

РОЗДІЛ 1. ФІНАНСОВІ АСПЕКТИ СУСПІЛЬНИХ ПЕРЕТВОРЕНЬ В ЕКОНОМІЦІ

1.1 Tax Activity as a Complex Component of Economic Policy of the State

The state acts in virtue of its supremacy - the rule of government and the rule of state law, as noted by G.F. Hegel¹. The state is not only a means, but a goal. All forms of manifestation, organization and actions of the state are possible in the conditions of statism, that sovereignty, and is a necessary condition for the existence of any legal jurisdiction.

The state performs dual functions in a market economy. On the one hand, it is the satisfaction of the traditional, current problems and interests of society, as well as ensuring the prospect of economic growth, including structural adjustment of production, steady development of innovative potential, optimization of the spheres of activity, on the other hand, it is the fulfillment of functions related to the formation of the legal framework for the economic activity of market relations subjects, with the change and improvement of the functioning of the market system.

It should be noted that the state is not and should not be "additions to markets". As noted by experts of the World Bank in the World Development Report¹, the state is at the center of economic and social development as a partner, a catalyst and market mechanism assistant, corrects its actions, neutralizes its negative manifestations from the so-called "market failures". J. Galbraith confirms², that there is neither a perfect market mechanism nor the so-called state regulation of the economy. There is a large scope of economic activity in which the role of market mechanisms is not subject to doubt and should not be denied, but it is no less broad, constantly growing with the increase of the level of economic prosperity sphere, where the services and functions of the state are either strictly necessary, or appear to be more expedient from a social point of view. J.S. Mill. for example, it has also been argued that competition is the best means of protecting the interests of society, and state intervention in the economy is ineffective. This idea was supported by Friedrich von Hayek. From the point of view that a competitive market is capable of effectively distributing resources that were not previously and could not be detected³, on such positions, there were representatives of the neoclassical market concept, in particular, L. von Mises and M. Friedman.

Note that in economic theory and economic practice and polemic developed between the two concepts. From the point of view of economic theory - this is the institutional-Keynesian direction of evolutionary economic change (the so-called gradualist policy) and the liberal-monetary trend of radical change (so-called shock therapy policy). In practice, in the course of evolutionary changes in relations the state – economics we observe two directions. The first direction is characterized by active participation of the state in creating conditions for the development of a free

¹ *State in a changing world. World Development Report. 1997.* – 118 p.

² J. Galbraith. *Fair society Humanistic view // New post-industrial wave in the West: an anthology* / ed. IN AND. Inozemtsev - M.: Academia, 1999. - 318 p.

³ *Innovative component of economic development.* – Kyiv: Institute of Economics of NASU, 2000. 261 p.

enterprise system. The second one – when the state only maintains favorable conditions for the development of the private economy, that is essentially a so-called "night watchman".

Further transformation of views on the functions and role of the state, and with it and tax activities in the economic life of society, occurs in the plane: public spending - the market - common (later public goods) benefits.

Continuing A. Wagner's thesis, put forward by the Law on growing public activity, that the state will not be limited to the traditional legal activity, but will increasingly take on the tasks imposed by the goals of culture and welfare, – education, health care, social security, it can be argued that the state, especially in a crisis state, further assumed regulatory and economic functions. A striking example in this regard is the US economy in the 30's of the twentieth century.

Empirical conclusions of A. Wagner, as noted by I. Lunina ⁴, relevant as well in the second half of the twentieth century. In accordance with Wagner's law, the growth of public spending outstrips the nominal growth of the social product. In modern terminology, this means that the coefficient of elasticity of demand for public goods exceeds 1, that is, public goods are a product of superior quality. An increase in the level of economic development of the country and, accordingly, per capita incomes leads to an increase in demand for public expenditures. This is due to the fact that with the increase in real incomes the structure of household needs changes, in which the share of demand for essential goods is reduced (food, clothing, housing) and the importance of the needs that are satisfied with the services of the public sector grows (in culture, public safety, health care, school education). Economic development of the country also increases fiscal opportunities that satisfy this demand. However, according to economists of the International Monetary Fund in the next decade the trend of the previous century should change.⁵ The world economy is becoming more and more competitive, and labor and capital are becoming more vibrant, therefore, countries with a large and inefficient state sector of the economy risk lagging behind in the growth of welfare. Given this, they predict a decrease in the state's share in many cases to less than 1/3 of today's approximately to 50th % level. In Scandinavian countries, the key indicators of the level of social welfare are not higher than in countries with a more economical budget. The conclusion of IMF economists is as follows: "The share of public spending can often be significantly reduced without compromising public welfare". However, this statement is, in our view, concerns developed economies. For Ukraine, the economic theory of well-being looks more attractive. Moreover, the policy cost depends largely on determining the lifetime of strategic and tactical public programs.

The main feature of the structure of the social production of any state in a crisis period – its global imbalance. It generates a macroeconomic problem, which needs to be solved during the transition period - the problem of structural and investment restructuring on the modern technical and technological (innovative) basis. The priority of its solution is determined by the specifics of the tasks, which are maturing

⁴ Lunina I.O. Public finances of Ukraine in the transition period. – Kharkiv: Ford, 2000. 296 p.

⁵ Afonso A., Schuknecht L., Tanzi V. Public sector efficiency: evidence for new EU member states and emerging markets. Applied Economics. 2010. No. 42 (17). P. 2147–2164.

at the macro-level of production before all market economy subjects, which is being formed, and first of all before the state and its institutes. The imbalance of social production manifests itself primarily in the hypertrophic development of branches of the first unit, the share of which in the aggregate social product of Ukraine makes more than 60%. These industries are characterized by high capital, material and energy intensity, they absorb the lion's share of investment, raw materials, materials, skilled labor, which further "disadvantages" other sectors of the national economy. The heterogeneity of productive forces, inherited from the past, is presented at all levels of management – inside enterprises, between enterprises of one and the various branches, between industries and sectors of the economy, in the regional-territorial division. This specificity also manifests itself in the nature and extent of such heterogeneity: it is a combination of industrial, industrial and post-industrial production, at each of the above levels with the appropriate level of technology and technology – from manual labor in the branches of the second unit, especially in agriculture, to the development of space and modern nuclear power plants.

It should also be noted that under conditions of a market economy and competition, production and distribution of goods take place using the price mechanism. The product is received by someone who can pay the appropriate price. The quantity of goods owned by the private individual or jurisdiction depends on their purchasing power. In its turn, competition ensures, on the one hand, the interests of the manufacturer (with so-called cost minimization), on the other, efficiency for households (from the so-called maximization of satisfaction of their needs). At the same time, the presence of imperfect competition and natural monopolies leads to a "market failure", when the market does not provide an effective volume of output. The reason for the "market failure" may also be external effects, so called externalities. In fact, the negative external effects are additional costs of society in connection with the production or consumption of some goods, not to enter until the calculation of the vitrit of the company, but shifted to the "third" basis for the whole. Externalities generate effects, when the influence of some economic agents on the other goes beyond the scope of voluntary market relations and can not be regulated by the mechanism of price formation. In this economic situation, state regulation becomes a necessary reality.

Analyzing the scientific literature on the role and functions of the state, we conclude, that in the conditions of the formation of a market economy, the state must lay the legal framework and create conditions that would contribute to the effective functioning of the market system. The state plays an important role in supporting competition, redistribution of income and wealth, stabilizing the economy. In addition, through the tax system from time to time it is necessary to interfere in the process of market allocation of resources, providing public goods, encouraging or restricting consumption of goods whose quality is recognized as particularly high or even harmful.

This is confirmed by the course of controversy about state unitarianism and federalism. R. Masgrave⁶ formulated three functions of the modern state.

⁶ Konrad Yu., Lunina I. Tax Policy in Ukraine: Approaches and Prospects. *Ukraine economy*. 1996. № 11. p. 29 - 37.

Firstly, it is an allocation function, which is based on a general theory of public goods, that is, the provision of public goods and services or the regulation of the process of determining the composition of public goods and services. The general theory of public goods is characterized by various characteristics that cause market downturns and require public support. In the case of a "net public good," this provision is needed because consumption is not uniform, and the exceptions are not predictable. In the case of "club goods", overestimation involves competition in the field of consumption, while adversity allows participants to change. Mixed, these benefits appear where these features are combined in varying degrees. To ensure effective results, the provision of public services must be determined and paid by those who use them. Public goods and services with a nationwide profit must be provided and paid centrally, while local profits must be provided locally. The process of providing public goods must be realized in accordance with political projects: namely, that costs have been identified and taxes paid where the benefits accrue. The tax burden should not be directed outward. In the absence of a tight income tax, local taxation should be based on constant ratios, leaving tax on mobile factors to central government agencies. In the course of the allocation function (distribution of scarce resources), the tax system contributes to the distribution of limited production factors. The state influences the distribution of limited national economic resources. This is extremely important in the context of the fifth and sixth technological developments in the Ukrainian economy characterized by resource-saving technologies. Moreover, the structural crisis, as the phase of the industrial cycle, in the conditions of the industrial technological method of production itself can not end, because in principle the insurmountable is the material basis of this cycle, consisting of the life cycles of the elements of fixed capital. It should also be noted that under certain conditions, the decline of production in the crisis phase of the industrial cycle can be avoided if fully take into account the processes that are accompanied by the completion of the life cycle of a particular generation of technology. The scientific basis for mitigating the negative impact on the economic dynamics of the cyclical crisis is the theory of the industrial cycle, which allows predicting economic dynamics in its various phases and in accordance with these methods of state policy to regulate the dynamics of production, restraining the growth of the latter during the recovery years and stimulating during the crisis years. That is what governments are trying to do in the countries with the most developed economies.

It should be noted that in terms of the long-term perspective, the allocation function covers the spheres of structural policy and economic growth policy. A conceptual framework for structural policy and ensuring the stability of the functioning of a dynamic economic environment should be scientifically grounded innovation strategy. If understood under the long-term planning strategy the innovation strategy, which is related to the entire length of the process - from research, production and marketing to use. It determines the pace of technological progress and the associated costs of mental work.

The formation of an innovative model of economic growth in Ukraine requires the assistance of the state in the creation and efficient functioning of innovation infrastructure, especially at cross-sectoral and regional levels. Creation of innovation infrastructure, commercialization of results of Scientific Research Work, preserving

the developed network of small innovative enterprises is one of the few ways of economic recovery, the development of science and education.

In our opinion, it is necessary to agree with M.V. Romanyuk about, that the government of Ukraine needs to implement a series of consistent and balanced measures on foreign direct investment in the state economy, to develop a concept of promotion of foreign investments and to constantly worry about raising Ukraine's image in the international capital market. Such a policy of promotion, along with measures to refashion the tax system, aimed at creating favorable conditions for economic growth, in particular: further improvement of the instruments for attracting into the innovative sphere of personal savings of households, removal of tax restrictions for these investments, which are provided by the legislation on personal income tax; conducting a policy of preferential taxation of innovative products; providing investors with tax deductions for income tax with an increase in the export component of manufactured goods and the number of jobs created should lead to a significant improvement of Ukraine's position in the international credit rating ⁷.

The second is the function of the state, associated with adjustment through the tax system of distribution of income and property, is the so-called distributive function.

Assume that the desired state of distribution is revised in national terms to be applied to the population. The necessary changes must be made centrally, including all jurisdictions. Then they calculated the total income. Distributive policy in this case is the central function of the state. If there are disagreements over national allocations, jurisdictions should seek consensus. Agreed decisions must be implemented centrally, as it should be in a functioning, democratic society. Local distribution policy, at least in theory, is used where citizens are interested in the state of distribution among their neighbors and only within their area more than their national status. The distribution can then be seen as a local public good and thus be implemented locally. The question arises whether such a location is real. It is likely that policies within a single territorial entity would attract low-income residents from other areas and would be harmful to neighbors. This would have been accomplished only if it was accompanied by a division into zones with limited mobility.

Thus, it can be argued that distribution issues include social insurance and progressive taxation; this should be applied wider at the central level. For example: the more mobile capital, the more effective the taxation of progressive income depends on whether that capital will be achieved. There is a connection between the two problems: centralization allows for progressive taxation and redistribution, and decentralization is contrary to them.

In the study we determined the concept and the stabilization function to maintain a high level of employment at a sufficient price stability. The main instrument for the implementation of this function is the tax activity of the state through the change of types and rates of taxes and fees. In this context, the stability of the tax legislation itself is an important issue. The main task - to stop the permanence of changes and searches in tax innovations and to form a modern rational tax activity of the state. At

⁷ Romanyuk M.V. Tax policy as a factor of socio-economic growth in Ukraine: a monograph. K .: Center for Educational Literature, 2008. 280 p.

the heart of this activity modern economic theory involves corporate and corporate income taxes, as well as direct consumer taxes. Both taxes have high automatic flexibility and are indispensable for implementing a policy of stabilization.

In addition to the above, it is necessary to highlight another important function of the state, which is recognized by Western scholars. This is an egalitarian (leveling) function. Possibilities for a transitional period to solve current social problems only by market means are quite doubtful. The social base of market reforms at this time becomes narrower and weaker. Market transformations have devastating potential for many previously created forms of social protection, all types of free development. Protecting the interests of the population during a difficult transition period is only a state capable of having a strong mechanism of redistributive processes through the tax system.

Based on the analysis of economic literature, it can be argued that transformations in transition economies in Eastern Europe (Hungary, Poland, Czech Republic, Slovakia), were carried out under pressure from the IMF and globalized capital. It was combined various approaches, both "heterogeneous" and institutional, aimed at the rapid pace of economic "transition" from planning to market, rapid privatization and adoption of formal legal acts. But, according to D. North, the state of the economy is determined by a mixture of formal rules, informal norms and mechanisms.

Formal rules can be changed quickly enough - informal rules change gradually. But the rules themselves give "legitimacy" to the system of rules and therefore revolutionary changes are never as revolutionary as it would be desirable. This position also solidifies the supporters of the "old institutionalism". They believe that the successful introduction of a market mechanism into the economy, which was formed under conditions of central planning, is possible only through the reconstruction of the whole socio-economic fabric. At the same time, in economic practice there was another direction of transformational transformation characterized by "soft" entry into the market (China, Vietnam). This trend is also confirmed by the economic theoretical approaches of the "new institutionalists", which united in themselves the ideas of "non-classical" and "neo-Austrian" theoretical traditions. The new institutional economy is based on the existence of perfect or almost such institutional conditions or their evolutionary formation. In particular, the concept of "expanded order" F. Hayek assumes the process of evolutionary institutional changes in the direction of forming a model of a free market economy. The idea of "shock" in the transformation processes is rejected because of the discrepancy between the nature of economic institutions.

It seems natural to us that state activity can be effective and ineffective. In some cases, the "failures" of the state become extremely tangible when, for example, corruption in the economy increases sharply, due to internal effects and externalities. Economic theory as a science offers a number of ways to improve the efficiency of the state. In particular, J. Buchanan's public choice theory, B. Niskanen's economic theory of bureaucracy, C. Wolfe's concept of state failures, and G. Thullock's economic theory of rent seeking, quite logically and logically show that the necessary condition for the effectiveness of public administration is compulsory taking into account the peculiarities of rational behavior of voters, politicians and bureaucracy. If

the state does not take into account the fact that each of these groups has its own interests and socio-economic incentives, its activity, to put it bluntly, will be ineffective. Identifying and encouraging positive internal effects aimed at improving the functioning of the state apparatus, saving public resources is a promising area of state reform. The smaller the central government, the lower the state budget, and therefore lower tax rates. This, in turn, helps to encourage employees to work hard, risk, and innovate. Moreover, taking into account the interests of the entire society, the net costs of protectionist policies are extremely high. These trends are at the heart of the practical economic model of a mixed economy of Reagan - Thatcher. V. Niskanen's research determines the important factor in increasing the efficiency of the state's activity in the field of management competition in order to limit public spending and routinization of management. Competition between different ways of producing non-market goods can improve the efficiency of public activities not only from the point of view of costs (the most expensive will not be competitive), but also from the standpoint of benefits for consumers. In the same way as in the consumption of productive goods, the consumer has the opportunity to choose their optimal combination, and during the consumption of non-market goods, he should have the opportunity to choose the method of their production and receipt - this will increase the efficiency of state activities not only in the production of these goods, but also their distribution and consumption. The optimum ratio of costs and benefits in the production of market goods determined by market pricing, while non-market benefits have market value and require artificial measurement systems. It depends on how accurately the given system of estimation of the ratio of social expenditures and benefits is, whether the state program will be recognized, and the activity on its implementation will be effective or ineffective. In addition, it seems to us not entirely correct that a competitive market is a more efficient information system than a state that is not able to receive as much information as the market itself at a low cost and respond quickly to it. However, in conditions of rapid development of globalization processes, the state receives a number of information advantages over the market. They appear, particularly in the case of production, transportation and consumption of non-market goods, high (forbidden) costs associated with obtaining information from consumers, complexity and inaccessibility of information easy to understand the consumer, the high potential costs of a false choice. If this is taken into account and the government will use its informational advantage over the market, effective public sector activity expanded.

On the basis of the analysis, it should be noted that despite the existence of different methods of economic market self-regulation and the application of different directions of transformational economic change, the state, having changed its functions in the system of economic management during the evolution, did not become a secondary factor of socio-economic dynamics. The state becomes a partner in market relations, and this to a certain extent is a fundamental feature of the essence of the role of the state in a market economy. Not to manage, but to regulate within the bounds of its inherent functions of those areas that were outside the market economy, while fulfilling the role of a peculiar guarantor of the effective functioning of the market system. And the main emphasis should be placed on institutional aspects: legislation, protection of property rights, equally accessible markets, equal conditions

of competition. The key principles underlying the policy in the initial phase of sustainable economic development should be - full deidealization economy; the state should act as the main reformer of economic processes; legal certainty of processes of updating and progress; effectiveness of social protection measures.

“ Institutional complementarity is the interrelation of individual institutes and their groups within the institutional system, which ensures its functioning as a single complex”⁸. In particular, V. Lipov considers institutional complementarity as a state of interconnection of institutes, in which, as a result of interaction, their effectiveness increases⁹. In particular, V. Lipov considers institutional complementarity as a state of interconnection of institutes, in which, as a result of interaction, their effectiveness increases, V. Lipov substantiated the directions of an effective state policy of forming a model for the development of the national economy and, for this purpose, reasoned the expediency of understanding complementarity as “... the interaction of elements of the system, in which they appear to be interdependent and complement each other, remaining relatively independent ”¹⁰.

Consequently, tax activity, as an economic function of the state, is a key means of state regulation and a product of a long-term transformation of the role of the state itself.

2. The tax activity of the state is a product of the evident evolution

In terms of emergent evolution, the current tax system is a product of the state tax. As a condition for the existence of the state, taxes, tax relations and the tax system itself evolved with a change in nature, nature, forms, the role of the state in socio-economic development. The latter were the objective factors of its formation. Simultaneously, the formation of the tax system was inseparable from the action of subjective factors, the importance of which is crucially determined by the compromise of the interests of all subjects of tax relations. The evolution of the role and functions of the state in public life has been reflected in the functional purpose of the tax system. This is in accordance with the law of emergency. Immergence is the property of the whole system as a whole, and not of any of its parts. So, some unstable subsystems are merged into a system that may turn out to be quite stable. Conversely, the robust work of the subsystems is not at all a guarantee of the stability of the entire system.¹¹

In taxes, the realization by the state of its economic right to receive part of the net income created in society for the fulfillment of political, economic and social functions is realized, therefore, the taxes are regarded in modern conditions as an integral part of the economic policy of the state, which, in turn, requires specify their

⁸ Lipov V.V. Measurement and assessment of institutional complementarity: problems and tools. *Scientific works of the Donetsk National Technical University. Series: economical. Donetsk*, 2009. Iss. 37–1. p.62.

⁹ Lipov V.V. Institutional complementarity: from the model of a market economy to the concept of plurality of variants of capitalism. *Economic theory*. Kyiv, 2010. № 2. – p. 49.

¹⁰ Lipov V.V. Institutional complementarity of socio-economic systems. *Publishing House of the V.N. Karazin National University*. Kharkov, 2011. p. 9–24.

¹¹ Heselova N.V., Zaritskaya N.N. Immersive properties of the system. *Business Inform*. Kharkiv. 2013. № 7, p. 93-96.

basic properties, namely: taxes withheld from income, ultimately match their interests; taxes are always in conflict with the interests of citizens, as tax payments are necessarily coercive; tax rates are established by state legislation; taxes are used to meet public needs; source of income tax in favor of businesses and individuals, land, property, manufacturing.

Through impact on the economy, democratic usually aims: to achieve sustainable economic growth; to create a system of social protection of citizens, first of all pensioners, invalids, large families, the unemployed and the poor; to provide reduction and stability of prices for basic goods and services; promote maximum employment of the working population; to provide a minimum subsistence level for all its citizens.

However, as economic theory and practice of economic life show, it is impossible to achieve these goals at the same time. To find a balanced relationship is the main task of the state's economic policy, and this task is helped by tax activity, which is the mechanism of influence on social production, its structure and dynamics, placement, acceleration of the Scientific and Technical Process. Taxes are able to streamline the economic relationships of business entities, individuals and households, namely, they are taxpayers, so the tax activity of the state essentially organizes their relationships, regulates the flows of resources.

P. Melnyk in the monograph "The Development of the Tax System in Transition Economies"¹² notes that, through taxes, the state is able to increase the efficiency of the market mechanism. At the same time, it is also important for governments to be aware of the limits of their intervention in order to allow action for the main law of the market "Laissez faire". In such a dialectic combination of the opposite foundations contains the secret of the art of managing and regulating a complex dynamic system called "economy".

As for the peculiarities of the economy, which is transformed from transitive to steady, it should be noted that taxes are an instrument suitable for solving many problems. Thus, the contradiction between competitive and noncompetitive enterprises is a dialectic of the tax system. Failure to pay taxes is the reason for the existence of a bankruptcy institute - the fundamental institution of a market economy.

The experience of the USA, Japan, Germany, France and other countries testifies that the tax system - the most powerful instrument of state regulation of social and economic processes, investment strategy, foreign economic activity, structural changes in production, accelerated development of priority sectors, is one of the main regulators entrepreneurial activity, as opposed to the command economy, where total nationalization meant the merger of business entities with the state administration. In essence, the state was the only entrepreneur. Therefore, almost all entrepreneurial profits became property of the treasury, taxpayers and taxpayers acted in the same person.

The analysis of Western economic literature and the course of our study indicate that when it comes to macroeconomic policy of the state in the field of taxation, this implies the tax activity of the state as a means of implementing economic policy. In a

¹² Melnik P.V. Development of tax system in the transition economy. Irpin: Academy of State Tax Administration of Ukraine, 2001. – 362 p.

number of scientific works of domestic economists, the main thing is the tax policy, which acts as a primary in relation to the tax activity of enterprises. In particular, S. Yuriy and Y. Beskid characterize the tax policy as "the state's activity in the sphere of introduction, legal regulation and organization of the collection of taxes and tax payments to centralized funds of the state's monetary resources." The "Financial dictionary" A. Zagorodny, G. Vozniuk and T. Smovzhenko determined that tax policy - a state policy of taxation of businesses and individuals. Its purpose is to form the state budget while simultaneously stimulating business activity with the help of rates and tax privileges.¹³ L. Dykan, T. Voiinova, E. Berezhny believe that "tax policy – it is a combination of state measures for the introduction of the system of taxes and specific forms and methods for their collection, which meet specific historical conditions and take into account the traditions and mentality of the nation"¹⁴.

Thus, the tax activity of the state is a means of ensuring the interests of society in the course of implementing the state's economic policy through tax manipulation in order to mitigate the cyclical fluctuations in the macroeconomic situation, the level of employment, stabilize prices and stimulate economic growth, aimed at improving the efficiency of management, improvement the situation of taxpayers, economic growth at macro- and micro-levels.

Thus, the use in Ukraine of tax activities of the state as a means of macroeconomic regulation is one of the most urgent modern tasks. The solution requires study of world experience. However, it should be borne in mind that, in specific economic conditions in Ukraine, this tool can give completely different consequences than in developed economies and those that are expected to be implemented by implementing them. Practice shows that in Ukraine, in conditions of significant level of monopolization, economic and political instability on the growth of aggregate demand under the influence of stimulating tax activity, producers of investment and consumer goods react not by an increase in production volumes, but by their reduction and price increases. In order to stimulate tax activity has contributed to a significant increase in the demand of enterprises for investment goods and on this basis - to expand their production, it should be combined with:

- a set of measures, including tax, which would ensure the activation of investment activities of commercial banks, because the company's own funds are not enough to carry out a serious investment policy in the conditions of the depreciation of most fixed assets of enterprises;

- the intensification of privatization processes, as well as the clear definition and guarantee of property rights, which will enable owners and managers to receive profits from production and investment and interest them in investing funds;

- demonopolization of the economy, which will force enterprises to respond to the growth of aggregate demand, not increase in prices, but the expansion of production;

¹³ Zagorodniy A.G., Voznyuk G.L., Smovzhenko T.S. Financial dictionary. Lviv: Center of Europe, 1997. – 571 p.

¹⁴ Dykan L.V., Voiinova T.S., Berezhny Ye.B. Some aspects of taxation in Ukraine. *Finance of Ukraine*. 1999. № 4. p. 107-112.

- stabilization of inflationary processes, which will increase the attractiveness of investments;

- political and legal stabilization, which will increase confidence of entrepreneurs in the future and stimulate them to invest in the economy.

This set of measures will contribute, on the one hand, the accumulation of surplus financial resources needed to organize the process of reproduction, and the other will make it possible to open up entrepreneurial initiatives both enterprises and individuals.

As the demand for consumer goods grows, and hence the creation of conditions for expanding their production, tax activities in the field of personal income tax should be combined with a significant increase in personal incomes on the basis of a deep reformation of the system of remuneration in state enterprises and in the budget sphere. This, in turn, changes the relationship between the components of gross income countries in favor of salary will enable to reform the tax system towards increasing the role of personal income tax and reducing the role of corporate tax. Reducing the share of income tax in tax revenue to the state budget will expand the possibilities of its use to regulate economic processes.

Tax activity as an economic function of the state is based on a certain ideology, the basis of which is the use of the principles of optimality of tax systems.

The main ideas regarding the optimality of tax systems, tax activities in general, we find in A. Smith, in the book "The study of the nature and causes of wealth of nations" (1776) ¹⁵. Successful ideas about the ideology of the tax system in a developed market economy were expressed by such well-known foreign economists as A. Laffer, R. Mardsen, P. Samuelson, J. J. Stiglitz, Russian - K. Glazova, O. Meshcheryakova, S. Nikitin, I. Rusakova, M. Stepanova and Ukrainian - V. Buryakovsky, A. Vasylyk, V. Zagorodniy, I. Zolotko, I. Lukinov, I. Lunina, P. Melnyk, V. Melnyk, M. Romanyuk, A. Sokolovsky, L. Shablyst, O. Shytrya, S. Yury and others ..

Back in the XVII century A. Smith defined the principles of taxation. These include:

- justice - he claims the universality of taxation and the uniformity of distribution in accordance with income;

- certainty - time of payment of tax, method and amount of payment, which must be accurate and in advance known to the payer and should not depend on subjective factors;

- convenience - every tax should be charged at such a time and in a way that is most convenient for the taxpayer;

- economy (rationality) - every tax should be collected in such a way that the income of the payer was withdrawn as little as possible than that entering the state treasury.

Taking into account these conditions requires each country to search for specific approaches to determine the scope and content of its intervention in the economy.

The above principles are called "Declaration of Human payer" or "Magna Carta payer." This is due to the fact that Adam Smith as an adherent of unproductive

¹⁵ Smith A. Research on the nature and causes of wealth of peoples. Moscow: 1935. C.2. – 543 p.

government spending, leaving in determining these principles primarily the interests of the taxpayer.

The basis of the construction of modern tax systems, along with the principles of A. Smith, also determine the principles developed by the German economist A. Wagner, which not only complemented them, but gave them a new conceptual character. Guided by the theory of collective needs, he placed the first position in taxation on the principles of sufficiency and elasticity. It is because of these principles that taxation has become a system that takes into account the interests of not only the taxpayer, but also the state with the priority of the latter. That is, before taxation was the task of balancing the interests of the state and taxpayers, which, without exaggeration, in modern conditions is a key issue tax forming activity of any civilized country of the world.

J.J. Stiglitz, for example, suggests that the basis of "good" tax system should be based on five basic principles:

economic efficiency: the tax system should not contradict the efficient allocation of resources;

administrative simplicity: the administrative system should be simple and relatively inexpensive in application;

Flexibility: the tax system must be able to respond quickly (in some cases automatically) to changing economic conditions;

political responsibility: the tax system must be constructed in such a way as to persuade people that they are paying for the political system to be able to more accurately reflect their interests;

justice: the tax system must be fair to every individual.

The analysis of tax legislation of industrially developed states shows that the basis of the functioning of tax systems is the following principles.

The long historical path of development, which passed the tax systems of different countries, the accumulation of knowledge and their understanding by scientists and practitioners have enriched international experience by defining new rules, principles, requirements, implementation of which allows the most fully to achieve the goal in specific conditions. In particular, the foundation of modern tax system in the United States in 80 years was based on the following principles¹⁶:

- vertical justice (when the tax corresponds to the material possibilities of the taxpayer);
- horizontal equity (using a single tax rate for the same income);
- efficiency (opportunities for economic growth and development of entrepreneurship);
- neutrality (independence from the spheres of investment investments);
- simplicity (in counting, accessibility, understanding).

As noted above, the global economic science formulated the basic principles of taxation that affect its performance in different countries have different characteristics and different interpretations. Regarding the improvement of tax

¹⁶ Chernik D.G., Voronkov V.A., Glinkin A.A. and others. Taxes. / Edited by D.G. Chernik. Moscow: Finance and Statistics, 1995. 400 p.

activity in Ukraine indicative, in our opinion, may be the principles on which German tax system built in the times of L. Erhard ¹⁷:

- possible taxes should be minimal, aimed at reducing the tax burden;
- taxes can not hinder competition, change the odds of anyone;
- taxes must be consistent with structural policy;
- taxes are based on a fair distribution of income;
- respect for private life of a person, observance of commercial secrets;
- exclusion of double taxation;
- the size of taxes should be in line with the size of government services, including human rights and everything that a citizen can receive from the state.

The most justified is the systematization of tax principles, which are followed by Y. Konrad and I. Lunina ¹⁸, which most closely corresponds to the fundamental features developed by the taxation classics: it is a fiscal-budgetary, political-economic, socio-ethical group and a group dealing with the legal and technical aspects of taxation, which we consider appropriate to define as organizational and legal. The above systematization contributes to the comparability of the principles, and hence their effective selection in order to maximize the benefits of a systematic approach to tax activities by the state. A tax system built and functioning on the basis of the above principles can become a powerful stimulus to the economy. Such tax systems are multifunctional and characterized by the following target facilities:

- creating conditions for investing savings of corporations and individuals to create new jobs and combat unemployment;
- ensuring the competitiveness of products by stimulating research, new technologies and fundamental research;
- carrying out a protectionist policy, promoting sectoral and territorial capital inflows;
- stimulating the accumulation of capital and savings, restraining personal consumption of capital;
- providing social needs of all segments of the population.

In our view, no matter how unified national tax system, they retained the economic and political specifics of individual states. This specificity reflects the real fiscal activities of the State in the course of which solve three basic questions:

- who has to pay taxes - legal or physical persons or evenly distribute the tax burden between them, that is, the definition of the object of taxation;
- what is the basis of tax collection, basic indicators of production or household, that is, the definition of the subject of taxation;
- how much to deduct from the baseline, that is, the definition of tax rates.

To address these issues in different countries, different approaches are elected. They usually do not violate the fundamental bases of treasury organizations in accordance with the classic rules of taxation. Based on the accepted conditions in each country organizing the tax system, taxation, economic theory formulates principles of choice taxable:

¹⁷ Erhard L. Welfare for all. Moscow: Nachala-Press, 1991. 543p.

¹⁸ . Konrad Yu., Lunina I. Tax Policy in Ukraine: Approaches and Prospects. *Ukraine economy*. 1996. № 11. p. 29 - 37.

- taxation of production results;
- taxes that are formed on the basis of rent;
- taxation of trade turnover;
- taxation of capital, real estate or individual property;
- taxation of consumption.

Depending on the predominance of certain subjects of taxation, features of the tax activity of the state are determined. Scientific substantiation and the introduction into the public life of various tax forms (types of taxes), the definition of tax collection conditions, enrollment in budgets of different levels, the establishment of a measure of tax liability in violation of the provisions of tax legislation - all this characterizes the level of development of tax activities of the state. It is with the choice of tax forms that the state implements the internal potential of "tax" and "tax activities". In rational taxation, there should be no tax form that would prevent the accumulation of wealth by all parties to the production. Otherwise, some taxes will have only a name, but actually represent a form of forced removal from economic circulation of financial resources. The main problem in creating a rational tax system is the choice of sources of taxation and tax rates. They determined the development of the entire economic system, and the tax of the state as a whole – regulation of demand and supply, restraining of inflation processes, stimulation of introduction of investment and innovation policy by subjects of management, promote the accumulation of savings, providing a competitive environment for attracting and stimulating pidryemnytskoyi activities.

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monograph

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The financial aspects of social sphere and banking sector have been analyzed. The assessment of legal framework for the regulation of economic relations in the state has been conducted. The priorities for the European integration of the domestic business entities as well as the problems of accounting standardization have been outlined. The common guidelines to improve accounting policies and support real economy have been suggested.

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