

Research Paper

New Tax Policy on Resumption of the Business Entities' Activities

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Received: 19-11-2022

Revised: 07-01-2023

Accepted: 27-01-2023

ABSTRACT

In the modern conditions of the complex general economic situation in all branches of the world economy, one of the crucial issues related to improving the state administration system's efficiency is the need to revise the state's tax policy, including improving and increasing the taxation mechanism's efficiency. At the same time, it should be emphasized that improving the tax mechanism in the conditions of modern challenges and systemic reforms should provide for a clear determination of complex measures to transform the tax system, formed on the basis of a scientifically based tax policy as the budgetary theory's component of the state development, in general, and the restoration of individual companies' activities, in particular. Due to the systemic subjective and objective reasons for the ineffectiveness of the budgetary and tax support for the development of many states, the need for such transformations is caused by the necessity of changing the fundamentals of the state's budgetary and tax development and the current tax system for the effective operation of business entities as the tax system's central goal. During the research, abstraction, idealization, system-structural, comparative, logical-linguistic methods, analysis, synthesis, induction, and deduction were applied to process scientific information on tax policy issues. Along with this, a questionnaire survey was used to clarify certain aspects of tax policy related to the resumption of business entities' activities. Based on the research results, the features of resumption of business entities' activities using the new tax policy's tools were studied and certain practical aspects of this issue were clarified.

HIGHLIGHTS

- ① A questionnaire survey was used to clarify certain aspects of tax policy.
- ① The features of resumption of business entities' activities using the new tax policy's tools were studied.
- ① Certain practical aspects of this issue were clarified.

Keywords: Fiscal support, improvement of the taxation mechanism, modernization of the economy, the level of the tax burden, distribution of the tax burden

The state's tax policy plays a special role in the system of economic relations. Currently, in the global scientific literature, the issue of the development of the tax system, namely, the effectiveness of the process of paying taxes and fees to local budgets is insufficiently investigated. Taking into account

the existing vector of reforming the tax system and changes in the principal directions of the budget

How to cite this article: Tkachuk, N., Somchenko, V., Ihnatiuk, O., Kolomiets, H. and Pochernina, N. (2023). New Tax Policy on Resumption of the Business Entities' Activities. *Econ. Aff.*, 68(01s): 09-15.

Source of Support: None; **Conflict of Interest:** None



tax policy, it is especially significant to emphasize the role of taxation in stimulating the process of renewing the work of companies.

The theoretical part of the present research substantiates the basic trends, principal stages and elements of tax policy that can be directed to the resumption of business entities' activities. The practical part of the research includes assessing the priority aspects of the tax system development, requiring priority consideration for the most effective resumption of business entities. It clarifies the main tasks of ensuring companies' financial self-sufficiency with the help of tax instruments. It also singles out negative economic trends that have the most tangible impact on the tax sphere of the economy, the most significant directions of state tax policy contributing to the resumption of business entities' activities, as well as the most promising areas of scientific work in the sphere of tax policy in order to support the development of enterprises.

Based on the research results, conclusions were made regarding the issues raised. In particular, based on the survey results, it was established that the development of the tax system should be considered, taking into account, first of all, ensuring the financial self-sufficiency of economic entities and determining the directions of the development of companies. At the same time, the primary goals of ensuring companies' financial self-sufficiency by virtue of tax instruments are regulating the economic entity's social-economic development through using levers and management tools and ensuring a fair tax burden. According to the respondents' standpoint, the most significant types of influence on the tax system were the drop in companies' business activities and the decrease in enterprises' profitability. Along with this, the most important directions of the tax system development within the framework of strengthening the financial activities of economic entities is establishing effective interaction between local self-government bodies and enterprises and ensuring the fair distribution of the tax burden and its reduction while simultaneously searching for budgetary compensators. Moreover, the survey participants believe that the most promising direction of scientific work in the field of tax policy to support the development of enterprises is the adaptation of the regulatory and legal mechanisms.

It determines the directions of the state tax policy, based on the business entities' needs, the formation and observance of the target component represented by the purpose, tasks and goals of the tax policy and ensuring effective communication and interaction between the relevant entities of the tax and general economic system.

The purpose of the research is to determine the standpoint of tax policy specialists and scientists studying the issue of optimizing the economic entities' activities with the help of tax instruments regarding the features of applying the new tax policy's measures in order to renew the functioning of economic entities.

Literature Review

Modern tax policy is formed under the significant influence of international tax competition. At the same time, the starting point for determining the efficiency degree of any country's tax system should be a correct understanding of the needs of the country's economy and a clear definition of the necessary steps to achieve sustainable economic goals for the overall development of all business entities (Yujuan, Guangli & Bo, 2022). Currently, states face a complex and multifaceted task of searching for mechanisms to ensure technological modernization of the economy, strengthening the financial institutions' institutional capacity, and laying the basic fundamentals for the restoration of stable positive dynamics of economic development (Gechert & Heimberger, 2022).

The business entities' investment activity, the degree of shadowing of the economy and tax revenues to the budgets of different levels depend on the validity level of the decisions made in the field of tax administration and regulation (Pogodayev, S. E. 2013). At the current stage, the development of the theoretical and methodological fundamentals of establishing and implementing tax policy, increasing its efficiency degree and adaptability, and creating conditions for economy development is relevant (Akcigit *et al.* 2022), (Havránek *et al.* 2020).

A systematic approach to understanding the management mechanism in the tax sphere is based on the dialectical unity of management as a complex system. At the same time, a strict division of the mechanism and general management is not

possible, for as much as the latter is part of the so-called "activity" or function, which is characterized by nonstatic, but dynamic properties (Andrews & Kasy, 2019).

Reforming the tax system should be based on the principle of transparency and fiscal sufficiency, that is, the formation of the budget's revenue part in an amount sufficient to fulfill state tasks. When taxing goods of domestic and foreign origin, the amount of tax should be in line with the value of the state's provided goods and services in order to prevent discrimination between individual taxpayers (Kostiukevych, R., Mishchuk, H., Zhidebekkyzy, A., Nakonieczny, J. & Akimov, O. 2020). In the case of reforming the tax system, it is also expedient to introduce flexible forms of tax regulation into the practice of tax administration, depending on changes in the macroeconomic situation and the introduction of modern information and communication technologies (Balima, Kilama & Tapsoba, 2020), (Gechert & Rannenber, 2018).

Tax policy has a significant influence on ensuring the processes of the state's economic development. Tax regulation measures aimed at revitalizing business entities' activities are a guarantee of long-term economic growth, the tax system's elements determining the economic development level and the efficiency level of tax system bodies (Bom & Rachinger, 2019), (Gechert, 2022).

A significant task of the country's economic policy

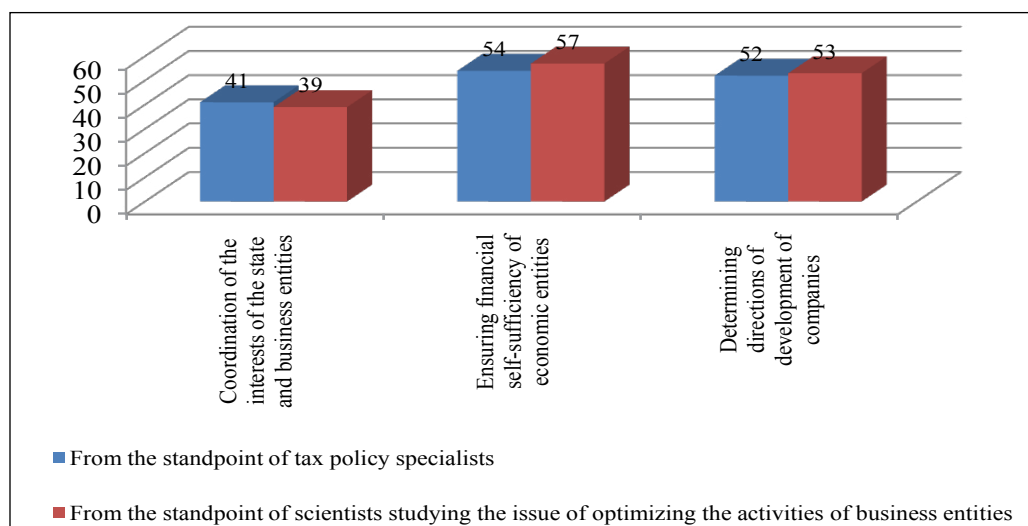
is to search for reserves to strengthen fiscal capacity, taking into account the economy's institutional features and ensuring the optimal distribution of tax revenues to the budget (Holovatyi M. 2014). It focuses on reaching a public consensus on the level of the tax burden, ensuring full compliance by taxpayers with their tax obligations, optimizing tax administration and improving the legal framework (Ferraro, Ghazi & Peretto, 2020).

MATERIALS AND METHODS

A practical study of modern tendencies in using tax tools to renew the economic entities' activities was carried out by surveying 218 scientists studying the issue of optimizing the activities of economic entities by virtue of tax instruments, as well as 164 practicing specialists of the state tax administrations' analytical departments of Chernihiv, Rivne, Zhytomyr and Kyiv regions of Ukraine. The research was conducted using the Survey Planet service.

RESULTS

According to the survey participants' standpoint, currently, taking into account the special attention both in the scientific environment and in the practical sphere of managing the economic entities' activities, there is a certain priority of aspects to the search for new effective tools for optimizing economic activity, in view of which it is necessary to consider the development of the tax system when establishing tax policy measures (Fig. 1).



Source: Compiled by the authors.

Fig. 1: Prioritization of aspects of the tax system development requiring priority consideration for the most effective resumption of business entities, %

In the course of the survey, it was determined that developing the tax system should be considered, taking into account, first of all, the provision of economic entities' financial self-sufficiency and determining the directions of the development of companies.

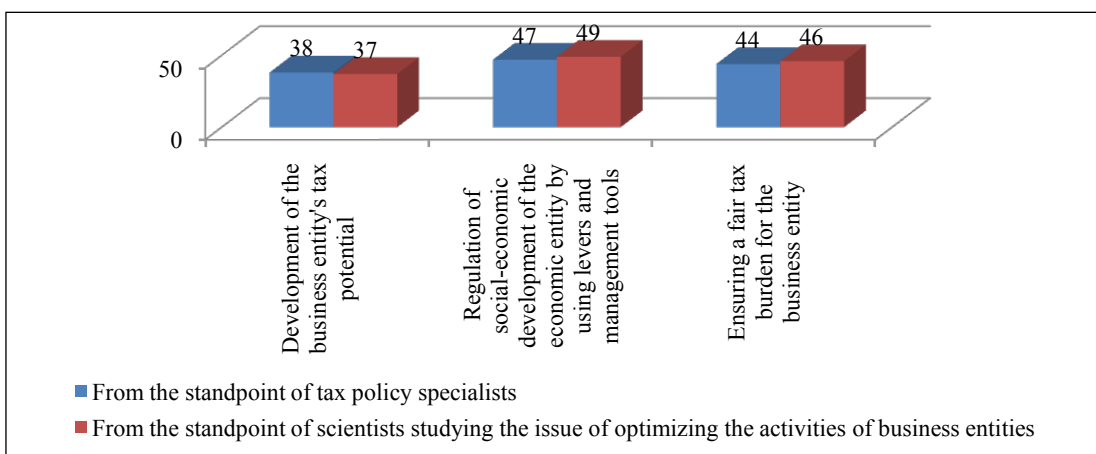
During the survey, the respondents identified the following main tasks of ensuring companies' financial self-sufficiency by virtue of tax instruments (Fig. 2).

It can be observed from Fig. 2 that such tasks are primarily the regulation of the economic entity's social-economic development through using levers

and management tools and ensuring a fair tax burden.

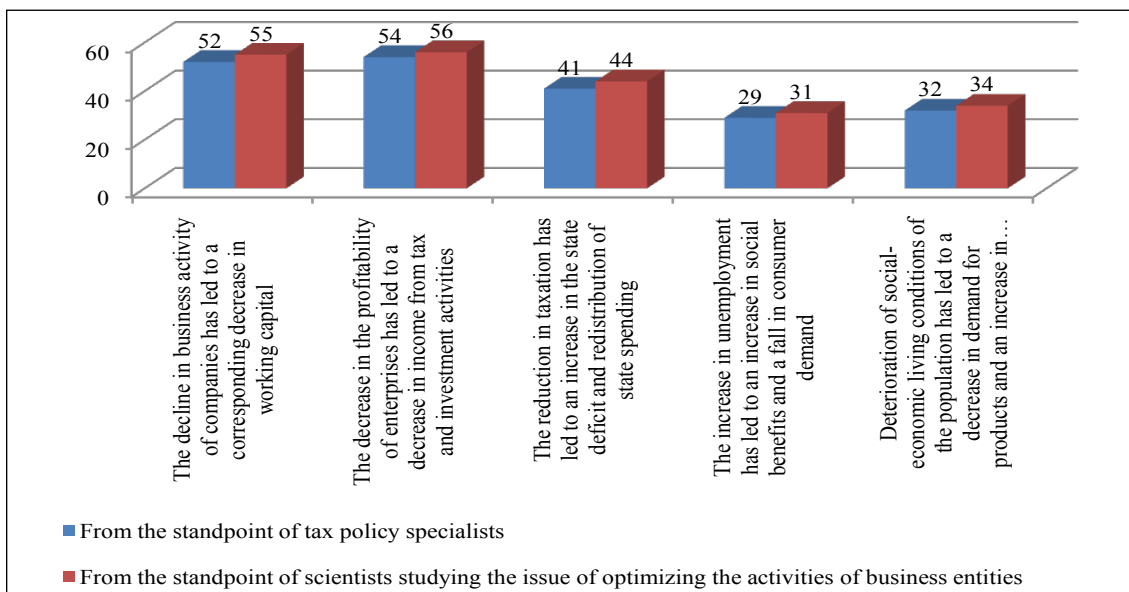
The negative tendencies caused by the pandemic and the full-scale military aggression of Russia in Ukraine affected all levels of the world countries' economic systems and, accordingly, the economy's tax component, in particular (Fig. 3).

According to the respondents' standpoints, the most significant types of influence on the tax system were the drop in companies' business activities and the decrease in the enterprises' profitability. The conducted survey made it possible to establish the most important areas of developing the tax



Source: Compiled by the authors.

Fig. 2: The main tasks of ensuring companies' financial self-sufficiency by virtue of tax instruments, %



Source: Compiled by the authors.

Fig. 3: The most considerable impact of negative economic trends on the tax sphere of the economy, %

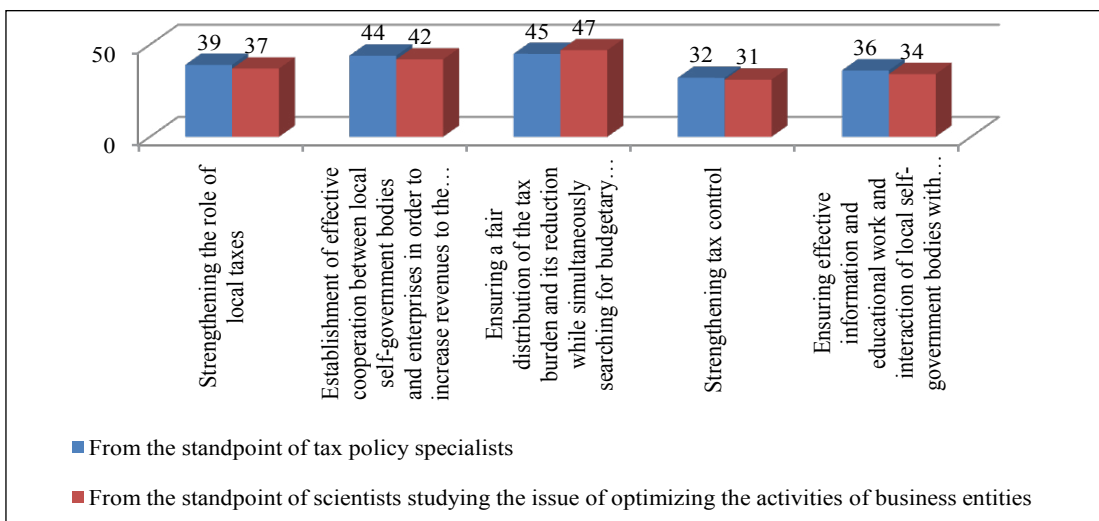
system within the framework of strengthening the economic entities' financial activities (Fig. 4).

It can be observed from Fig. 4 that such areas are establishing effective interaction of local self-government bodies with enterprises and ensuring fair distribution of the tax burden and its reduction while simultaneously searching for budgetary compensators. Along with this, the respondents also singled out the most promising directions of scientific work in the field of tax policy with the aim of supporting the development of enterprises, which, will be especially in demand in the future, namely (Fig. 5):

- ♦ adaptation of the regulatory and legal mechanism, which determines the directions of the state tax policy to business entities' needs;
- ♦ formation and observance of the target component represented by the purpose, objectives and goals of the tax policy;
- ♦ ensuring effective communication and interaction between relevant subjects of the tax and general economic system.

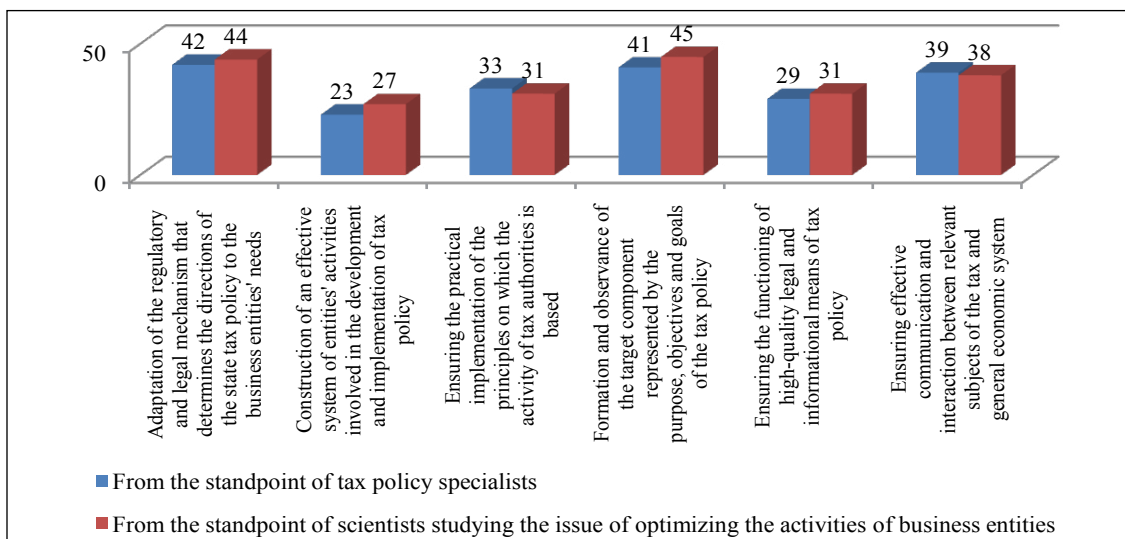
DISCUSSION

The economy's effective development of any country in the world is impossible without implementing a



Source: Compiled by the authors

Fig. 4: The most significant directions of the state tax policy, contributing to the resumption of business entities, %



Source: Compiled by the authors.

Fig. 5: The most promising directions of scientific work in the field of tax policy to support the development of enterprises, %

predictable, justified and effective tax policy. After all, it is commonly known that in the conditions of a market economy, a balanced tax policy is one of the key factors in production growth, investment and employment (Heimberger, 2020).

The goal of tax policy nowadays is to search for the optimal interrelationship between the state's financial capabilities and the level of the economy's expenditure items under certain conditions of the country's development. At the same time, the tax policy is implemented taking into account certain principles, such as equality of obligations, economic neutrality, organizational simplicity, flexibility, controllability of taxes by taxpayers, obligation, fairness and others (Hope & Limberg, 2022).

Currently, global tax policy has several shortcomings, among which the most significant are: the instability of tax legislation, excessive tax pressure on taxpayers, unevenness of the tax burden, inconsistency of the basic principles of forming and implementing tax policy, etc. This is precisely why the reform of the current tax system should be aimed at overcoming these problems and creating favorable conditions for domestic producers, thereby, stimulating the investment of funds in investment programs. To develop a rational tax policy, it is necessary to use the regulatory potential of the tax system to provide tax benefits, make the taxation process more transparent, and strengthen its stimulating and regulatory properties (Neisser, 2021), (Wen, Yu & Chen, 2020).

It is significant to strengthen the functional efficiency of the tax system. This means finding a public consensus on the level of tax burden on the economy, ensuring full compliance by taxpayers with their tax obligations, further development of tax administration and improvement of the legislative framework (Shevlin, Shivakumar & Urcan, 2019).

A new tax policy in Ukraine, especially the tax regulatory measures implemented during Russia's full-scale military invasion of Ukraine, serves as an illustration of introducing new methods to rationalize tax levers. The introduction of a new economic policy, the main elements of which are measures aimed at reducing tax pressure on economic entities, contributes to the recovery of business activity in the economy. Furthermore, there

are the directions of reforming the tax sphere, in addition to the above measures, namely: the abolition of foreign exchange restrictions on critical imports with the simultaneous return of taxes at customs, the establishment of tax and tariff incentives for the restoration of destroyed / damaged industrial enterprises, redirecting income tax to reconstruction projects, reducing external financing by providing state guarantees covering part of the interest paid on loans, reducing the tax burden on companies, increasing the innovative activity of manufacturers, financial support for cooperation with scientific institutions and universities, introduction of funding for scientific research, support for participation in EU programs, etc.

An analysis of the experience of progressive taxation models applied abroad, especially in Italy and Latvia, shows that some of their elements should be adjusted in order to improve the regulatory impact on the economy. This concerns primarily the determination of income scales and corresponding tax rates for each category of company and individual income, complete exemption from taxes for a certain period or granting tax incentives to companies in the mining industry to encourage the development and proper exploitation of their own deposits (Suzuki, 2022), (He *et al.* 2020).

Such initiatives should improve the country's investment climate and develop corporate innovation and investment activity, which represents an area for further investigation (Zigraiova *et al.* 2020).

When forming and implementing tax policy, the state should take into account certain aspects in order to effectively fulfill the tasks assigned to it, namely: entrepreneurial – focused on the formation of undistributed amounts of profit in business entities, sufficient to satisfy their owners' interests and ensure further development; social – shifting the focus of the policy to the formation of household incomes, which should ensure stable reproduction of the labor force; the aspect of optimizing the sphere of foreign trade – ensuring the state's fiscal competitiveness at the global and regional levels with to create favorable conditions for foreign investors and attract additional amounts of capital to the country (Fabian & Milionis, 2019), (Steinmüller, Thuncke & Wamser, 2019).

CONCLUSION

Therefore, the analysis of the scientific literature on the research topic and the results of the questionnaire showed that the primary goal of an effective tax system is to ensure taxation that would contribute to the economy development, the formation of full-fledged subjects of the market economy while gradually solving the problem of reducing the budget deficit and achieving financial stabilization with the aim of a gradual transition to economic growth.

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