Regulatory mechanisms of the tax policy

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In this article we justified the priority directions for the regulatory mechanism's development, considering the importance to foster economic growth to increase the fiscal efficiency. We evaluated the level of taxation in Ukraine and the European Union. We found out that the tax structure has a significant impact on economic growth. Corporate tax is particularly harmful for economic growth, because affects the investment behavior of corporations that are making a significant contribution to total output. Taxes on labor have a greater negative effect on growth than the taxes on consumption because they are in progressive to a large degree, as well as they tax income from savings and investments. Our investigation showed that advanced economies more actively used the regulatory mechanisms of tax policy to stimulate new research and development, to increase investment in science-intensive production sectors. We propose the statements for introducing an investment tax credit on R&D, which is given at the initial stage of the innovation process and is calculated based on the amount of investment in the creation of qualified tangible and intangible assets, reducing the amount of actually accrued tax, which would stimulate capital investments in science-intensive sectors of the economy; an investment deduction of expenditures on R&D, which is calculated as a percentage from the sum of the actual or estimated costs for the creation, acquisition, or reconstruction of certain qualified types of tangible and intangible assets. In the survey a balanced approach to the tax policy in order to create financial conditions to counteract import expansion and to stimulate domestic export-oriented manufacturers is presented. Moreover, we proposed the tax incentives for the institutional motivational mechanism to stimulate economic development based on the innovative-investment approach, which would comply with the basic principles and guidelines of the advanced economic development.

Keywords: tax policy; tax regulation; tax initiatives; fiscal efficiency; economic growth.

Introduction

Tax policy influences the effectiveness of financial and economic transformations in the system of public finance, stimulating the economic growth, accelerating the intensification of investment activity. Tax regulation in the modern form has become an integral part of the country's socio-economic relations. The use of the regulatory potential of the tax system as a tool of financial and economic regulation is an important issue in the financial theory and practice. Application of fiscal mechanism must be implemented in a way that does not reduce or undermine the confidence of economic agents towards the tax system, the authorized governmental bodies, and the state as a social institution. By using effective mechanisms of tax regulation, the government strives to create and maintain favorable conditions for the sustainable economic growth, for resolving social problems, for the strengthening of public finances. Tax regulation is complex and purposeful influence of the state on the system of socio-economic relations, by organizing them, in accordance with the strategic and tactical objectives for the socio-economic development in the interests of society. From a purely fiscal tool, the tax mechanism evolved into a comprehensive regulatory tool designed to solve the problems of society, which is
confirmed by the successful implementation of the policy of economic regulation in many countries. The current mechanism of tax regulation is a set of legal norms, principles, methods and forms, subjects and objects of state regulation of tax relations through a variety of tools to ensure the country’s socio-economic development. Improving the quality level of institutional support for the fiscal policy requires the implementation of the principles of unification, complementariness, systematic and adaptive efficiency in the process of its formation. Financial instruments for the implementation of the principles of taxation are taxes and fees, and the levels of action are the tax rates and fees, the order of their calculation and payment, privileges and sanctions. Components of the tax mechanism are the tax law, tax planning and forecasting, tax management, tax penalties, tax rules and regulations when implementing the tax policy must adhere to the principles of taxation. The most common methods of tax regulation include investment tax credit; selection and setting the tax rates; deferral of taxes and fees; tax amnesty; international treaties on avoidance of double taxation; tax holidays; tax deductions. In the framework of the general mechanism of tax regulation one may distinguish individual mechanisms and classify them, depending on the scope of the regulatory action, as follows: systemic mechanisms of tax regulation; comprehensive mechanisms of tax regulation; local mechanisms of tax regulation.

The goal of this study is to justify the priority directions for the regulatory mechanism’s development, considering the importance to foster economic growth to increase the fiscal efficiency.

Materials and Methods

Theoretical and methodological bases of this study are represented by the scientific works, addressing the problem in question, of domestic and foreign scientists. The dialectical, systemic and structural approaches, the methods of analysis, synthesis, comparison, generalization, and scientific abstraction were applied.

Results and Discussion

The systemic mechanisms of tax regulation, which are embedded in the tax system, include the structure of taxation system: the ratio of national and local taxes and fees, direct and indirect taxes on property and capital, on legal entities and individuals, etc. The simplified system of taxation, accounting and reporting, is a special mechanism for collecting taxes and fees that establishes the replacement of paying certain taxes and fees with a single tax payment with the simultaneous simplified accounting and reporting. The complex mechanisms of tax regulation include specialized tax regimes (activities in the field of agriculture and forestry, as well as fishing; activities on art collectibles or antiques) and taxation of taxpayers under conditions of an agreement on production sharing. The mechanism of specialized tax regimes regulates activities in the field of agriculture and forestry, fisheries, as well as activities for products of art collectibles or antiques. Such a mechanism of tax regulation includes a system of measures that define a specialized procedure of taxation for certain categories of legal entities that meet certain criteria, by assigning taxes and fees to such taxpayers in line with a specialized order for determining the elements of tax and fees, exemption from certain taxes and fees. The mechanism of tax regulation consists of many elements, which are the separate tax tools. Significant impact on the effectiveness of tax regulation is affected by legal environment. From a narrow point of view, the mechanism of tax regulation may be represented as a set of tax instruments. The tools of tax regulation may be classified in terms of economic or administrative approach. The most important of them are: the general level of taxation, which affects economic processes; the structure of the system of taxes and fees — defining the state and local taxes and fees; the ratio of direct to indirect taxes, which determines the allocation of the tax burden on the manufacturer and the consumer; the tax rate. It is one of the most important tools of tax regulation. The regulatory effect is achieved through the establishment of basic, boundary, absolute and relative rates of taxes; tax benefits; determining the set of payers of taxes and fees; the procedure for calculation and payment of taxes and fees; objects of taxation; the procedure for determining the base of taxation; the terms of payment of taxes and fees; the procedure for calculating the amount of a tax or a fee. For example, when calculating the income tax on individuals, the state takes into consideration the size of the state’s social standards (minimum wage, a living wage for a workable individual); tax control; responsibility; tax rebate; the rights, obligations, and liability of officials from regulatory agencies; the duties and rights of taxpayers that affect their behavior through the established obligations and rights.

The struggle for economic resources of development requires studying the issue on the country’s internal tax climate, which is determined by the ratio of the institutional tax indicators as a result of the policy of tax regulation.

One of such defining indicators for tax regulation, which affects the choice of a country for starting a new business or to expand already existing, is the tax rate on enterprises’ profit. Ukraine does not belong to countries either with the lowest tax rates on enterprises’ profit (Uzbekistan, Turkmenistan, Hungary, Montenegro, Bosnia and Herzegovina, Bulgaria, Kosovo, Kyrgyzstan, Qatar, Moldova, Cyprus, Ireland, Liechtenstein) or countries where enterprises’ profit is taxed at the highest tax rates (United Arab Emirates, the United States of America, Argentina, Malta, India, France). The current tax rate on enterprises’ profit in Ukraine (18 %) makes it possible to maintain the parity between the interests of the government and legal entities, it is acceptable, taking into consideration the factor of tax competition between countries, as it is lower by 4.96 percentage points than the average rate for all 202 countries in the world – 22.96 %.

The domestic tax rate on enterprises’ profit is: almost the same with the mean rate of 49 countries in the European region – 18.35 %; lower by 3.82 percentage points than the average tax rate on enterprises’ profit in the member states of the European Union – 21.82 %; lower by 6.18 percentage points than the tax rate on enterprises’ profit in a group of member states of the Organization for economic cooperation and development.
and development (24.18 %) with the highly developed economies.

A significant impact on the economic situation in the country is exerted by a tax rate on the value added tax. The domestic VAT rate is 20 %, it is 2 percentage points lower than the average rate in 27 EU member states.

The countries in which the standard rate of VAT is lower than that in Ukraine include Luxembourg – 17 %, Malta – 18 %, Cyprus and Germany – 19 %. In countries such as Austria, Bulgaria, Estonia, France, Romania, Slovakia, the United Kingdom, the analyzed tax rate is like that in Ukraine. In Greece, Ireland, Poland, and Portugal (23 %), Finland (24 %), Croatia, Denmark, and Sweden (25 %), Hungary (27 %), the VAT rate is considerably higher than that in Ukraine.

In many EU member states there is a differentiated approach to setting the rates of VAT on certain goods harmful to citizens: alcoholic beverages and tobacco products. For Ukraine, this practical approach could be one of the sources of additional budget revenues, and thus strengthen the social component in the tax regulation of consumption of harmful products. In such EU countries as Denmark, Sweden, Croatia, the VAT rate on alcoholic beverages, beer, wine, and tobacco is 5 percentage points higher than that in Ukraine, while in Hungary it is 7 percentage points larger. Relatively high VAT rates on alcoholic drinks and tobacco are in Greece and Finland. A great potential in terms of regulation of social and economic processes is demonstrated by a tax on individual income and social contributions. Ukraine, having reduced the rate of a unified social contribution to 22 %, belongs to the countries with a moderate tax load on labor. In 2018, the basic tax rate on personal income in Ukraine was 18.0 %. In 33 member states of the Organization for economic cooperation and development the highest boundary tax rate on personal income was greater than that in Ukraine, and in Hungary – 15 %, and Latvia – 8.5 % is generally lower. The rate of the unified social contribution – 22 % with a 18 % tax rate on personal income, makes it possible for Ukraine to have the overall tax rate on labor – 40 %, which is lower than that in 26 of the 35 member states of the Organization for economic cooperation and development. Only in the Czech Republic (31.1 %), Hungary (31.5 %), Latvia (19 %), Mexico (35 %), New Zealand (33 %), Poland (38.8 %), Slovak Republic (35.1 %) and Turkey (35.8 %) the tax burden on labor is lower than that in Ukraine.

Achieving sustainable economic growth is an important goal for any government, because it makes it possible to better provide for the needs of its voters. Low taxes, their small number are best for economic growth, improvement of the well-being not only of individual taxpayers, but the entire country. However, not every state, when funding its functions, could afford to maintain this rule. In those countries where a substantial part of GDP is redistributed via taxes and in which the boundary cost of taxation exceeds the maximum benefit, a negative result is possible, which manifests itself in a lower economic growth, reducing incentives to work and increasing the unemployment.

In general, the taxes on corporations’ profits are particularly harmful for economic growth, because they affect the investment behavior of corporations that are making a significant contribution to the country’s total output. The specificity of the negative impact of this type of taxation in Ukraine is in the fact that the domestic corporate sector, in contrast to small businesses, accounts for the greatest contribution to economic growth, and therefore the impact on GDP is much more pronounced than that in the highly developed countries where it is the small businesses that generate a GDP growth. Taxes on individuals’ income have a greater negative effect on economic growth than the taxes on consumption because they are in progressive to a large degree, as well as they tax income from savings and investments. In addition, income taxation of low-paid employees makes them abandon work and choose a social assistance instead of labor income. Tax on personal property of individuals has the least adverse effect on GDP per capita, compared with a situation where the taxation base is the property of corporations.

Under current conditions, the highly developed countries more actively use the tools of tax regulation to stimulate new research and development, to increase investment in science-intensive production sectors. Such tax tools, along with the other measures of government support, increase labor productivity, promote the emergence of new high-tech products, reduce the cost of already existing, stimulate exports, which ultimately contributes to the economic growth.

Research and development and innovations are important drivers to support and stimulate economic growth, which is why the highly developed countries are actively using tax instruments to encourage them, applying both an indirect state support (tax breaks), and direct state funding. Statistical data confirm the growth of general state support for business research, scientific research and experimental design work in such leading European Union countries as Belgium, the Netherlands, France, Austria and the United Kingdom. Given the important role of expenditures on R&D for increasing the level of knowledge, human capital and the country’s overall socio-economic development, in order to enhance competitive position on the international arena, Ukraine needs to move away from practices of fragmented approach and to use local tools of tax regulation of such expenditures, by developing the comprehensive and systemic mechanisms of their stimulation.

The above-mentioned conclusion is confirmed by a low place of Ukraine among other countries based on the statistical indicator of current and capital expenditures (public and private) on research and development as a percentage of the country’s GDP. According to data from the World Bank, countries with high revenues direct, for current and capital expenditures (public and private) on research and development, 2.5 % of GDP, on average. In Ukraine, this indicator is only 0.6 % of GDP, which is equal to such countries as Argentina, Costa Rica, Egypt, Ethiopia, and is significantly lower than the average indicator in the countries of Europe and Central Asia – 1.9 % of GDP. That is why the tax regulation in the medium and long term, following the example of the advanced countries, should encourage this driver for this country’s socio-economic growth.

At present, there must be a comprehensive approach to the use of tax regulatory tools in the promotion of innovation at enterprises so that such a state financial support is linked not only to the cost of R&D, but also to
achieving specific results: the introduction of new technological processes focusing on low-waste, sustainable processes that would enhance the environmental component in the activities of the state tax regulation, using as a tool to stimulate, the rent payments and the ecological tax.

The current tax elements for the regulation of innovation, research and development, engineering activities in Ukraine, which are represented in the Tax code of Ukraine, include: exemption from taxation (temporary) for enterprises that make aircraft; exemption from taxation on operations, including temporary; not inclusion of certain revenues the target charity help in the taxable income; not inclusion of certain revenues in the calculation of the overall monthly (annual) taxation; exemption on tax payment; not inclusion of certain objects to the taxation object; inclusion of certain objects of taxation to the object of taxation.

Table 2

<table>
<thead>
<tr>
<th>Tax title</th>
<th>Regulating element</th>
<th>Conditions to implement the mechanism</th>
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<tbody>
<tr>
<td>Income tax</td>
<td>Exemption from taxation of profits (before January 1, 2025) of enterprises that make aircraft</td>
<td>Payment of the cost of basic research, R&amp;D by a person who directly receives such funds from the account of the authority responsible for treasury service of budget funds.</td>
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<td>Exemption from taxation of profits</td>
<td>Free transfer of devices, equipment, materials, except excisable, to scientific institutions and scientific organizations, higher educational institutions of accreditation levels III–IV, included in the State Register of scientific organizations, which are supported by state.</td>
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<td></td>
<td>Exemption from taxation of operations (before January 1, 2019)</td>
<td>Supply to the customs territory of Ukraine of the results of R &amp; D performed for space activities.</td>
</tr>
<tr>
<td></td>
<td>Exemption from taxation of operations (before January 1, 2025)</td>
<td>Supply at the customs territory of Ukraine of results of R&amp;D, performed for aircraft engineering industry.</td>
</tr>
<tr>
<td>Tax on personal income</td>
<td>Non-inclusion to the taxed revenue</td>
<td>The amount of funds from the State budget of Ukraine to valid members (academician) and corresponding members of National Academy of Sciences of Ukraine, the Ukrainian Academy of Agrarian Sciences, the Academy of medical sciences of Ukraine, the Academy of pedagogical sciences of Ukraine, the Academy of law sciences of Ukraine and the Academy of Arts of Ukraine as a monthly lifetime fee for the holding the title of a valid member and a corresponding member.</td>
</tr>
<tr>
<td>Land tax</td>
<td>Exemption from taxation</td>
<td>Establishments of science, education, which are fully maintained at the expense of state or local budgets.</td>
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<tr>
<td>Rent fee for specialized use of water</td>
<td>Non-inclusion to the taxation object</td>
<td>Water that is supplied to scientific and research institutions, the list of which is approved by the Cabinet of Ministers of Ukraine, to conduct scientific research in the field of rice cultivation and to produce elite seeds of rice.</td>
</tr>
<tr>
<td>Rent for special use of forest resources</td>
<td>Inclusion to the taxation object</td>
<td>The use of the useful properties of forests for conducting research.</td>
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It would be advisable to introduce: preferential taxation which would take into consideration the costs of R&D, as well as the accelerated depreciation of capital expenditures on R&D, innovation and patent applications at the reduced taxation rate of revenues from intellectual property rights generated as a result of conducting R&D; the mechanism of a “patent window”, which provides a preferential rate of legal entities’ profit taxation when selling the patented innovative products; a preferential tax rate on personal income in the taxation of scholarships for doctoral students, as well as income in the form of wages for participants of the state scientific-research activities; tax incentives for private charitable contributions for R&D, but limiting their size and differentiated for individuals and legal entities, via targeted direction within the framework of clearly defined activities. One of the variants of such a stimulation could be providing an individual with a possibility to assign to the tax discount the amount transferred to innovative companies, research institutions, other state higher educational institutions and scientific research institutions.

It is appropriate to ensure control over the expenditures on R&D when applying tax breaks to provide them to payers who are already engaged in the analyzed activity over a certain period. Evaluation of the possibility to provide incentives for taxpayers must be performed in advance in order to reduce the risks of their inappropriate use. In order to minimize the risks of tax evasion when using the analyzed tax breaks, it is important to provide them (in case of exceeding a certain size) not at the initial stages of an innovation process but recognizing the fact of selling a finished innovation product. The above would also strengthen the effect of tax regulation at the final stage of innovation activity, namely when selling designed products or services.

The developed countries employ tax credits for scientific research and experiments (Scientific Research & Experimental Development tax credit); tax credits for innovative R&D (Innovation / Research and Experimentation tax credit); tax incentives for R&D (Research and Development tax concession). In many countries, the tax credit mechanism implies taking into...
consideration the overall amount of expenditures on R&D (the full-volume tax credit – R&D Volume-based Tax Credit). In certain instances, this mechanism defines the size of the tax credit, taking into consideration an increase in the expenditures on R&D over a certain tax period (R&D Tax Incremental Credit).

Such a tax support may increase the expenditures of taxpayers for R&D, to stimulate private investments in innovative research and development. A response to the tax benefits may be different and determined by the size of the payers, operations in high- or low-technology sectors of economy. The effectiveness of the tax regulation of expenditures on R&D for small businesses would be slightly higher, because for them the number of alternative sources of support (for example, banking loans) is much lower than that for big business. The size of private spending on R&D relative to tax benefits may be greater in the presence of a long-term state financial support for such taxpayers.

Some authors give an estimate of the price elasticity of additional expenditures for carrying out R&D as the ratio of change in the expenditures on R&D (in %) at a given change in the financial expenditures of the state to provide the tax credit (in %). The results of these studies indicate that the tax credit is an effective financial instrument for stimulating an increment of private expenditures on conducting R&D if the indicator for price elasticity is equal to, or greater than, 1.

Recommendations for improving the efficiency of state financial regulation of the development of investment-innovative activities using the leverage of tax regulations and tax incentives for the research and innovation activities include the need to incorporate the following into the domestic taxation mechanism: an investment tax credit on R&D (R&D Tax credit), which is given at the initial stage of the innovation process and is calculated based on the amount of investment in the creation of qualified tangible and intangible assets, reducing the amount of actually accrued tax, which would stimulate capital investments in science-intensive sectors of the economy; an investment (increased) deduction of expenditures on R&D ("R&D Super deduction"), which is calculated as a percentage from the sum of the actual or estimated costs for the creation, acquisition, or reconstruction of certain qualified types of tangible and intangible assets. By adjusting the amount of the deduction and thereby reducing the base of taxation on profits tax, it is possible to stimulate capital investments in science-intensive technology and developments at the initial stage of the investment process: investments in the advances economically safe and energy-saving production technologies; a special tax regime of preferential taxation of results of innovation activities "Innovation Box", which would provide a possibility for domestic companies to tax the revenues from intellectual property based on a lowered rate on profits in the case if such revenues exceed the costs of the development of intellectual property; a special tax regime "Patent Box" in relation to revenues from the use of intellectual property or their sale, which would stimulate capital investments in science-intensive innovation and technology; the accelerated depreciation that applies to equipment and materials that are used both for the purposes of scientific and technical research and in the creation of innovative technologies and products.

The state finance policy should provide support and development of high technologies, by giving tax incentives to highly technological industries, by increasing the intensity of expenditures from private and public sectors on research and experimental development (R&D). Based on the classification of the Organization for economic cooperation and development (OECD), such sectors include: a branch of information technology, aerospace, pharmaceuticals, electronics and telecommunications equipment, production of medical, precision and optical equipment.

Medium- and highly technological industries produce electrical machinery and equipment, motor vehicles, trailers and semitrailers, chemical products (except for pharmaceutical preparations), rail and transport equipment, machinery, and equipment. Medium- and low technological industries include construction and repair of ships and boats, manufacture of rubber and plastic products, refined petroleum products and nuclear fuel, other non-metallic mineral products, basic metals, and metallic products. Low technological industries produce and process wood, cellulose, paper, paper products, they involve printing, including publishing, production of food, beverages and tobacco, textiles, textile products, leather and footwear.

Ukraine is characterized by the average percentage of volume of general production in GDP – technological mode III (electrical, heavy engineering, manufacturing and rolling of steel, electricity transmission lines, inorganic chemistry, etc.), a large proportion of technological mode IV (car manufacturing, non-ferrous metals, synthetic materials, production of goods of long-term use) and a small fraction of technological mode V (electron, measuring, optical-fiber equipment, software, telecommunications, robotics, information services). For comparison, in the United States and China the greatest share of volume of general production in GDP accounts for technological mode V and the average share accounts for technological mode VI (molecular, cellular, nanotechnologies, nanobiotechnologies, nanonics, microelectron technologies, nanomaterials, etc.).

It is necessary to introduce the qualitatively new tax incentives for the institutional motivational mechanism to stimulate economic development based on the innovative-investment approach, which would comply with the basic principles and guidelines of the advanced economic development. Furthermore it is vital to enhance and expand financial regulation of the system of innovative development as part of the advanced strategy for economic development, based on the qualitatively new tax instruments and mechanisms taking into consideration a synergistic approach through the reinforcement and coordination of interaction between components of the system of interconnected totality “sectors of economy–budget–the country’s socio-economic development”. The real sector of economy forms the largest size and share in the total structure of tax revenues, thereby affecting the budgetary policy of the state, defining fiscal opportunities for ensuring budget financing of programs for the country’s social and economic development.

It is necessary to improve tax incentives for the pharmaceutical industry, specifically: production of medicines and medical products; development of new preparations and improving the terms of their storage, medical equipment and instruments of the new generation;
introduction of automation and robotics in the manufacturing process; conducting clinical trials of new pharmaceuticals, including with foreign regulatory requirements; creation of new biotechnologies.

This country needs to develop export potential of strategically important aviation and space-rocket industries. The products of such industries is the “business card” of a country in the field of international cooperation and trade, and therefore it is necessary to introduce tax credits for R&D for payers of tax and fees that develop new, or improve existing, and implement innovative: models of space vehicles or aircraft, techniques to increase power and reduce weight; technologies and methods of production; methods for fastening elements of structures and the tools for gluing them; alloys of structural materials; methods for molding, machining, and welding metals; techniques for machining and improvement of surface of aircraft; procedures for heat treatment; ways to improve productivity and reduce production cycles; methods of testing and verification that contribute to the improvement of the quality of products; techniques to increase power and reduce weight; large-scale industrial processes; automated and robotized production processes; alloys and composite materials.

Considering that in 2017 the largest amount and the share of imports, UDS 11699572.3 thousand and 23.6 % of the total volume, respectively, accounted for mineral fuel, oil and products of its distillation, it is important to regulate by taxes resource saving that would make it possible to reduce the energy component of the high level of import dependency of the national GDP.

In the framework of the development of the system of national security of Ukraine under conditions of the external hybrid aggression, the issue of energy saving, and energy efficiency is a key to ensuring national economic interests. Its solution would affect the further economic and social development of the country, which requires enhancing the institutional potential of tax regulation in the direction of stimulating energy-efficiency and energy-saving measures: design and development of energy-saving forms of buildings, buildings' facades, highly energy-efficient lighting, air conditioning systems, alternative heating and cooling systems; creation of materials that improve conductivity of electricity; construction of energy saving building structures; certification of LEED "Leadership in Energy and Environmental Design"; programming of electronic energy-saving control systems.

Tax regulation of the activity of enterprises in construction industry should stimulate construction, renovation, and technical re-equipment of buildings in order to reduce the volume of consumption of energy resources and to engage advanced energy-efficient technologies.

Tax regulation should create financial conditions to counteract import expansion and to stimulate domestic export-oriented manufacturers to meet the demand for goods not only in the foreign, but in the domestic market. The innovative expenditures that may be subject to the tax regulation via tax credits in the field of metallurgy include the following: development of new, and improvement of existing, processes, technologies for processing, techniques to process materials in industrial waste; improvement of durability of materials; development of new composite materials; new testing systems for products; improvement of methods for welding metals; development of new equipment for the production of goods; improvement of stamping processes; improving the reliability of materials; automation of production processes; improvement of production technology; reduction of metals contamination.

A pressing issue is to improve the efficiency of using the natural resources of the country, as part of the competitive advantages in foreign markets, by enhancing the tax regulation mechanisms for the development of agricultural complex. Providing tax credits should help increase the volume of production and sales of agricultural products with a high added value, enhance the competitiveness of agricultural enterprises in world commodity markets, the country's food and financial security. Such tools of tax regulation could be used by agricultural producers that perform activities related to: increasing the digestibility of feedstock; the development and implementation of innovative technologies to clean agricultural products from contaminants; reduction of industrial waste; the introduction of systems of sewage water treatment; improving the systems to store products; increasing the efficiency of pre-treatment of produce; improvement of the processes to segregate infected and high-quality products; increasing the nutritional value of produce; the development of an innovative product that is new to the internal and external markets, new biological preservatives that increase the terms of storage of products, the methods of selection, products with extended shelf life; introduction to the production processes of the product quality and safety management systems in accordance with the international standards ISO 22000:2005 "Food safety management systems. Requirements for any organizations within the food chain", ISO 22006:2009 "Quality Management Systems – Guidance on the application of ISO 9001:2008 in plant agriculture", as well as those industry and regional standards that acquired international status: GAPs, GlobalGAP, BRC, IFS; the introduction of new methods to increase crop yields and cultivation technologies; the development and practical implementation of new techniques to protect crops from diseases; improvement of the technique for harvesting crops.

Tax regulation should be directed to develop tourism and resorts by stimulating private investment. Such stimulation could be performed by introducing tax holidays (applying a zero-tax rate) for enterprises’ profits taxpayers that invest, expand, upgrade this sector. The practical experience of India demonstrated that the five-year tax break gave the incentive to powerful international tourist investors to build in that country the network of hotels, resorts, and conference centers (Hilton, Accor, Marriott, Bergruen, Cabana, Premier Travel Inn, and InterContinental). In addition, such companies have already announced plans to invest in the tourism industry of that country in the future. Some states of India provide during construction of new entertainment parks and cable roads a 100 % five-year tax exemption for investors. Other tools for tax stimulation of this sector could be the tax credits for a certain period for taxpayers that invest resources in priority tourist activities, areas or objects. It is necessary to develop tax regulation for subjects of tourist and resort industry, through preferential taxation of their profits subject to reinvestment of certain part of them into this business
activity, as well as the establishment of a dependence of low tax rates for enterprises' profits on the size of the investment being made.

The key objectives for government in the field of security and defense is the financial support and maintaining the country’s defensiveness under conditions of the external hybrid aggression, requiring the need to introduce the examined instruments of tax regulation for enterprises engaged in the development of: new, or improving existing, military products; production processes for making weapons, improving its productivity and compliance with regulatory requirements; innovative and cost-effective operational processes; new materials that improve function, safety, quality of weapons, reduce its weight and improve strength. The above would help strengthen the country's defensive potential and the possibilities for its protection.

Under current conditions, it is necessary to provide for the formation of an institutional environment for the implementation of the ideas of sustainable development based on a comprehensive strategy of state financial incentives to enterprises from all sectors of the economy that process, bury, detect, and dispose of waste. Tax regulation in this direction should include tax breaks that would make it possible for Ukraine to meet current trends in the development of leading countries on the principles of sustainable development. Such benefits should be given: for the development of new processes of irrigation and sprinkler systems for composting the waste, alternative methods for waste incineration, methods to deal with pathogenic microorganisms, methods for extraction and purification of waste landfills from gas pollution, methods for recycling, disposal or processing of used chemicals and by-products; for the design of new equipment for waste treatment; recovery of used fuel; for improving the existing systems of control over pollution, dumps and attempts to prolong their use; for introducing new, and improving existing, technologies to restore energy, systems approach in the environmental management of production, which is based on the requirements of international standards from the series ISO 14000; for research and development of new methods for wastewater treatment; for the design of control systems over pollution; for improving the systems of detection and control of air quality; for creating new processes to remove toxic waste; for the restoration of waste landfills or their renovation.

The above-specified tax regulation in all sectors of the economy, including housing and utilities complex, would make it possible to ensure efficient and safe waste management, to reduce its level of danger, to stimulate the implementation of modern innovative technologies for its disposal in accordance with European practice.

In order to form and implement the concept of advances economic development through enhancing the state’s role in providing the institutional conditions for the implementation of the strategic course of the structural modernization of industries, it is required to ensure: the creation of institutional tax environment and prerequisites for development and wide implementation of innovations in all sectors of the economy, the improvement of state’s policy of tax regulation in these areas, the introduction of qualitatively new tax instruments for the institutional motivational mechanism to stimulate economic development based on an innovative-investment approach taking into consideration the country’s features of socio-economic development, which corresponds to the objectives of the Agreement on the association between Ukraine, as one party, and the European Union, the European Atomic Energy Community and their member states, as another party.

Such mechanism and the tools of tax regulation should be directed towards stimulating and supporting investment-innovative changes in the identified promising and strategically important sectors of the country's economy; development of new, higher technological modes V and VI; scientific and technological upgrading of enterprises in traditional industries representing technological modes IV and III; production and export of highly technological products with a high added value, which brings along significant export revenues; development of industries based on the principles of sustainable development; financial support and maintaining the development of the country's military capabilities under conditions of the external hybrid aggression.

It is necessary to implement in Ukraine the system of preferential taxation of endowment funds – targeted funds intended to use for non-commercial purposes (financing the institutions of education, medicine, culture).

Conclusions

The fiscal efficiency extremely depends on the tax structure, taking the taxation of productive resources and consumption into account and the time lags’ effect. Taxes on consumption has a nonsignificant impact on economic growth, however taxes on labor and on capital could slow growth down. We defined that the priority directions in the development of tax regulation should include: construction of efficient mechanisms to tax operations in the digital economy; improvement of rules for controlled foreign companies; further improvement of constraints in the dilution of the taxation base; extension of mandatory and clear rules for disclosure of information about taxpayers and the objects of taxation; improving the effectiveness of mechanisms to resolving tax disputes; improvement of the mechanisms to change bilateral tax agreements. It is necessary to introduce the tax incentives for the institutional motivational mechanism to stimulate economic development based on the innovative-investment approach. It would be advisable to introduce: preferential taxation which would take into consideration the costs of R&D, as well as the accelerated depreciation of capital expenditures on R&D, innovation and patent applications at the reduced taxation rate of revenues from intellectual property rights generated as a result of conducting R&D; the mechanism of a "patent window"; a preferential tax rate on personal income in the taxation of scholarships for doctoral students; tax incentives for private charitable contributions for R&D, but limiting their size and differentiated for individuals and legal entities, via targeted direction within the framework of clearly defined activities.
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