

**BUDGET-TAX POLICY AS A MEANS OF STATE REGULATION OF THE MARKET  
ECONOMY**

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**Abstract:** *This article describes tax as the economic basis of state activity, national characteristics of tax systems, practical knowledge of tax policy and tax theory, budget-tax policy as a means of state regulation of the market economy, and suggestions for improving tax policy.*

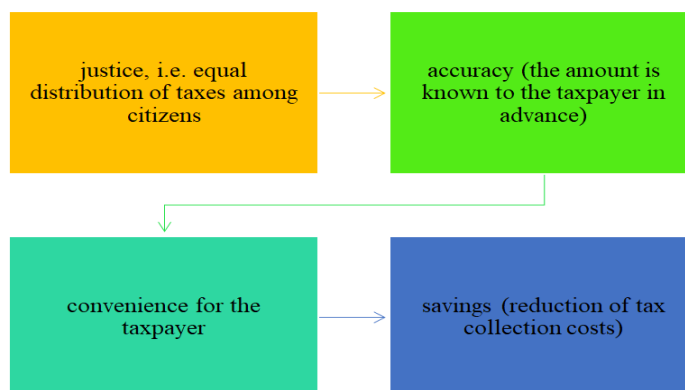
**Key words:** *tax system, tax policy, principle of simplicity, budget expenses, principle of transparency, principle of flexibility, principle of economic neutrality, principle of equality of obligations, principle of convenience, principle of justice, tax rules, tax benefits.*

In order to understand the tax system, it is necessary to analyze the concept of tax and its manifestation in state activities, because tax policy should be based on the theory of taxes.

The history of taxes goes back thousands of years, they are summarized in three stages. The first stage is the formation of taxation in the ancient world and the Middle Ages, characterized by the unsystematic nature of tax payments. In ancient Rome, the amount of tax was determined by the financial status of an individual. The 16th century is famous for the introduction of regalia (forest, coin) in Europe.

Thus, we take tax as the economic basis of state activity. The question arises: can such a value be measured? Yes, they take into account the share of the country's budget expenditures in the total volume of the product created in the country or calculate the share of all tax revenues in GDP (tax burden). How to determine the size of state budget expenditures? Everything depends on the tasks and goals of the state. In fact, tax is of special importance in the state budget. It is the tax policy based on the theory of taxation that determines the tax system.

Tax systems have national characteristics and are formed according to certain principles. The main principles were developed by A. Smith and improved by other scientists.

**RATIONAL TAXATION IS BASED ON THE FOLLOWING PRINCIPLES:**

It should be noted that all the elements that make up the tax system are secondary to themselves. That is, the set of functions and features created in the tax system is primary, and the features and functions of each element of this system are secondary. For example, if the tax is the main carrier of the fiscal function, the tax system as a whole can be socially oriented.

Table-1

**Assessment criteria of the tax system.**

Criterion	Description
The principle of simplicity	The tax system should be simple and understandable. Simplicity means that the tax system is based on simple and understandable procedures.
The principle of transparency	the amount of taxes and payment terms are public property, and citizens can also use information about the amount of taxes collected and the direction.
The principle of flexibility	The possibility of adjusting the tax system and tax rates, changes in the tax base, as well as the existence of procedures for their resolution.
The principle of economic neutrality	a factor that takes into account the impact of taxes on the economic system outside the public sector, that is, the question of the impact of taxes on the pooling of resources in the production and supply of private goods. According to the principle of economic neutrality, neutrality taxes are divided into destructive and non-destructive.

The principle of equality of obligations	Differentiation of taxes means that it is not done on the basis of property. The tax should be imposed, firstly, on production, and secondly, on consumption. It is based on two principles: the principle of profit obtained as the difference. The usefulness of government actions for different categories of taxpayers, principle of solvency, which means the actual ability of a taxpayer to pay taxes.
The principle of convenience	Each taxpayer is notified of the tax, and the fees he must pay indicate the universality of taxation.
The principle of justice	Every taxpayer is obliged to participate in filling the country's budget.

When examining the tax system, it is necessary to pay great attention to the study of the network of many relationships that occur between its elements during the operation of the system itself.

Strict compliance with the norms of tax legislation by tax authorities leads to the improvement of tax discipline of taxpayers, which leads to an increase in the rate of tax collection and the relative stability of the formation of state budget revenues. That is, the structure of relations between the elements of the tax system determines the specific characteristics of the tax system.

Thus, the study of the nature and role of the tax system came to the conclusion that a developed economy can be implemented with a competent and well-thought-out tax policy. Tax systems are constantly being improved through reforms, development of taxation mechanisms, promotion of innovation and reduction of tax burden. Only the correct interaction of the functions of taxes, the regulatory tasks of the state and the understanding of the elements of the system ensures the creation of an effective tax system.

Effective functioning of the entire national economy depends on how well the tax system is structured. It is the tax system that has become the main topic of discussion about the ways and methods of reforms, as well as sharp criticism.

The government should change the tax rules and make changes to the tax system. The correct implementation of the policy using regulatory methods is carried out in the public interest of the state.

First, the tax policy of our country requires reforms in the field of tax relations. This is necessary for the formation of an effective tax mechanism, increase of budget revenues of business entities, stimulation of investment processes, implementation of tax control.

The analysis of the tax system of our country showed that:

1. the share of enterprises suffering losses is 10-15% (reduction of depreciation allocations, obsolete fixed assets);

2. decrease in investment attractiveness of foreign investors;
3. there are no clear objectives of the investment policy.

In connection with the above-mentioned conditions, we have come to the conclusion that it is possible to support investment activity for our country by giving incentives to economic sectors and regions. Otherwise, it is necessary to create conditions for self-financing of entrepreneurial activities.

Secondly, a number of measures should be taken to improve the tax system of our country:

- showing regulatory documents in the field of taxes;
- the basis of tax administration is based not only on historical experience, but also on the external and internal environment;
- improving the skills of tax authorities;
- verification of tax legislation;
- introducing a progressive tax rate.

But the system expects the following changes:

1. tax benefits by reducing the income tax paid on capital investments;
2. reduce the tax rate to 5%;
3. patents for individual entrepreneurs without employees;
4. the opportunity for taxpayers to obtain information about the consequences of the agreement concluded with tax inspectorates;
5. improvement of the tax regime system;
7. indexation of excise tax rates;

In conclusion, it can be said that most directions and tools of the tax policy are related to the implementation of the fiscal function of the tax system. It is also important to develop the function of tax regulation using tax incentives.

Analyses show that the increase in tax benefits leads to an increase in tax costs. A number of benefits have a social orientation. Despite the increase in the number of tax benefits, the expected socio-economic result is not being achieved. This leads to a weak implementation of the regulatory function.

A brief analysis of the main trends of changes in the tax system of our country allows us to conclude that the regulatory and social functions of taxes are not sufficiently implemented. For this, it is necessary to reduce the tax benefits for regional and local taxes to the minimum level. It is also necessary to determine the priorities of tax benefits, to develop innovative activities, the securities market, and to support families with many children. Improvement and development of the tax system of our country has a positive effect on the country's socio-economic direction and business activities.

As a result of the research, the following conclusions should be drawn. Development and selection of the optimal theoretical concept of the development of the tax system, its implementation - all this together determines the tax policy.

The tax system in our country has gradually developed and is still being improved. Currently, the tax system serves as one of the main means of regulating the economy and social sphere.

When developing the tax system, it is necessary to take into account the opinions of all participants in tax relations. On the one hand, it is the desire of business entities to minimize taxes, and on the other hand, it is the desire to apply the interests of the state.

One of the most important points for a correct tax policy is the correct determination of the optimal size of the tax burden. For this, it is necessary to carry out serious analytical work to reach a compromise between the state and the taxpayer.

Taxes, like the entire tax system, are a powerful tool for managing the economy. If the state encourages entrepreneurship in some directions based on national interests by determining taxes, tax subjects and objects, tax bases, tax rates, benefits and sanctions, changing tax conditions, and in other directions encourages.

The study of tax regulation tools showed that tax rates and tax credits are the main tools both in our country and abroad. Current tax rates in our country are not very high compared to rates in developed countries. Studying the development trends of the country's tax system allows us to conclude that the social and regulatory functions of taxes are not sufficiently implemented.

Work on the introduction of a single social tax, a single income tax rate, changes in the mechanism of tax collection from taxpayers and simplification of the taxation mechanism is ongoing.

Improving the tax system is necessary to create an effective tax mechanism, increase budget revenues of business entities, stimulate investment processes, and implement tax control. Therefore, it is necessary to revise the tax legislation, introduce a progressive tax rate, increase investment activity and entrepreneurial activity.

Both theoretical and practical problems of the tax system of foreign countries and our country at the current stage of development were considered in the work. And although reforms are being carried out, the tax system of our country still needs further improvement.

Based on the above opinions and considerations, we would like to make the following suggestions and recommendations for the optimization and improvement of the tax policy of our country<sup>19</sup>.

**First**, simplify the tax system and limit benefits. A simpler tax system with a limited number of rates. It is worth noting that in weak countries we should first focus on simplifying taxes, procedures and structures. Simplicity of tax system and legislation is a key principle for weak countries.

Limiting exemptions can reduce the complexity of the tax system and increase revenues by broadening the tax base. Many countries lose large amounts of revenue due

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<sup>19</sup> <https://www.imf.org/en/Publications/fandd/issues/2018/03/akitoby>

to poorly designed incentives, such as expensive tax holidays and other incentives that fail to attract investment. And voluntary concessions create opportunities for corruption.

**Secondly**, formation of optimal options for indirect taxes for goods and services. VAT has proven to be an effective and powerful revenue raiser: countries that impose it tend to generate more revenue than those that do not.

**Third**, introduce comprehensive reforms in tax administration. Successful revenue mobilization cases usually take a more holistic approach to modernizing tax institutions.

**Fourth**, the rational use of information management systems, successful revenue mobilization depends on the use of information management and the power of big data. It can be seen that most of the countries studied have used IT systems to implement revenue generation reforms.

**Fifth**, implementation of audit and verification programs in an expanded manner. A risk-based audit, which relates the likelihood and nature of an audit to the taxpayer's specific risks, is the most effective type in terms of promoting compliance.

These five cases clearly show that large-scale tax revenue mobilization can be achieved and sustained. While reforms should be tailored to individual circumstances, three lessons stand out: tax reform, first and foremost, requires broad social and political commitment; it relies on comprehensive strategies that recognize that taxing what and whom must go hand in hand with how it is taxed; and it should be designed with the longer view in mind.<sup>20</sup>

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