

Assessment Instruments of Economic Feasibility of Tax Transformations

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Abstract

This article is concerned with the analysis of the problems of improvement of the instruments of formation and implementation of state tax policy, as under the conditions of appearing crisis tendencies. There is a need for periodic changes in tax legislation. Economic feasibility of the conducted transformations is often put in doubt, by both scientists and practitioners. In this regard common approaches should be developed, excluding the possibility of making wrong management decisions concerning introduction, cancellation or change of existing procedure of particular types of tax exemptions. It is proposed to enter the concepts of necessary and sufficient conditions for the economic feasibility for the made decision to modernize the taxation system into scientific vocabulary. According to the first one of them the introduced changes must meet the basic principles of taxation, and according to the second one they should satisfy the regulating principles. The concept of modernization can be considered economically feasible only when both necessary and sufficient conditions are fulfilled. The basic principles of taxation are well known and determined by the provisions of the fundamental economic theory. The body of governing principles should include the achievement of compliance with the objectives of economic development of the country, income leveling and social protection of the population, the coordination of mechanisms of charging, stimulation of reproductive processes, provision of international tax harmonization and the formation of feedback in the system of tax management. The article has assessed the feasibility of realization of the two concepts of value added tax -as the consumption tax and transactions tax. Its results indicate the compliance with necessary and sufficient conditions of economic feasibility of the first concept. Therefore, the modernization of the taxation of added value within the concept of the consumption tax is more preferable and efficient.

Keywords: concept of taxation, basic and regulating principles, economic feasibility

1. Introduction

One of the most important elements of improvement of the state economic policy is solving problems of taxation optimization. Under the conditions of the global economic recession, these processes are accelerated and become socially oriented because taxes directly determine the ability of the state to minimize or even completely eliminate the symptoms of crisis.

When making changes to the tax legislation, it is important not to allow both tactical and strategic mistakes. The transformations must be timely and economically feasible. In this regard, the management decisions made should be carefully analyzed and checked for compliance with basic economic provisions (Toder, 2005, p. 9; Uglitskikh, 2014, pp. 543-547).

In modern economic science the tax policy quality assessment instruments on the based on the forecasting of its realization results have been developed. They are characterized by a complex of indisputable advantages, but also have a range of disadvantages. The main one of them are limited possibilities to perform comparative analysis of the overall economic feasibility of proposed initiatives and the focus on the private advantages of a particular project of transformations (Zee, 1995, pp. 86-89; Armstrong, 2015, pp. 1-17.; Bargain, 2015, pp. 1061-1085).

The starting stage for diagnostics of the level of economic feasibility of any tax reform project should be the verification of its compliance with the basic principles of taxation. The list is determined in the works of classics of economic theory, but is subjected to a critical analysis and rethinking in many recent studies. This allows concretizing and adapting the considered body of principles to the conditions of the national economy, as well as to complement it with new concepts of universal rules of formation and implementation of the tax strategy.

Economic feasibility of the concept of modernization of tax policy cannot be confirmed only by its compliance with the basic principles of taxation. Cyclically repeating crisis manifestations require consideration of governing principles which determine the abilities of the state to stimulate the reproductive processes, to fulfill social obligations, to ensure the necessary minimum income level of citizens, to provide international tax harmonization, to carry out withdrawals in accordance with the real possibilities of the taxpayers, as well as to control the balanced development of all spheres of the national economy. Only the concept of tax policy modernization that meets the basic and regulating principles of taxation can be recognized economically feasible and can be accepted for practical implementation (Arkhiptseva, 2008, pp. 39-46).

2. Method

The works of many foreign and Russian researchers are devoted to the problems of construction and operation of tax systems, such as L. I. Abalkin, E. Atkinson, A. Bryzgalin, E. V. Bushmin, J. Buchanan, M. Weber, O. V. Vrublevskaia, I. V. Gorsky, J. Galbraith, R. Coase, L. P. Pavlova, V. G. Panskov, M. V. Romanovsky, D. G. Chernik. The study of scientific works of these authors has shown that insufficient attention is paid to identify common trends of the transformation of national tax systems under the conditions of macroeconomic recession, there are no algorithms of effective anti-crisis modernization of the state tax policy proven in practice. It determines the necessity to develop special methods of preventive diagnosis of the economic feasibility of tax reforms which are planned for implementation.

The works devoted to identification of the comparative advantages of individual concepts of formation and implementation of tax policy, have not yet had a systemic nature. They do not consider the full range of taxation principles, including regulating ones.

In this context, the aim of our study was to develop a reasonable method of assessment of the degree of economic feasibility of the proposed tax systems formation concepts. In accordance with the set aim the following tasks were determined:

- To determine the necessary and sufficient conditions for economic feasibility of making management decisions on choosing an effective way to modernize the system of taxation under the conditions of recession;
- To analyze the economic feasibility of different concepts of value added tax and to identify more preferable one.

Achievement of the goals set in the work and formed problems solving were provided by the following scientific methods: empirical knowledge (observation, description, experiment), logical description (analysis and synthesis, induction and deduction, abstracting, modeling, classifying), theoretical generalization (formalization, idealization, mental experimentation axiomatization). Also analytical, monographic, abstract and logic, calculation and constructive methods were used at different stages of the work.

3. Results

3.1 Determination of Economic Feasibility of Tax

The modern trends towards strengthening of economic uncertainty cause the state's desire to increase the revenue base of the budget and thus to form certain financial stabilizers of the social sphere functioning. This often leads to deformation of the generally accepted economic and legal norms, the violation of basic principles of the formation of effective national tax policy. The latter can cause double taxation and other contradictions in the legal nature of the economic relations (Jobson, 1998, pp. 387-392; Portes, 1987, pp. 51-56).

In the course of optimization of the taxation system first of all it is necessary to follow the criteria of economic feasibility of the changes made. First, taxes must not violate the constitutional rights of citizens and, second, they cannot have a character hindering economic growth (Kuzmenko, 2011, p. 190; Kuzmenko, 2013, p. 127).

In the scientific literature the issues concerning feasibility of certain taxes still remain controversial and understudied. The statement that budget deficit cannot serve as economic feasibility for introduction of a tax is indisputable (Vinnitsky, 2005, p. 256). However, there is no agreement of the researchers' opinion concerning clear understanding of the economic feasibility of the introduction of certain taxes because any withdrawal plays the role of certain fiscal obstacle for the realization of citizens' rights (Barr, 1995, p. 348).

According to S.N. Parkinson, the concept of the taxation object is traditionally used to reflect the economic feasibility of tax (Goncharenko, 2011, p. 21). However, there is no common or agreed list of taxation objects in the scientific literature. This may allow the legislators to set other circumstances of cost, quantity or physical characteristics, the presence of which causes obligations to pay taxes, as the tax object. Therefore, to establish the economic feasibility for the tax by this way is impossible. It is necessary to use different approaches, including tools of gnoseological reason of the methodological problems solving.

The decision on the economic feasibility of the newly introduced tax, in our opinion, should be made through a phased consideration of complex economic and legal objectives, and include the following:

- Definition of concept of the considered together with the object of taxation, the taxpayer;
- Allocation of objectives and capabilities to make the relevant withdrawals and their structuring of economic relations between the parties;
- Development of alternative tax models and conceptual grounding of the mechanisms for their implementation;
- Analysis of compliance of withdrawal mechanisms with considered tax models taking into account the tax bases, deductions, exemptions and reliefs, the procedure of calculation and payment, and the payment dates;
- Assessment of conformity of alternative tax models with base and the regulating principles of taxation;
- Making decisions on economic feasibility of the tax and the choosing a rational model of its implementation.

The Russian tax system tools and the mechanisms for their implementation were formed taking into account the practice of economically developed countries and recommendations of international organizations. At the same time, the concept of collection of each tax should be based on the legal framework, customs and public perceptions of justice in the country.

We believe that the economic feasibility of the tax depends on two conditions - a necessary and sufficient. The first one determines its compliance with the basic principles of taxation, and the second one -with regulating principles.

3.2 Basic Principles of Taxation

According to a number of economists, the list of basic principles of taxation may range depending on the level of economic development of the country. Thus, the director of the institute of tax law of Cologne University J. Lang in his work "The project of the Code of tax laws for the countries of Central and Eastern Europe" emphasizes five basic principles of the organization of the tax system, borrowed from Y. E. Stieglitz.

According to the first one, which is called the principle of economic efficiency, taxes should not hinder the growth of volumes of resources. The second one determines the necessity of simple formulation of tax laws and the low cost of the collection. It can be characterized as the principle of minimizing the endogenous expenses. The third principle ensures the tax system adaptability, which must take into account changes in the economic situation, even outside its principal legislative corrections. The fourth one is the principle of transparency, according to which citizens must understand the order and volume of the withdrawals. The fifth principle of justice is providing the tax equality of the main group of society and excluding protest moods of the majority of citizens (Salihu, 2015, pp. 138-147).

Modern researchers give reasons for the appropriateness of update of the known taxation basic principles system and suggest entering the following principles into the scientific use: the principle of universality, certainty, stability, and exemption of the production factors from imposition, non-discrimination, and the state monopoly on the imposition. In our opinion, many of them are a special case of manifestation of the principles already formulated by Y. E. Stieglitz or formally define the obvious properties of taxes.

In particular, the principle of universality of taxation in the modern understanding means that the obligation to pay taxes is equally applied to all citizens of the state. We cannot agree with that, because some citizens may be temporarily or permanently unable to work and may not have necessary sources of funds to pay the taxes. In addition, following the principle of universality assumes a complete lack of tax remissions in the legislation providing for tax exemption, which is almost impossible to implement. Therefore, justice must be considered as one of the reasonable manifestations of universality and basic principles already recorded as part of the above-mentioned principles.

Certainty is a particular manifestation of the principle of transparency, which is not possible beyond clearly regulated taxation mechanism. The essence of any tax may be uncertain in the modern state, therefore we consider the introduction of certainty criteria into the system of the basic principles unfeasible.

There are also conflicting points of view of scientists and practitioners regarding the principle of stability of taxation, because they formally contradict the characteristics of adaptability. Indeed, the stability can only be conditional and suppose predictability of public authorities in the sphere of taxation for any period of time. Here the principle of adaptability should be recognized as more common and suited to the requirements of the modern economy.

The principle of exemption of production factors from taxation cannot be accepted as basic in its literal meaning. In particular, the land in the economically developed countries is always taxed and it should be considered quite reasonable and feasible. The situation with use of capital in production is somewhat different. The capital is practically exempted from tax by depreciation allowance as profits reinvested in production. Work can be partially exempted from taxation by the amount of cost of the labor force reproduction normal for this country. In this case, as a rule, the state set a not taxable minimum income free. Therefore, the principle of exemption of production factors from taxation does not have a clear understanding of, and therefore cannot be considered basic.

The concept of one-time tax is laid in a perfect structure of the tax system, when one and the same object can imposed more than once within the statutory period. This is a clear rule of the tax system functioning, the implementation of which is already guaranteed by the implementation of a set of principles: justice, minimizing of the endogenous expenses and principle of economic efficiency.

Non-discrimination means the lack of selectivity of the withdrawal regarding different groups of taxpayers, including social categories. This property is already defined by the principle of justice. It is very important to determine here the set of tax payers and the procedure of taxation on the basis of residency signs rather than citizenship of the country. In our opinion, the latter is special characteristics of the national tax policy and therefore cannot be considered a strong argument for the introduction of non-discrimination as a part of the basic principles of taxation.

The principle of state monopoly on the taxes imposition means that only the state and its special authorities must establish order and implement the tax withdrawals. This also applies to any other obligatory payments not related to the sale of goods and services rendering. Since taxes, as it is known, are one of the main methods of mobilization of government revenues, the sign of the monopoly is already included in definition of the tax as an economic category. In this regard, it may not be reconsidered as a basic principle of taxation.

4. Discussions

4.1 Principles of Tax Regulation Economic Development

An analysis of the reasons of the global financial crisis and its consequences requires rethinking of the principles of the state tax system functioning, essentially determining the character of economic relations of subjects (Toder, 2000, p. 362; Glotova II, 2014, pp. 536-541). The main efforts of the government should be aimed at encouraging business development and raising of the population living standards. In this regard, the role of taxes should be transformed in the national economic system and its regulatory properties should be strengthened (Trukhachev, 2014, pp. 478-482; Mayburov, 2012, pp. 10-12; Goncharenko, 2011, p. 21).

The tax system in the first place, must completely comply with current and long-term objectives of economic policy. Secondly, its tools should acquire the ability to neutralize possibilities of unreasonable differentiation of incomes. Third, it should provide social protection of the population. Fourth, the implementation of the basic functions of the tax system should be aligned with the objectives of economic growth stabilizing and stimulating. Fifth, it is necessary to ensure the harmonization of the tax system in the structure of the world economic space. Sixth, the processes of planning, informing and controlling under the conditions of "feedback" should be continuously improved. Consequently, the modern requirements of the sustainable tax system functioning require the adding the basic taxation principles regulating the tax system (Figure 1).

The principle of compliance with objectives of economic development reinforces the unity of the tax and budget systems, assumes a coordinated selection of complementary tools for implementation of the appropriate functions. This is provided by the concurrence of public and financial objectives of taxation, because these withdrawals are made, first of all, in order to provide subjects of public power with the ability to pay.

The principles of income leveling and social protection of the population determine the goal of achievement of social justice. They agree with the relevant principles of A. Smith, but gain some additional meaning. The first one is aimed at reducing the gap in the levels of income through higher withdrawals from the rich citizens. The second one is based on need in targeted financial support to socially vulnerable groups by the provision of tax remissions.

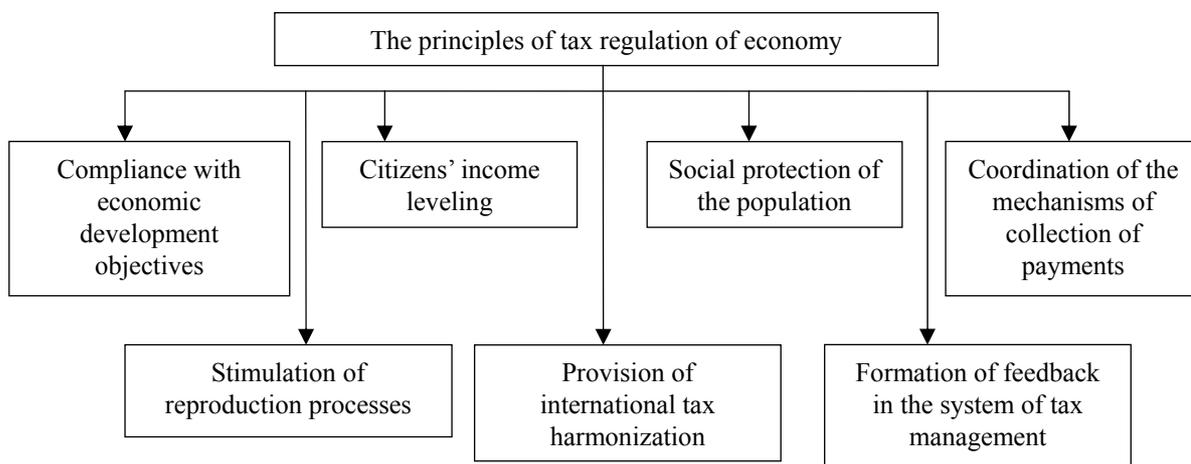


Figure 1. System of principles of the economic development tax regulation

The principle of feedback formation is expressed by the need of the complete implementation of fiscal and regulatory functions of taxation. To make a proper analysis of the taxpayers' state, their ability to pay, to implement effective control measures reliable information communication between the managed and the managing subsystems of tax management should be established.

Modern realities of economic development determine the feasibility of predicting of the probable behavior of the taxpayers in an unstable environment. Imperfect construction of some taxes can lead to the desire of economic entities to minimize the tax burden. For example, tax rates on personal income, social contributions, tax on income are distinguished by interdependence: correction of a part in one of them inevitably causes changes in total tax revenues. In this regard, the principle of harmonization of tax collection mechanisms, which are closely connected between each other through the elements of the tax base and objects of taxation, should be considered very actual.

Deepening of the integration of national economies into the global economic space requires taking into account the proven international practice while forming the tax system of the state. The mechanisms of its functioning should comply with purposes of development of international trade and mutually profitable economic cooperation, as well as stimulation of economic growth in general. This determines a high degree of importance, respectively, of the principles of international tax harmonization and stimulation of reproduction processes.

4.2 Analysis of Economic Feasibility of the Concepts of the Value-added Tax

As an example of use the basic and regulating principles for assessment of the economic feasibility of the concepts of taxation, let's consider the value added tax (VAT). In the scientific literature it is considered both as consumption tax and a transaction tax (sale). The value added tax is the most difficult to classify, taking into account the composite nature of its tax base (Aronov, 2006, p. 591, Gvozdikova, 2009, pp. 131-135).

Chapter 21 of the Tax Code of the Russian Federation enables to consider VAT as the consumption tax, as well as the transactions tax (sale). As the objects of taxation the following things are specified: the sale of goods (works, services) on the territory of the Russian Federation; transfer of goods (works, services) for own needs; construction and installation works for own consumption; the import of goods into the territory of the Russian Federation. This causes the deformation of the entire concept of VAT as a turnover tax, which is bored by population.

In our opinion the concept of the tax, should proceed not from the formal characteristics of the taxation object (value added), but from the purpose and sphere of action of the payment. Value added tax, being a modification of turnover taxes, is intended to perform fiscal function, as well as to fix the incomes not subject to direct taxation. Indicating the properties in the consumption tax, it is more adapted for regulation of the consumer market, of ensuring equal economic conditions of its subjects, successfully used to protect domestic manufacturers than others.

According to the concept of VAT as the transactions tax, not consumers, but directly taxpayers become tax bearers. The additive method, which allows eliminating test-invoice scheme of calculation and compensation of "input" VAT, plays the role of the basic method of the tax liability calculation. In this regard, the composition of tax preferences is somewhat different and focuses exclusively on taxpayers.

To assess the preference of selection of one of the two concepts of value added tax it is necessary to determine their degree of compliance with basic and regulating principles. The results of the analysis are presented in Table 1.

Table 1. The results of the comparative analysis of economic feasibility of the concepts of value added tax

Principles	Concept of the consumption tax	Concept of the transaction tax
of economic efficiency	Does not prevent the growth of the resources volume	Does not prevent the growth of the resources volume
of minimization of endogenous expenses	Simple mechanism of withdrawal and relatively high expenses for control of repayment of the "input" VAT	The mechanism of withdrawal and expenses control measures comply with the indicators of income tax and social contributions
of adaptability of the tax system	Dynamics of tax revenues complies with a change in gross domestic product	Reduction of payments during a recession period and the need for periodic correction of the withdrawal mechanism is inevitable
Of transparency	The tax bearer does not receive information about the value of tax payment	The taxpayer can manage his or her obligations, maneuvering indicators of profit and payroll budget
of justice	It does not cause protest opinions tax bearer, but admits the possibility of distortion of information about the size of incomes and expenses	It can encourage expansion of shadow activity and hiding incomes from taxation
of compliance with the purposes of the economic development	It supplements the budgetary instruments of regulation of the economy and social sphere	It supplements the budgetary instruments of regulation of the economy development
of income leveling	Does not occur	Does not occur
Social protection of the population	The tax burden is reduced for socially vulnerable groups of population	Does not occur
Of coordination of mechanisms of collection of payments	It minimizes the consequences of the tax inequality by introducing preferences	It simulates the effect of double taxation of income and encourages delinquency in payment
Of stimulation of preproduction processes	It stimulates the economic growth by increasing the deduction for the amount of taxes payment increased on the goods of investment purpose, and protects domestic manufactures	Does not occur
Of provision of international tax harmonization	It complies with the international practice and existing standards	It does not comply, because it assumes the exports taxation and the lack of import taxation
Of feedback formation in the tax management system	Feedback is set by the rational system functioning organization	It leads to complication of the tax administration and the implementation of the feedback function

Analyzing the data of the Table 1 we can conclude that the concept of value added tax as consumption tax currently being implemented in the Russian Federation, complies with most of the basic principles of taxation. Here only one principle is not fulfilled -the principle of transparency. It is confirmed by the current practice, which indicates the presence of a significant amount of used schemes of VAT delinquency. In particular, some organizations often unreasonably try to obtain the right in refunds, an increase of their size, or in release from the VAT taxpayer obligations. When the preparation of the relevant documents is systematically organized, the revealing of the economic entities violating the fiscal discipline is very difficult.

As for regulating principles of the taxation the concept of the value added tax as the consumption tax, is also positively characterized in general. Meanwhile, the principle of income leveling is not properly expressed here. Prospects of its modernization in the concept of the transactions tax can be positively assessed only in terms of some basic criteria: economic efficiency, minimizing the endogenous expenses, transparency. Concerning the

regulating principles this concept is considerably inferior to the first one, because it is positively characterized only from a perspective of compliance with the objectives of economic development. In terms of the coordination of mechanisms of collection of payments it can have a negative manifestation because of the multiplicity of the collection for various transactions within the overall business process. In these cases, business structures often violate fiscal discipline, rightly wishing to maximize profits. The implementation of feedback function in the system of the administration of the transaction tax appears very difficult.

Thus, the comparative analysis enables to consider the concept of the value-added tax as the consumption tax more preferable. As for the alternative concept of VAT as the transaction tax, it satisfies the larger number of basic and regulating principles of taxation.

5. Conclusion

Improvement of the instruments of state regulation of economic relations includes the periodic changes of the current procedure of tax impositions. This is the necessary condition for stimulation of economic growth and rising of living standards of the population. Modernization of tax policy often causes contradictions between the interests of the state, business and citizens. In this case, economic development is constrained, fiscal revenues are reduced, and financing of social sphere is reduced.

Transformations in the field of tax policy must not be done intuitively or by simple copying of proven international experience, because the price for the errors can be too high. National peculiarities, the mentality of the general public of the country, the historical experience of the tax collection in the formation of the revenues of state budget, as well as the generally accepted system of the taxation principles should always been taken into account.

In the course of development of the economic theory the system of basic principles of the taxation was formed, but the scientific debates regarding its composition continue up to date. Some scientists suggest supplementing the known system with the principles of universality, certainty, stability, exemption production factors from the taxation, one-time taxation, non-discrimination, the state monopoly on the collection, etc. In our opinion, this is not reasonable, because most of the proposals consider private manifestations of the basic principles of taxation which are already known: the principles of justice, adaptability, transparency, minimization of endogenous expenses and economic efficiency.

Economically feasible decisions to change tax legislation now must be made not only taking into account the basic principles of taxation, but also others, which determine the modern dynamic nature of many internal and external processes. The latter ones allow consideration of the impact of the global crisis processes, national peculiarities of the country, and targeted priorities for the development of society in the current and strategic perspective on the economy of the state. These principles do not complement the system of basic principles, but form a separate set of regulating principles of taxation.

The basic regulating principles of the economic feasibility for the concept of modernization of the taxation system are as follows: compliance with the objectives of economic development, the citizens' income leveling, social protection of the population, the coordination of mechanisms of payments collections, stimulation of reproduction processes, ensuring of the international tax harmonization, the formation of feedback in the system of tax management. Only the concept of transformation of national tax system complying with basic and regulating principles of taxation can be recognized as economically feasible.

The concept of taxation reformation should be economically feasible and considered as a model accepted for introduction on the basis of the comparison of alternatives. Compliance of the model with the basic principles of taxation is a necessary condition for economic feasibility of the proposed changes, but the compliance with the regulating principle is sufficient. Only the concept which can meet the requirements of both necessary and sufficient conditions of the economic feasibility can have prospect of successful implementation.

The results of the comparative analysis of economic feasibility of the two concepts of value added tax - as the consumption tax and the transaction tax indicate that the first one is preferable. The concept of VAT as the consumption tax complies with to the most basic and regulating principles of taxation, which enable to make a conclusion of its positive impact on the processes of harmonization of economic interests of the state, economic entities and population.

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