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ISSUES OF THE EFFECTIVENESS OF STATE TAX POLICY: A THEORETICAL APPROACH

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Abstract

This study addresses the pressing need to formulate a methodology for evaluating the effectiveness of state tax policy, both holistically and in specific areas. The primary focus is on the tax burden and its optimal value, making it a central element influencing the parameters and effectiveness of state tax policy. The overarching goal is to develop theoretical insights into the tax burden and its role in shaping the state's fiscal and regulatory potential. The study concludes that an effective tax policy should not solely aim at increasing financial withdrawals from the economy by pushing the tax burden to its upper limits. Instead, it advocates for an optimal balance between fiscal and regulatory potential within the framework of effective tax policy. This research lays the groundwork for understanding the theoretical underpinnings of tax policy evaluation. The insights gained can guide policymakers in crafting and implementing tax policies that strike the right balance between fiscal objectives and regulatory efficiency. This study serves as a theoretical foundation for subsequent research endeavors in the evaluation of tax policies, offering valuable insights for policymakers and researchers alike.

Keywords: Efficiency, optimal, tax policy, tax burden, tax system

1. Introduction

The central element of any institutional system is the issue of determining its effectiveness. Within the framework of tax policy, priority issues for the state of economic stimulation of the development of financial and economic activities, social adaptation of certain groups of the population are solved. In this regard, the most important principle, as noted by Shcheglova (Sokolov, 2003) which must be observed in the implementation of tax policy is the principle of efficiency, which is especially important in conditions when the modern Russian economy is characterized by priority tasks related to ensuring positive dynamics of socio-economic processes, as well as eliminating interregional imbalances in the budget system as part of the implementation fiscal federalism.

2. Problem Statement

The successful implementation of an effective state tax policy is crucial for fostering overall economic growth within a country. However, a notable gap exists in the availability of a comprehensive methodology to systematically assess the effectiveness of the implementation of state tax policies, particularly in evaluating individual areas. This deficiency underscores the need for the development of a robust methodology capable of thoroughly evaluating the effectiveness of state tax policies both in their entirety and in specific facets. Addressing this gap is imperative to inform policymakers and stakeholders, providing them with a structured approach to assess and enhance the impact of state tax policies on economic development.

3. Research Questions

i. Determinants of Effectiveness: What factors play a pivotal role in determining the effectiveness of the implementation of state tax policies?

ii. Optimization of Tax Burden: How can the tax burden be optimized to enhance the parameters and effectiveness of state tax policy?

iii. Criteria for Evaluation: What criteria can be established to systematically evaluate the effectiveness of state tax policies and their specific areas?

Addressing these research questions will contribute to a nuanced understanding of the elements influencing the effectiveness of state tax policies and provide valuable insights into the optimization of the tax burden, ultimately aiding in the development of criteria for comprehensive evaluations.

4. Purpose of the Study

The purpose of this study is to develop theoretical provisions and ideas about the tax burden as a central element that determines the parameters and effectiveness of the state tax policy. The study aims to identify the factors that determine the effectiveness of state tax policies and how the tax burden can be optimized to improve their effectiveness. The study also aims to develop a methodology to evaluate the

effectiveness of state tax policies and their individual areas. The results of this study could serve as a theoretical foundation for policymakers to develop and implement effective tax policies.

5.   Research Methods

The article employs general scientific methods for understanding economic phenomena, applying principles from both macro and microeconomics, and utilizing a systematic approach. The research draws on the expertise of domestic scholars who have delved into issues related to evaluating the effectiveness of state tax policy and determining the optimal level of taxation (Basnukaev, 2021a, 2021b, 2021c). In particular, the study relies on available theoretical frameworks to systematically structure the key characteristics of the "tax burden" concept and assess its impacts across various dimensions.

6.   Findings

The study underscores the significance of tax policy as a tool for state influence on the distribution processes of the social product, as highlighted in the work by Ivanov and Kazakova (Shcheglova, 2017). An analysis of their key theses leads to the conclusion that tax policy, incorporating efficiency considerations as a regulatory instrument, aims to align with socio-economic development targets for the region in collaboration with other state intervention tools in the economy (Basnukaev, 2022a, 2022b).

The academic literature rightly acknowledges that assessing the effectiveness of tax policy is intricate and multifaceted. The complexity arises from the need for multiple criteria to evaluate the degree of achieving established benchmarks. Such criteria are essential for providing a nuanced understanding of the effectiveness of the overall tax system or its individual components, including the regional aspects of the tax system.

It should be noted that the effectiveness of the tax system as a whole can be based on its ability (Batashev et al., 2021): 1) to provide the budgets of the budget system with the necessary financial resources necessary for the state to achieve economic, social and socio-political functions; 2) to create prerequisites for the resumption of reproductive processes on an expanded basis.

The multitude of factors that affect a number of macroeconomic indicators (the volume of capital investments, the inflation rate, the share of taxes in GDP/GRP, etc.), which do not allow the full potential of the tax system as a regulatory tool, as well as the intra-system nature of the effectiveness of the tax systems lead a number of researchers to the idea that a qualitative measure of the tax system in terms of the effectiveness of state regulation is the level of the tax burden (Krokhina, 2020; Markin, 2020). This approach in understanding the effectiveness of tax policy is followed by a number of researchers such as (Peshkova & Koroleva, 2018), Varderasyan (2008), Nikulina (2016), Ivanova the authors note that the establishment of optimal boundaries of the tax burden is a macroeconomic problem.

In the understanding and interpretation of the concept of "tax burden" and approaches to assessing the regulatory impact of the tax burden on the economy in the academic literature, pluralism prevails. Mayburov (2015), considers the tax burden as the most important regulator of socio-economic processes both in the country and at the regional level. According to the author, the content characteristics of the tax burden are revealed through the quantitative and qualitative aspects of this phenomenon.

Within the framework of this approach, based on the definition of the tax burden, which is given by Sokolov, it can be concluded that the tax burden is a combination of the effects of the tax system on both the economy as a whole and its individual sectors, taxpayers (Nikulina, 2016). Such effects, due to the nature of taxes, are associated with restrictions that arise as a result of the diversion of the financial resources of an economic entity to pay taxes. This approach is typical for a qualitative analysis of the tax burden (Figure 1).
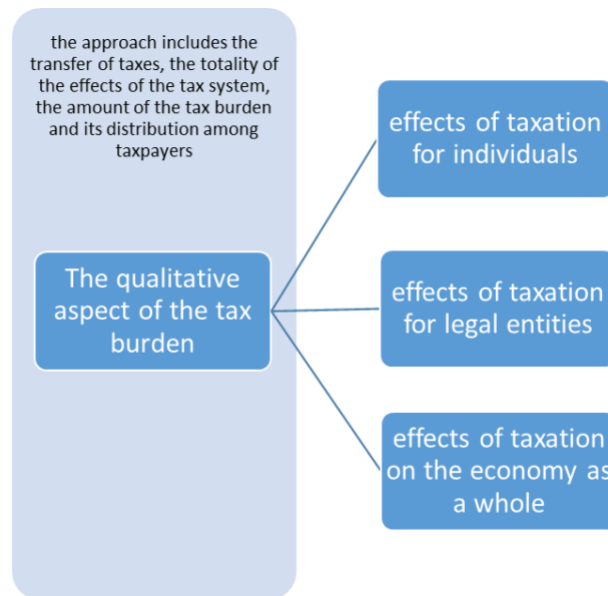

Figure 1. Effects of the tax burden in the framework of a qualitative analysis of the tax burden

From the point of view of evaluating the effectiveness of tax policy, it is important to assess the effects of taxation on the economy as a whole. Within the framework of the generally accepted approach (the economics of taxation), the assessment of the effects of taxation on the economy as a whole reflects the degree of influence of certain taxes on individual economic phenomena and social processes. For example, the impact of property tax on investments in the renewal of fixed assets, personal income tax on the labor market, resource taxes on reproduction and environmental protection, etc. However, the effects of the cumulative impact of taxation on the economy as a whole are of practical importance. This approach is used in the study of Maiburov, Ivanov (Mayburov, 2015) when structuring the main characteristics of the concept of "tax burden", which allows us to make an unambiguous conclusion about the complexity and complexity of the term "tax burden" and solving problems of its optimization. Thus, the authors distinguish the following effects of taxation, which, in our opinion, must be taken into account when assessing the effectiveness of tax policy:

1) reduction in the production and consumption of private goods under the influence of taxation, while increasing the production and consumption of public goods;

2) fall in economic efficiency as a result of a decrease in the production and consumption of goods subject to taxation;

3) violation of the principle of justice in the distribution of public welfare as a result of the formation of a certain level of tax exemptions.

The tax burden can be interpreted as a certain level of withdrawal of the produced social product, taking into account the totality of the effects of influence on socio-economic phenomena and processes within the established guidelines for state and territorial development. In other words, the tax burden acts as a generalizing indicator that reflects the role of taxes in the life of society and is calculated as the ratio of tax withdrawals and the national product. In this sense, Evstigneev and Viktorova (2005) notes that the tax burden is a part of the produced social product, which is subject to redistribution through the budget system.

Thus, the tax burden is considered as a measure of the quality of the tax system in terms of effective state tax planning and regulation. In this regard, determining the optimal size of the tax burden is the central macroeconomic problem in the formation and implementation of the tax policy of any state. Analyzing the nature of the tax burden (Ivanova & Kazakov, 2015) notes that the optimal level of taxation is determined by the boundaries, opportunities and needs of the reproduction of enterprises. A decrease in the volume of forced withdrawal of financial resources from the real economy leads to the emergence of opportunities for production growth, while the redistribution of the social product is dictated by the modern economy.

The tax system of the state is formed taking into account specific state interests. These include (Batashev, 2020; Bisultanov & Batashev, 2021): 1) the formation of revenue sources for the budgets of various levels of the budget system (including off-budget funds); 2) the tax system is used as an instrument of state intervention in economic processes in order to stimulate investment activity, develop certain sectors of the economy, reduce the negative impact of taxation, etc. In this regard, the level of effectiveness of the application of tax regulation instruments can be characterized by quantitative (share of taxes, taxes in GDP, etc.) and qualitative indicators (improving the welfare of the population, increasing profitability).

Thus, in the formation and implementation of tax policy, the problem of regulating the tax burden is solved, that is, the optimal level of taxation and the degree of its influence on the economic situation and behavior of economic entities are determined. The search for the optimal level of taxation, according to Mayburov (2015), is an acute problem of our time for a number of reasons:

Firstly, the process of globalization of the world economy is growing, which greatly facilitates and simplifies the transnational movement of production capacities. International economic integration leads to increased cross-country tax competition in the struggle for investment inflows;

Secondly, there is a process of strengthening the contradictions of the economic and social policy of the state. In conditions when the economic situation in the country indicates that a further increase in the level of taxation is impossible, which can lead to an increase in the shadow sector of the economy, a budget deficit, an increase in inflation, adjusting the level of taxation will lead to the problem of social injustice in relation to the population, accustomed to the corresponding (high) the level of social security (Sugarova et al., 2022; Tokaev & Basnukaev, 2022).

Analyzing the scientific search for the limit of the tax burden of modern researchers, I.A. Mayburov suggests focusing on the following results:

i. the results of numerous studies have shown that the upper limit of taxation is formed under the influence of several factors, namely: the state's need for financial resources to ensure the expenditure side of the budget, on the other hand, the financial ability of taxpayers to bear the tax burden. At the same time, the possibility of taxpayers, respectively, is determined by the corresponding level of well-being. In addition to purely financial opportunities, the magnitude of the tax burden is determined by the civil position of taxpayers, which is determined by the state policy in the field of spending budget funds;

ii. scientific research has shown that the maximum tax burden is determined not only by the requirements for ensuring sustainable economic development, but also by the state policy in the field of ensuring equality and justice;

iii. modern economic science has proved that the level of taxation is determined by the political, historical, ethnic conditions of the development of society. In addition, the ideological attitudes prevailing in a particular country are specific features of the formation and implementation of the tax policy of the state. Studies by some scientists confirm that the upper limit of taxation will be high in countries that are homogeneous in ethnic composition and small in territory. An example is the Scandinavian countries, which are distinguished by stable traditions in the field of social solidarity. In countries such as the United States, for example, the level of taxation is lower, since they are highly differentiated in socio-cultural attitudes;

iv. the perception of the tax burden is a historical process. The attitude of taxpayers to the magnitude of the tax burden changes as society develops. This postulate is substantiated in the study of E. Gaidar (Gaidar, 2006), who noted that the agrarian society is characterized by the maximum level of taxation, which was acceptable until the end of the 19th century;

v. an important direction of scientific searches for the optimal level of taxation is the degree of influence of the tax burden on the pace of economic development. In this direction, scientists have demonstrated the complex and ambiguous nature of the tax burden as an economic regulator. The ambiguity is determined by the fact that the relationship between the tax burden and key economic indicators will have a different character at different levels and stages of economic development. For example, a certain amount of gross domestic product will have its own limit of tax withdrawals. At the same time, the growth of GDP indicators makes it possible to increase the tax burden on the economy. According to modern studies, the level of taxation in developed countries is twice as high as in countries with developing economies.

Thus, the optimal tax burden is determined by such a level of tax exemptions that will contribute to a reasonable combination of fiscal and regulatory functions of taxation, and to achieve the maximum balance of interests of taxpayers and the state.

It should be recognized that no modern scientific school can give an economic justification for a multifactorial relationship and a satisfactory quantitative assessment of the optimal level of the tax burden.

In addition, there is currently no generally accepted methodology in the Russian Federation that would allow calculating the absolute and relative tax burden. In the academic literature, to analyze the tax

burden of economic entities, methods are used that are differentiated by the use of the amount of taxes in the calculations. In addition, the methods differ in the use of basic indicators with which the calculated amounts of taxes are correlated. In our opinion, from the point of view of an effective tax policy, the methodology for calculating the tax burden should be comprehensive and include both qualitative and quantitative indicators of the impact of the level of taxation on the financial results and economic behavior of economic entities. The purpose of this technique is to compare the magnitude of the tax burden in the context of the economic activity of taxpayers within tax systems that have a different structure. Moreover, this comparison is possible not only at the intercountry level, but also at the interregional level within one country. The key problem, in our opinion, faced by researchers in the field of optimal taxation is differentiated approaches to the taxation of various industries, depending on the scale of activity, organizational and legal form within the same tax system.

The tax burden of economic entities can be formed from a number of factors, for example, the organizational and legal form, the scale of enterprises, the variability of tax and accounting, the availability of alternative taxation regimes.

The modern theory of taxation interprets the tax burden at the macroeconomic level as the ratio of tax payments to the country's GDP. Taking into account the fact that tax payments differ in their object composition, tax rates, and sources of payment, in the context of an effective tax policy, in our opinion, the use of the impersonal concept of "tax burden" at the micro level is unacceptable. It is necessary to correlate taxes with a specific basic indicator that characterizes the financial and economic activities of the enterprise. When studying the optimal level of taxation, it is necessary to proceed from the fact that the tax burden is a relative indicator, since it involves comparing taxes paid with a base indicator. Only a comparison of the analyzed values makes it possible to carry out a qualitative analysis of the tax burden when deciding on the optimal level of taxation.

Thus, when analyzing the optimal level of taxation as the basis for an effective tax policy, it is necessary to proceed from the fact that the tax burden at the macro level is a tax burden not only on the economy as a whole, but also on working individuals.

An effective tax policy aimed at improving the tax system of the state should include tools for a balanced reduction in the tax burden on business entities. On the other hand, the optimization of the tax burden should be accompanied by the transparency of taxpayers for the state in terms of fulfilling the requirements of tax legislation in the process of tax administration, aimed at reducing the scale of tax evasion.

7. Conclusion

The concept of effective tax policy evolves with the changing goals and objectives corresponding to different stages of economic and social development. In the current context, the Russian economy faces significant challenges arising from heightened international tensions, prompting the need for a differentiated, comprehensive, and balanced tax policy that considers the interests of all stakeholders in tax relations. As a response, the Russian tax system is undergoing reform.

Crucially, an effective tax policy, from our perspective, should not solely aim to increase financial withdrawals from the economy by pushing the tax burden to its upper limits. Instead, it should strive to

achieve an optimum balance between the fiscal and regulatory potential of taxes. Determining this optimal level of taxation is inherently individual for each state's tax system and hinges on a myriad of economic, social, and historical factors.

In navigating these complexities, the ongoing reform of the Russian tax system reflects a commitment to adaptability and responsiveness to the dynamic economic and geopolitical landscape.

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