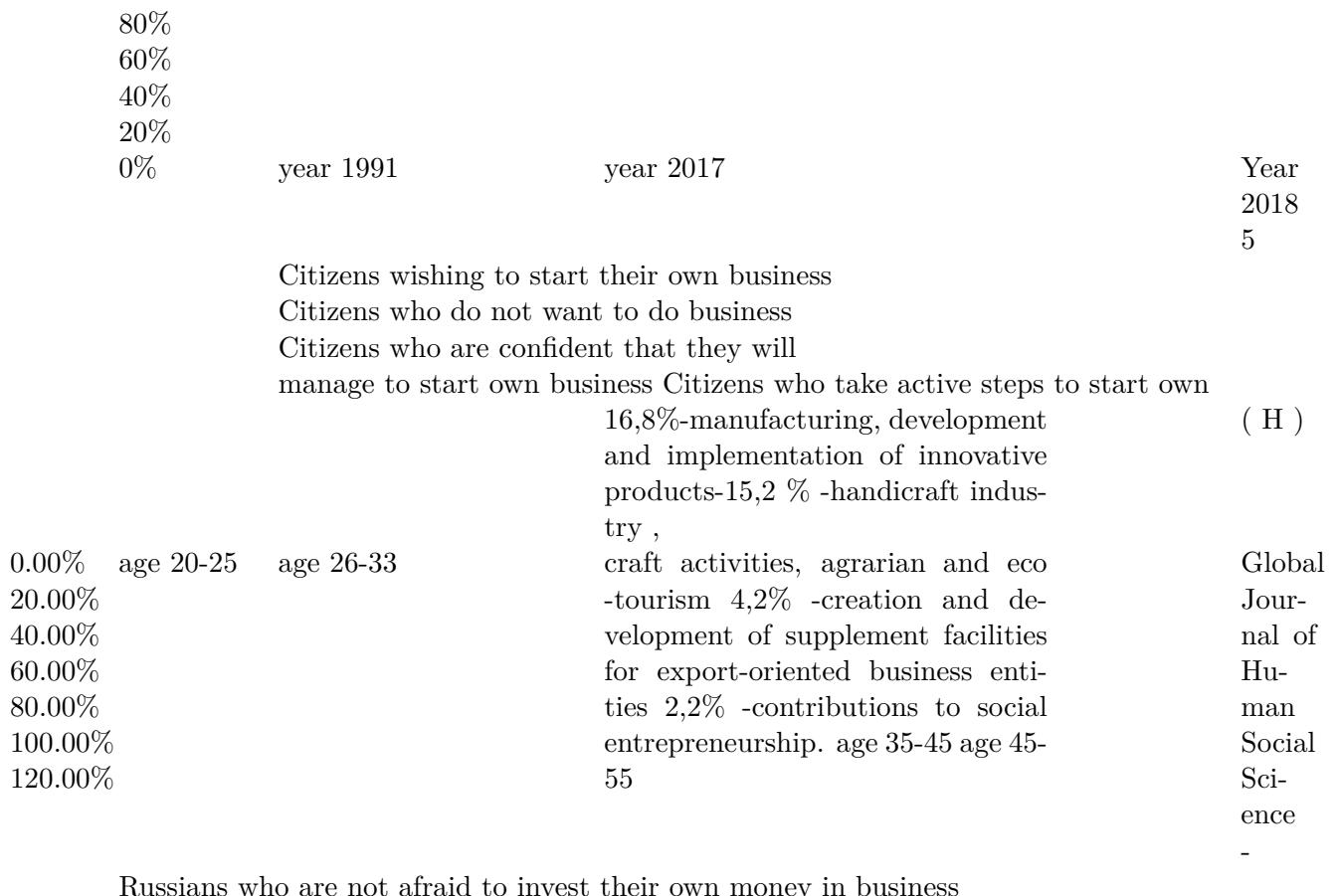


Figure 6: Subjects of small and medium-sized business



[Note: © 2018 Global Journals Volume XVIII Issue III Version I]

Figure 7:

15 CONCLUSIONS

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