

Individual investment accounts as a new tool of the Russian financial market

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The article considers a new product of long-term fund investments of the population – individual investment account. We describe its features, show strength and weakness; give schemes of investment tax incentives: a deduction for the amount of the annual contribution to an individual investment account and exemption from payment of income tax. The article reports on forecasts and prospects for promotion of individual investment accounts in the Russian financial market.

Keywords: *financial market, personal investment account, tax deductions, investment schemes.*

The financial market — is the most important sector of the Russian economy on which depends increase of global competitiveness of Russia, acceleration of economic growth, implementation of long-term investment projects, increase of level and quality of life of the population. However now the financial market of the Russian Federation can't compete with the financial markets of the developed countries. According to the World economic forum which annually determines a rating of the countries by the leading economic indicators on a factor "Development of the financial market" Russia takes the 95th place from 140 possible, on a factor "Protection of minority investors in the financial market" — the 66th place. The world bank estimating the level of protection of minority investors on 10 to a mark scale has appropriated to Russia 5,7 points in this rating that is significantly lower than a rating of not only economically developed countries of the Common economic space, but also BRICS countries. These circumstances as recognizes the Bank of Russia, [1] indicate acceptances of the effective measures directed to increase of efficiency and stability of the financial market in general and protection of minority investors in particular.

Now the vulnerable parties of the financial market are insufficiency of sources of financing both from private and corporate investors, and from the state, the low level of corporate management the infrastructure organizations, the high level of abuses in the financial sphere. But the main problem of the financial market consists in the fact that the population of the country prefers to store the savings in commercial banks in the form of the deposits combining high interest rates, reliability of deposit insurance by the state and the habitualness and availability of this banking product remaining from Soviet period. The relation of deposits of the population to GDP has made 27,2 % in the end of 2015. The Bank of Russia considers this indicator rather low even in comparison with such developing countries as Chile (47,6 %), the Republic of South Africa (39,9 %), Indonesia

(33,6 %), Mexico (27,7 %) [1]. The banking sector dominating in the financial market can't provide a necessary volume of crediting in the country therefore to attract long-term money to implementation of long-term investment projects, to increase efficiency of the capital market, to stimulate investment activity of the population, the state has entered a new tool on the Russian financial market— the individual investment accounts (IIA).

The practice of using similar accounts exists in many countries of the world for a long time. So, in the USA the similar scheme has been working since 1974 and now about 50 million investment accounts operate in the American market for the total amount more than 7,2 trillion dollars. In Great Britain individual accounts exist about 15 years. During this time the amount of money, individual accounts of citizens of the kingdom which are saved up for 15 million, has made about 450 billion pounds sterling. Since 2014 the similar project has begun to work in Japan. The amount in 100 thousand dollars can be credited into one Japanese individual investment account. The Japanese investors have opened more than 6,5 million accounts for two years[2].

Having studied and having estimated positive experiment of foreign colleagues on development of the financial market, the Ministry of Finance of the Russian Federation with active support of participants to National association of stock market (NAUFOR) has developed the bill of the new tool of the financial market. This initiative has received legislative fixing in the Federal law No. 39-FZ "About securities market" (according to the additions and changes presented in Art. 10.3 the h. 3 Federal laws from 12/21/2013 No. 379-FZ, in Art. 219.1 of the Federal law No. 420-FZ of 28.12.2013), and since January 1, 2015 the Russian citizens had had an opportunity to open in the financial market new brokerage accounts — IIS. For the first half of 2015 the number of the citizens who have opened investment accounts has exceeded 32 thousand people [3].

Distinctive features of the Russian individual investment accounts are:

- granting tax benefits to owners of IIS: a tax deduction of 13 % for the sum of an annual contribution of money for the account or release from the taxation of all sum of the income from investments when closing the account;
- a possibility of opening to individuals only of one investment account at the broker or management company. The owner of IIS has the right to use also other brokerage accounts. However the standard brokerage account can't be transferred to IIS;
- the maximum size of a contribution to IIS in the first year makes no more than 400 thousand rubles;
- the broker or management company can invest money of the client in stocks, the state and corporate bonds (including, in the eurobonds issued by the Russian companies), the foreign securities which are traded on the

Russian stock market or to transfer money of clients to management to share, exchange funds, etc. No more than 15% of the money deposited on IIS can be invested in deposits;

- there is the minimum period of validity of the contract IIS — 3 years during which the owner can recharge him. On expiration of the contract of IIS opening of the new account is possible, and the acting one is possible to transfer to other broker company without loss of privileges;

- during period of validity of the contract with the share intermediary the owner of the account can't withdraw money from him, and in case of early cancellation of the contract, the added deductions are subjected to be returned to the state. Therefore, the owner of IIS has the right to withdraw the saved-up funds only after the termination of validity, namely, at least, in 3 years after his creation;

- it is possible to invest means through IIS only in assets of the Russian companies. Carrying out operations from investment accounts and in the Forex market isn't allowed;

- the citizen has the right to stop the contract for maintaining IIS with one broker / management company and to sign the new contract with other professional participant of the market.

An important factor when opening the individual investment account is the choice by the natural person like an investment deduction on a tax on the income. Today there are two types of deductions. The investor is granted an option of one of them.

- The deduction of type "A" — provides such deduction when the owner of IIS has the right to receive 13 % to the profit on the invested means. Such type of a deduction allows the investor to return a part of a tax which has been paid in the form of the personal income tax. IIS with a deduction of type "A" is expedient for natural persons — payers of the personal income tax planning to make the minimum quantity of the transactions in stock market or having additional sources of the income and, as a result, big charges of the personal income tax on this additional income.

- The deduction of type "B" — assumes liberation of the owner of IIS from payment of tax deductions on all income which the investor is capable to receive for time of existence of his account. Such option is actual as for the persons who aren't paying the personal income tax (pensioners, housewives) and for the active investors who don't have other sources of the official income except for the income from conducting operations in stock market.

Examples of calculations of benefit of owners of IIS according to types of investment deductions.

The choice of a deduction of type "A":

We will assume that for 2015 the citizen M. had a salary at a rate of 700 000. From this sum of money 91 thousand rubles (13 % of the salary)

have been withheld in quality of a tax. The citizen M. has opened IIS and has contributed 400 thousand rubles on it for the purpose of investment of it into the bonds of a federal loan. In the end of the year the citizen M. will receive return of the paid tax of 13% of the means invested for IIS, but only provided that the deduction won't exceed the size of the deducted tax. Namely - the paid tax makes 91 thousand rubles, and 13% of 400 thousand rubles - it is 52 thousand rubles, respectively, the citizen M. will receive the sum of 52 thousand rubles.

The choice of a deduction of type "B":

The tax deduction of type "B" is available only after 3 years of possession of the account. For example, the citizen M. has opened IIS and fills up him every year for the sum equal to 400 thousand rubles. On the expiration of 3 years taking into account profit on operations in stock market citizen M. has the sum of 1 970 000 rubles on his account from which 1 200 000 rubles have been deposited to the account, and the profit has made 770 thousand rubles. In that case when closing the contract on the individual investment account the citizen M. has the right to withdraw all sum of 1 970 000 rubles without payment of income tax.

The investor not necessarily has to make the choice of the type of a tax deduction at the time of opening of IIS. It is possible to make it within 3 years of use of the account, but provided that the choice of type "A" hasn't been made and tax deductions on it haven't been received.

Advantages and disadvantages of individual investment accounts.

The individual investment account gives an excellent opportunity for the beginning investors to become active participants of the financial market. Many beginners undoubtedly heard about tempting opportunities of stock market. However, without having sufficient money, they weren't able to afford to become participants of this market. Now, as the minimum sum of an initial contribution to IIS isn't limited, minority shareholders can participate on an equal basis with large players in operations with securities and gain income. And the Russian pensioners have an opportunity to use IIS (with a deduction of type "B") as a source of the additional income to pension.

However IIS has also a number of restrictions:

- the retail investor (natural person) has the right to open only one IIS;
- the maximum sum of a contribution makes 400 thousand rubles that is unattractive for large investors — owners of big deposits in commercial banks;
- in difference against bank deposits IIS it isn't insured by the state;
- for receiving privileges as "B" of ISS has to exist not less than three years;
- a minimum period of validity of IIS-3 years. Such term can cause fear of investors-beginners because of unstable development of economy;

• IIS doesn't give to the owner an opportunity to carry out account operations in case of unforeseen life situations. It is the biggest minus of investment accounts. Because of it investment accounts, perhaps, won't become especially popular with a considerable part of the busy population of the country on which and, mainly, the new product of the market has been focused as per capita incomes of this part of the population aren't so big: the average nominal added salary in Russia, according to Federal State Statistics Service, in 2015 made 33981 rub [4], and the average pension — is slightly more than 12 thousand rubles [5].

Undoubtedly, weakness of IIS is also that the investor will receive 13 percentage deduction according to the personal income tax (the first type of a deduction) only on the money deposited within a year. If during the second year money isn't deposited to the account, then there won't be the tax deduction.

Restriction of the maximum sum of investments of money for the account is considered one more lack of the Russian innovative project. The Russian State Duma Committee on economic policy, innovative development and business has developed and has introduced the bill of increase up to 1 million rubles of an initial contribution to IIS [6] on consideration of the Government of Russia. Authors of the bill believe that increase of the size of an initial contribution will increase effective management of investments as will provide to brokers and management companies a great opportunity for investment of means of the clients into various financial instruments.

Heads of the Russian companies hope that through IIS investments will go directly to business and need to take expensive bank credits will decrease. Professional participants of the financial market expect that at least the part of money from deposits where 17,3 trillion rubles are stored today will go to investments through new accounts, and by the beginning of the second half of the year 2016 up to 400 thousand individual accounts will be opened in the country, the average size of means on which will fluctuate in the range from 100 to 200 thousand rubles, and by 2020 the sum about 1 trillion rubles will be collected on the accounts [2].

Seeking to increase availability and reliability of investment of capital on IIS, NAUFOR has developed the bill of introduction of insurance of investments in stock market in case of bankruptcy of the brokers using money of the clients and not capable to return them. The system, similar to insurance of deposits, will have to protect the rights of investors and to increase reliability of work with investment accounts. Without rejecting such opportunity in principle, the Ministry of Finance of the Russian Federation however believes that now it is inexpedient to increase the load of the Agency of Deposit Insurance (ADI) and it will be possible to enter insurance of investments on securities market not earlier than 2019 [7].

Conclusion. Estimating strong and weak sides of a new financial instrument, and also efforts of the financial block of the Government of the Russian Federation directed to increase of efficiency of use of IIS, we believe that the number of owners of investment accounts will gradually increase. Inflow of investments on stock market will make positive impact on economic growth and increase of welfare of the population. Tax deductions will increase appeal of individual investment accounts and will increase a domestic investment demand. The population realizes an economic benefit of IIS: even if operations with securities won't make the expected profit, the income in a type of 13 % of investments at the choice of a deduction of type "A" will be provided. Expansion of a line of products of the financial market will motivate the population to increase financial literacy. Accumulation of long-term investments in stock market will reduce dependence of the Russian economy on foreign investments.

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