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"Global Challenges and Prospects of the Modern Economic Development"**THE TAX SYSTEM AS A REGULATOR OF THE MARKET
ECONOMY**

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mvkvv@yandex.ru***Abstract***

The article is aimed at the analysis of the role and importance of the tax system in the Russian Federation. The authors identify shortcomings in the tax system, propose measures for improvement the efficiency of the tax system that meet the financial stability requirements and correspond with goals of the economic growth of the country. The imperfection of the tax system and the instability of tax legislation in Russia are one of the factors hindering the development of the domestic economy. The tax system of the country is designed to create favorable conditions for improving production efficiency, eliminating imbalances in the economy, increasing the role of small and medium-sized businesses in the formation of budget revenues, to contribute to the growth of living standards. At the same time, the tax system cannot be frozen, so it must take into account and respond to changes in a timely manner. The existing tax system in Russia needs further improvement. The main improvement directions include stimulation of measures aimed at income increase, transition to new principles of tax collection, expansion of the rights of the tax legislation, improvement of the reform system, as well as the development of measures to prevent tax evasion.

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1. Introduction

Taxes are a necessary element of the mechanism of the state regulation in the market economy, without this element its purposeful development is unthinkable, taking into account interests of the whole society. The modern state of the Russian economy requires searching for fundamentally new approaches to managing it in the conditions of the economy recession, various crisis phenomena, sanctions, the decline in oil prices, etc. Among many economic levers by which the state affects the economy, an important role belongs to taxes.

The existing tax system in Russia needs further improvement to increase incomes, implement new principles of tax collection, expand the rights of the tax legislation, improve the existing reform system, and develop measures for prevention of tax evasion.

The scientific relevance of this work is determined by the strengthening role and importance of the tax system as a regulator of the market economy, as well as a tool for promotion and enhancing the development of priority sectors of the domestic economy. This fact became especially significant in the conditions of the import substitution policy approved by the government of the Russian Federation. Besides, it is the competent use of tax policy and flexible tax rates that public authorities can use to effectively carry out the planned state activities in the most popular area of the economy today – namely, in the development of high-tech industries, various innovations and promising breakthrough technologies. The existing tax system is the subject of discussions that remains relevant throughout the period of market reforms of the Russian economy. The experts consider prospects and efficiency of the applied methods and ways by reforming the economic system.

2. Problem Statement

The scientific and theoretical basis of the article includes works of Russian and foreign scientists on theoretical and practical issues of the tax system of the state. Of particular interest are the works by Volkov (2017), Kozhenko (2015), Popov, Musyka, and Kozhenko (2017), and others. The analysis of scientific literature and real practice shows that taxpayers bear legal responsibility for non-performance or improper performance of their duties in accordance with the legislation of the Russian Federation. Taxes are the main source of replenishment of the government budget. Currently, the tax concept of the Russian Federation does not meet the needs for innovative development of the state.

3. Research Questions

The research questions for this study are: to define the term "taxes" and determine their role in the development of the Russian economy in the nearest future; to consider the current state of the tax system in Russia; to identify the role and importance of the tax system as a regulator of the market economy.

4. Purpose of the Study

The main purpose of this article is to consider the role and importance of the tax system, identify shortcomings in the tax system, and propose measures for the efficiency improvement of the tax system that meets requirements of the financial stability and economic growth of the country.

5. Research Methods

To achieve this goal, the authors used methods of analysis, comparison, synthesis and logical deduction. The facts from scientific and professional publications, periodic and non-periodic press are also analyzed.

6. Findings

According to many economists, the priority among the existing methods of the state influence on the economic processes belongs to the tax system. This state of the art is largely explained not only by the possibility of influencing economic actors at both the federal and regional levels, but also by the fact that taxes are used to fill the country's budget, and therefore the possibility of the state to spend money on various economic and social projects.

In the modern economy, tax regulation is one of the most important financial instruments, as well as an integral part of the state regulation of the economy. The role of the tax regulation in the modern economy has increased significantly, changed and become more complicated. This was facilitated by the impact of globalization, macroeconomic instability and Western sanctions against Russia (Arsenyeva & Yampolskaya, 2014).

The tax system can be called one of the most used and recognized management systems of economic processes that affects all participants of these processes without exception. In the conditions of market relations, not providing any possibility of permanent or direct impact on the participants of economic processes, taxes are and will be the main tool of the state control and influence. The entire arsenal of tax means used by the state for influencing the market participants can be called generally 'tax policy' of the state. The simplicity, depth and direction of the state tax policy are largely determined by prospects and efficiency of the economic system of the country, its future interaction with both internal and external economic partners. Underestimation by the authorities of this fact can adversely affect the economic entities operating in the country. For example, overstatement of tax rates can lead to a decrease in the business activity or even to the cessation of economic agents' activities. However, the use of various tax instruments, such as various types of benefits and discounts, can lead to the opposite effect – an increase in the business activity, the expansion of the geography of business functioning, an increase in the volume of sales of enterprises of both key and related industries, and an increase in their investment attractiveness. The tax system of the state can rightly be called the main economic way of interaction between the state and business, since it is through the tax system that the state interacts with the commercial interests of entrepreneurs and employees of enterprises, organizations, regardless of the departmental subordination used by enterprises, forms of ownership, means of production. The organizational and legal form of enterprises does not have any impact on the prospects for the use of taxes and tax policy in relation to an

economic entity too. Through taxes, relations between private entrepreneurs, the management of enterprises of all ownership forms and public authorities at various levels are mediated and determined in many ways. Such relationships can be traced through examples of economic interaction of economic entities with the budgets of the state at all levels, with representatives of the banking sector and trust funds. Regulation and adjustment of market activities are carried out by economic entities through the application of the local tax policy. These tools also determine the economic efficiency of production, investment and socially-oriented activities. Only through the application of the tax system the state can obtain the required resources which are necessary for the implementation of its social, political and economic objectives. Taxes are those mandatory payments that are collected by state institutions from economic entities, citizens of the Russian Federation in order to replenish the budgets of different levels. As a rule, a larger budget allows the authorities to carry out most of their expenses, to fulfill the social guarantees. Taxes are an important element in changing the levels of economic, social and environmental sustainability of societies around the world (Batrancea, Nichita, Batrancea, Cesar, & Forte, 2018).

In our opinion, the state services, that develop the tax policy and monitor its implementation, should be guided primarily by the interests of the economic entities of the Russian Federation, since their economic progress enables the solution of those economic problems that hinder the development of the country in the conditions of the competition with of foreign producers. Moving in this way, the state is able to meet the expectations of the population, expressed in the practical implementation of the urgent social needs. For example, in such spheres of the state activity as the development and implementation of social, economic, environmental and demographic policy. These areas of the state activity require appropriate funding, which, in turn, imposes strict requirements to the budgets at the federal, regional and local levels. Basically, the state budget is formed on the basis of tax revenues to the budget, as well as through the accumulation of funds on the accounts of the relevant extra-budgetary funds.

Taking into account the volatility and variability of economic processes, especially in conditions of the market volatility, the state should be able to respond to emerging economic challenges in a timely manner, which should imply the flexibility of the state economic policy and extensive tools to ensure the possibility of filling budgets at all levels with financial resources in the required volumes. In addition, the state is obliged to regulate the pace and direction of the economic life of business entities in order to achieve the economic goals set for the state.

The market economy is characterized by the probability of occurrence of various crises, the main of which include crises of under-production and overproduction. The crisis of overproduction is characterized by excessive economic activity of companies that have forgotten about the need for timely analysis of the volume of the consumer market and the deep strategic analysis of economic processes. The crisis of under-production, on the contrary, is marked by a lack of desire, for one reason or another, to carry out this type of the economic activity, which leads to a predominance of demand over supply in the markets of specific goods. It should be noted that taxes are a rare (by the degree of flexibility) economic instrument in the hands of the state, which allows it to effectively impact on the crisis of overproduction or underproduction of economic entities. In addition, taxes, as a flexible tool to influence the economic activity of legal entities and individuals, enables to timely impact on economic processes in order to

increase the revenues of the state and enterprises, and organizations of key sectors of the national economy, stimulate the economic activity of small and medium-sized businesses.

Lower tax rates may encourage people to work, save, and invest, but unless the tax cuts are financed by immediate spending cuts, they are also likely to increase the federal budget deficit, leading to lower national savings and higher interest rates in the long run (Gale & Samwick, 2014). A low tax rate encourages investment, its consequence is economic growth (Matusiak, 2018). Disputes about the number of taxes applied by the state to form budgets of all levels do not cease. On the one hand, it is easier for economic entities to pay a large number of small taxes from the point of view of the taxpayer's psychology. However, there is a difficulty with the large number of taxes and the calculation of the collected amounts. On the other hand, a small number of taxes leads to the simplicity of their perception on the part of taxpayers. The flexibility of the tax system reduces, as the same taxes apply to taxpayers engaged in various types of the economic activity. The tax regulation is not an independent direction of the state policy (as it is currently developed in Russia), but one of the important and effective tools for the practical implementation of the state policy. Therefore, the purpose of the tax regulation is twofold: on the one hand, to contribute most effectively to the implementation of strategic development goals of the country; and on the other hand, to ensure an optimal balance of private and public interests of economic entities – taxpayers (Maletsky, 2013). In particular, when formulating tax policies for national economies and designing public goods systems, governments can also take into account a sustainable development perspective to ensure a high quality of life for their citizens and focus on a long-term prosperous society (Stancil, 2010).

The main disadvantages of the Russian tax system are:

- a large number of changes, their chaotic nature, lack of consistency, which complicates the practical application of the tax legislation by taxpayers, and the tax administration by tax authorities;
- lack of incentives for the development of regions and municipal formations, which is associated with a predominance of the proportion of interbudgetary transfers from the federal budget in their budgets;
- the budget system of the country is dominated by the distribution (redistribution) of financial resources, alignment of territories with the help of regional budgetary security level;
- the current tax system has led to a sharp differentiation of regions in terms of socio-economic development, as well as the population in terms of real incomes, an increase in the proportion of the population with real incomes below the subsistence minimum;
- the model of federal relations with the regions is not effective enough to solve the problems of social and economic development of the territories.

Another shortcoming of the modern Russian tax system is that the concept of taxation has not been developed yet. In the context of the information and communication technologies use, that concept would take into account global trends, long-term public policy, the interaction of fiscal and regulatory functions of taxation and some other aspects (Evstigneev & Victorova, 2018). There is an urgent need to change the tax legislation related to the emerging field of electronic commerce. The development of taxation of the digital economy raises many concerns. First, it deprives governments of much-needed tax revenue, and second, it gives foreign digital companies an advantage over their tax competitors in the domestic market

(Nazarov, Mikhaleva, & Fomin, 2019). It is inappropriate for the state to increase the tax burden for even greater budget replenishment to the detriment of the population, as this can lead to the development of the shadow economy, as well as provoke social tensions. The development of an industrial enterprise depends directly on the tax policy chosen by the state. An indicator of assessing the impact of the state tax system on economic entities is the growth or decline in the business activity of economic entities. Ideally, enterprises should be taxed in a way that encourages investment activity and the funds withdrawn by the state do not play a significant role in the economic activity of enterprises.

7. Conclusion

To become as effective as possible, the tax regulation should be carried out according to the following principles:

- the interests of the state must coincide with the interests of the population;
- when determining taxes, it is necessary to take into account the financial condition of taxpayers;
- taxes should not have discriminatory nature;
- regulation documents related to the taxation should be made very accurately and prevent the dual values.

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