

In this work we make analysis of the tax evasion practices which have become widely used by the small and medium enterprises in the Russian transitional economy. Taxation has always been the issue best describing relations between state and private business; in Russian economy taxation has come to characterize specificity of interactions between authorities at different levels of government and businessmen. We look at the current situation through the theoretical framework provided by the neoinstitutional theory which allows us to consider data and facts collected on the problem through the perspective of institutional change. By employing analytical tools of the neoinstitutionalism we consider tax evasion as a part of evolving institutional environment. Persistence and prevalence of the schemes used by small businesses to avoid payment of full tax liabilities leads us to qualify the current situation as an institutional dead-lock or in other words inefficient socio-economic equilibrium: tax-evasion is seen as an illegal activity by the state and development-hampering by businesses, nonetheless the practice persists for decades. We consider that institutions are promoted and supported by different groups united by common socio-economic interest, therefore to describe and analyse this situation we identify the main interest groups involved in the creation and maintenance of the existing socio-economic balance. We consider that the most influential institution affecting these groups was created from the fusion of interests of the state authorities and enterprise managers in the Soviet economy but which persists to the present day thus providing the structure that maintains the situation of current institutional equilibrium.