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MASTER'S THESIS

ON THE TOPIC:

Tax levers effects on the entrepreneurial activity development

Master's degree

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ABSTRACT

Master's thesis: 27 c.; 6 tables., 2 figures., 22 sources.

The relevance of the topic of work

Taxes are among the main branches of economic relations between the state and the enterprise since its inception. It is the main form of state income and the mechanism of economic influence on production, its dynamics, and structure on scientific and technological progress.

This work aims to study the mechanism of tax influence on the development of entrepreneurship in Ukraine.

The object of research is the process of application of tax levers to regulate business activities.

The subject of research is the economic relations arising in the process of tax regulation of entrepreneurship.

The first section of the master's thesis explores the theoretical foundations of tax levers in business development. The second section analyzes the impact of the level of the tax burden on the economic activity of enterprises. The third section presents ways to increase the efficiency of tax mechanisms for regulating business activities.

The legal framework includes regulations governing the tax regulation of entrepreneurship. The information basis of the work is scientific works, periodicals, Internet resources.

TAX LEVERS, ADJUSTMENT, TAX BURDEN, ENTREPRENEURIAL
ACTIVITY.

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INTRODUCTION

Taxes are among the main branches of economic relations between the state and the enterprise since its inception. It is the main form of state income and the mechanism of economic influence on production, its dynamics, and structure on scientific and technological progress. There is a constant transfer of the tax burden from one company to another in Ukraine, which is negatively reflected in their efficiency and competitiveness. In our opinion, the tax system's main problems lie not so much in high tax rates but in the uneven taxation, which is caused by excessive benefits of various kinds, in the unjustified exemption from taxation of certain industries, regions, and enterprises. In the current conditions of market relations and against the background of the crisis, taxes in Ukraine's economy have become one of the most significant items of expenditure of enterprises, which in some way is reflected in the level of their business and investment activities.

One of the problems that hinder the process of economic development of all without exception, the subjects of taxation and the state as a whole, is the current regulatory framework. The tax legislation of Ukraine is one of the most complexes in the legal system of Ukraine. At the same time, there is a tendency towards its instability. However, as its law enforcement practice shows, changes in the laws of Ukraine on taxation often cause new problems. Constant innovations in the legal framework do not meet the principles of stability and accessibility. The multiplicity and inconsistency of regulations make tax legislation difficult to understand for the average citizen and reduce the national economy's attractiveness for foreign investors. The most important problem of Ukraine's legislation regulating taxation is the conflicts between laws and bylaws, which are sometimes issued contrary to the content of laws or to complicate their implementation and establish additional instructions, instructions, clarifications approvals, etc.

This work aims to study the mechanism of tax influence on the development of entrepreneurship in Ukraine.

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1 THEORETICAL FUNDAMENTALS OF APPLICATION OF TAX LEVERS IN THE DEVELOPMENT OF ENTREPRENEURSHIP ACTIVITY

1.1 The role and place of tax policy in the development of entrepreneurship

Fiscal policy is the activity of the government in managing the revenues and expenditures of the state budget. In carrying out such a policy, the income policy, the expenditure policy, and the budget deficit (surplus) management policy are distinguished. Fiscal policy instruments play a special role in solving economic problems of economic growth, economic equilibrium, unemployment, inflationary processes, income redistribution, etc. The main of such instruments is the tax system, i.e., a set of taxes and fees levied by the state from payers in the manner and under the conditions established by tax legislation. Accordingly, one of the state's key tasks is to maintain the balance of the tax system to ensure economic growth and macroeconomic equilibrium.

The relevance of the research topic is that the imbalance of the tax system as an instrument of the state's fiscal policy is capable of creating uneven tax burdens, which can lead to a decrease in the development of private entrepreneurship in the country, an increase in the shadow sector of the economy, tax evasion and tax evasion. In particular, the departure of private sector entities to offshore zones, and, as a result, to a decrease in tax revenues, contributing to the disruption of the country's macroeconomic equilibrium. Thus, maintaining the tax system's balance as an instrument of the state's fiscal policy is its primary task.

If we talk about private entrepreneurship in general, experts note three main reasons for bankruptcies - stagnation in consumer demand, a rather slow recovery in investment demand, and an overly conservative policy of the NBU regarding the reduction of the key rate. Also, there are problems of increased competition, in particular with the shadow sector, a slowdown in price growth, and, as a consequence

of profitability, an acceleration in wage growth against the background of low unemployment, a tightening of budgetary policy, and an improvement in the work of the tax service.

As you can see, this list does not include the problem of taxation, which is relevant for today. We believe that the increase in taxes in the country is not at the forefront of reasons for insolvency for organizations. However, it takes place in the development of the state's economy. The following statement can confirm this thesis. In economics, there is such a term as "Laffer curve," which reflects the dependence of budget revenues on tax rates. Budget revenues increase only with a limited increase in rates, and with a significant increase, the amount of revenues, on the contrary, falls. Thus, private business entities have even more reasons for leaving the shadow sector. Also, according to analysts, the gradual real increase in taxes largely impedes development, investment, and stimulation of activities.

1.2 Analysis of publishing activity on issues of assessing the impact of tax levers on business development

A review of modern scientific literature has shown a significant interest in assessing tax levers' impact on business development. For example, T. Melikhova and O. Troyan, considering the impact of the tax burden on the level of tax security of both individual enterprises and the state as a whole, note that the effectiveness of the process of de-shadowing the economy is derived from the state's ability to create favorable conditions for business in the legal economy. And this result can be achieved by improving the country's investment and business climate and creating an institutional environment for which the shadow economy would be inefficient. A result of the study of the VAT tax burden and corporate income tax level showed that the company should pay more attention to tax planning to reduce costs and increase profits [10].

The state's tax policy in regulating economic development is considered in his work by M. Ruban. It should be noted that it is quite difficult to assess the impact of

tax policy on the real gross domestic product's level and growth rate in practical terms. Certain tax policy measures aimed at intensifying economic agents' business activity in a recession should a priori have a short-term effect, but at the same time are a stimulus for long-term economic growth. Elements of the tax system mostly impact economic development in the long run, particularly because it concerns fiscal regulation in the field of investment, the values of tax rates, and the amount of time to complete tax returns in doing business. The stability of the tax system largely determines the intentions of economic agents to implement their activities. Institutional principles of business development, the operation of property protection mechanisms, a transparent mechanism of tax administration, and the moderation of their rates in terms of groups of payers are key conditions for decision-making on investing in projects and business development [14].

In their work, A. Bakurova and A. Didenko use cognitive modeling of the impact of the tax system on the dynamics of entrepreneurship in Ukraine. Cognitive modeling in the tax sphere provides an opportunity to analyze the current situation in terms of the current tax system, identify the impact of selected factors on each other, and study possible scenarios for the development of target peaks based on fiscal incentives to predict the effects of tax changes [2].

N. Shalimova and G. Kuzmenko consider tax impact on the development of entrepreneurship in Ukraine through the prism of Ukraine's position in international rankings. They note that in recent years there has been a decrease in the number of business entities, while Ukraine's position in international rankings (including "Doing Business" and "Paying Taxes") is growing. Strengthening our country's rating in the world economic space in general and in various areas in particular (trade, financial, social, etc.) is impossible without the formation of a strong internal basis for development, which provides the tax system. Despite some positive developments, Ukraine can improve institutional, administrative, and economic leverage in this area. Simultaneously, measures that "artificially" raise the country's rating without real improvement in this area should be avoided, as this could negatively affect the

country's image and reputation, causing distrust in the system of public administration regulation [23].

The presence of scientific interest in the impact of taxation on business development can be traced by analyzing the volume of search queries in the Google Trends system. The results of this analysis are presented in Figure 1.1.

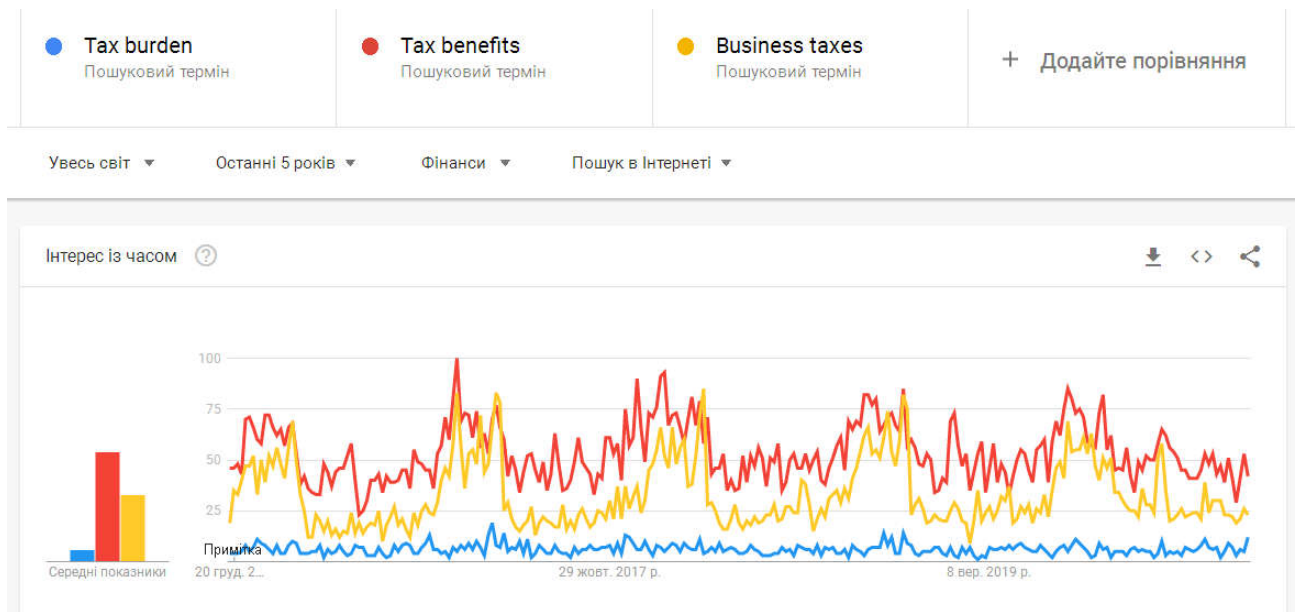


Figure 1.1 – Frequency of search queries on the impact of taxation on business development (compiled by the author)

As shown in Figure 1.1, the impact of taxation on the development of entrepreneurship in world science is of considerable interest over the past 5 years. Simultaneously, somewhat more attention in this regard is paid to the general issues of business taxation and the application of tax benefits, which indicates the relevance of this factor influencing the activity of entrepreneurial activity.

2 ANALYSIS OF THE INFLUENCE OF THE LEVEL OF TAX BURDEN ON THE ECONOMIC ACTIVITY OF ENTERPRISES

2.1 Relationship between the level of tax burden and macroeconomic indicators

Building an effective tax policy is one of Ukraine's most pressing problems because such a policy will allow achieving the goals and objectives facing the state. An effective tax policy of the country should be built by its socio-economic status and have a scientific basis, taking into account the need to ensure high socio-economic growth rates. The history of the tax system shows that it was used not only to fill budgets but also to regulate the socio-economic development of the country.

Table 2.1 - Tax revenues to the consolidated budget (UAH million).

	Consolidated budget revenues	Corporate income tax	Personal income tax and military duty	VAT	Excise tax	Import duty
1996	30219	5497	2593	6246	646	432
1997	28112	5792	3296	8242	1208	712
1998	28916	5694	3571	7460	1289	880
1999	33785	6182	4434	8459	1790	841
2000	49118	7698	6378	9441	2240	1407
2001	54935	8280	8775	10348	2654	1777
2002	61954	9398	10824	13471	4098	2152
2003	75286	13237	13521	12598	5246	3357
2004	91529	16162	13213	16734	6704	4707
2005	134183	23464	17325	33804	7945	6809
2006	171812	26172	22791	50397	8608	8173
2007	219939	34407	34782	59383	10568	9589
2008	297845	47857	45896	92082	12783	11933
2009	272967	33048	44485	84597	21625	6329
2010	314506	40359	51029	86316	28316	8556
2011	398310	55097	60225	130094	33919	10463
2012	445525	55793	68092	138827	38429	12986
2013	442789	54994	72151	128269	36668	13265
2014	456067	40202	72668	139024	45100	12389
2015	652031	39053	99983	178452	70795	39881
2016	782860	60223	138782	235506	101751	20001
2017	1016970	73396	185686	313980	115448	23898
2018	1184291	106182	229901	374508	132650	26560
2019	1289849	117317	275459	378690	137076	29855

Therefore, using the tax mechanism, you can achieve the above goals by implementing an effective tax policy. In today's world, no country can do without taxes because they are the main source of filling the state treasury, and here an important condition - is a perfect and effective tax policy. Such indicators determine the quality of tax policy as the tax burden and the complexity of calculation and administration of taxes. The tax burden indicator is a key indicator of the effectiveness of a country's tax system. The exaggerated tax burden, led by the general economic crisis, will help the shadow economy grow, promote the withdrawal of national capital abroad, reduce businesses' business activity, and slow down GDP growth. If the level of the tax burden is insufficient, the state budget will not support the funds. Therefore it will be impossible to perform the functions of the state government effectively. The creation of an optimal relationship between the state and taxpayers is supported by the balance of the tax burden on both individuals and legal entities.

Before calculating the tax burden indicators in Ukraine, it is necessary to assess the impact of total tax revenues on the main macroeconomic indicators of development (Table 2.2) formed based on [11-20].

Table 2.2 - Main macroeconomic indicators of UAH billion for 2010-2018 (compiled on the basis of sources [11, 12, 20, 22])

Year	Tax revenues	Consolidated budget revenues	GDP
2010	157.28	314.506	1082.6
2011	334.69	398.553	1316.6
2012	387.73	445.525	1408.9
2013	376.57	442.742	1454.9
2014	367.51	456.067	1566.7
2015	507.63	652.031	1979.5
2016	594.1	781.521	2429.9
2017	828.16	1016.97	2983.8
2018	986.35	1184.29	3558.7

Analyzing the macroeconomic indicators of Ukraine's development, it should be noted that during 2010–2018 there was a rapid growth of GDP in absolute terms

from 1082.6 to 3558.7 billion UAH; consolidated budget revenues increased from UAH 314.506 to UAH 1184.29 billion; the number of tax revenues increased from 157.28 to 986.35 billion. Examining these indicators, it should be noted that during 2010–2018 there was a significant increase in GDP in 2015 (1.26 times more than in 2014) and the forecast value in 2016 (1.22 times more), according to 2015), in 2017–2016 the situation is almost unchanged, but in 2018 we have a slight decline. The situation about the revenues of the Consolidated Budget of Ukraine - the largest increase was observed in 2015 (1.42 times more than in the previous reporting year), while in 2013 there was a downward trend compared to 2012, also in 2017. it is possible to note growth. Considering the dynamics of tax revenues, it is important to note the largest increase in 2011 and 2017, the smallest - in 2013 (Fig. 2.1).

Based on this, we can conclude that the dynamics are quite positive in general, except for 2013, which is characterized by declining dynamics in all indicators.

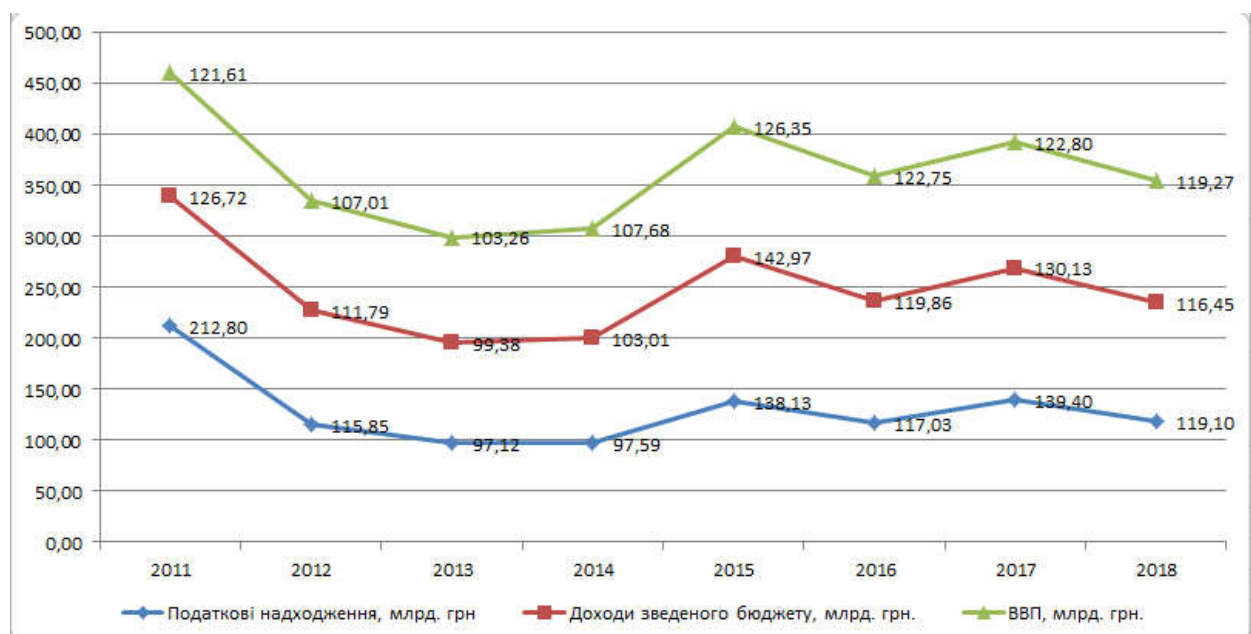


Figure 2.1 - Dynamics of GDP, revenues of the Consolidated Budget of Ukraine and tax revenues in 2011–2018 (built by the author)

On a macroeconomic scale, the tax burden reflects the effectiveness of tax policy, i.e., quantifies the total impact of tax payments on their payment sources. To study the state's tax burden, the actual tax revenues to the Consolidated Budget of

Ukraine about GDP are used. According to this method, we will determine the level of the tax burden in Ukraine; the calculation results are given in the table. 2.3.

Table 2.3 - The level of tax burden in Ukraine (based on sources [11,12,20,22])

Years	Tax revenues to the budget (billion UAH)	GDP (million UAH)	The level of budget tax burden (%)	Tax burden on labor (%)	Total level of tax burden (%)	Coefficient of covering the expenditures of the consolidated budget of Ukraine at the expense of tax revenues, (%)
2010	157.28	1082569	21.42	10.9	32.32	78.8
2011	334.69	1302079	25.47	10.59	36.06	84.7
2012	387.73	1411238	27.52	11.21	38.73	82.7
2013	376.57	1454931	25.88	11.47	37.55	70
2014	367.51	1586915	23.46	10.59	27.9	76.23
2015	507.63	1988544	25.7	11.2	30.7	80.1
2016	594.1	2383182	27.6	12.16	31.3	79.4
2017	828.16	2983882	27.76	11.7	36.5	83.2
2018	986.35	3558706	27.72	12.2	37.9	84.1

There is no clear trend in the level of the tax burden in Ukraine during the analyzed period. From 2010-2012 there is a slight increase, but from 2013 to 2014, we have a slight decline, and again from 2015-2018, we see a slight increase. By 2012, it is growing at a slight rate, then - then declines, then increases in general by 1-2%. The dynamics of the general level of the tax burden are shown in Fig. 2.2.

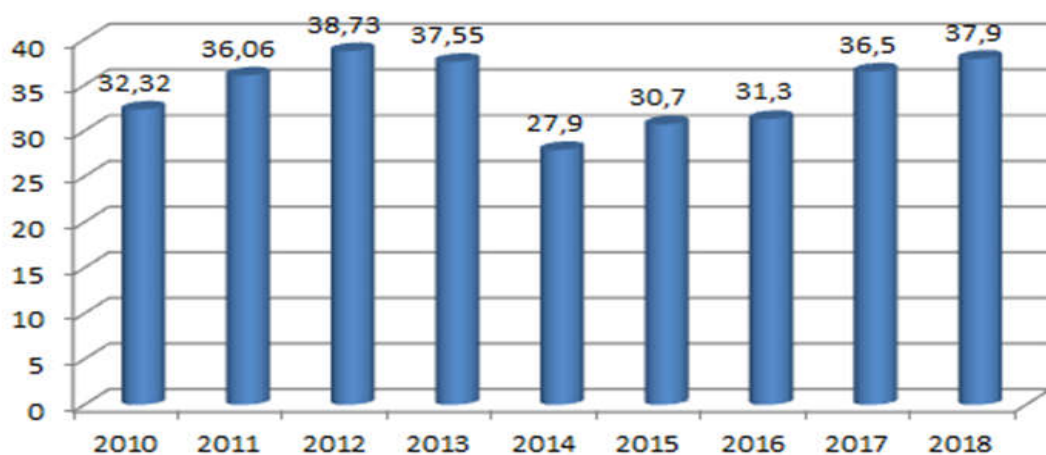


Figure 2.2 - Dynamics of changes in the overall level of the tax burden of Ukraine during 2010-2018 (built by the author)

As you can see from Figure 2.2, the tax burden on our country's economy with the adoption of the Tax Code has not decreased, but on the contrary - increased by 0.82%. For the analyzed period of time in 2010 - 32.32%, and in 2018 - 37.9%.

According to international ratings, Ukraine has an average level of the tax burden. Unfortunately, the tax system's inability in Ukraine is evidenced by the inability to identify its significant potential to stimulate economic growth. The lack of innovative development of the domestic economy through the creation of tax incentives also remains open.

2.2 Practical assessment of the level of tax burden on the financial performance of enterprises

The indicator of the tax burden at the enterprise level plays an important role in the enterprise's economy, as it is a study of the effects of the explicit and implicit impact of taxes on their taxpayers' welfare. The tax burden level calculation by the guidelines is based on the definition of two types of tax - income tax and value-added tax. It is worth noting that these indicators do not consider the tax burden on the enterprise as an integrated indicator because only two tax types are taken into account. Other tax payments account for a significant share of the total tax payments. In particular, it is necessary to consider a single social contribution, which is included in the enterprise's costs.

We will analyze the interdependence of the level of the tax burden and financial performance on the example of JSC "Nasosenergomash" Sumy and JSC "Poltava Turbomechanical Plant". Both companies work in mechanical engineering and occupy leading positions among industrial enterprises in the Sumy and Poltava regions. Data on cash flows contained in the financial statements of these enterprises were used to analyze cash flows. Performance indicators of enterprises are given in Table 2.4. and 2.5.

Table 2.4 – Performance indicators of JSC "Nasosenergomash" [1]

	2012	2013	2014	2015	2016	2017	2018	2019
Net income from sales of products (goods, works, services)	944845	1008705	1106496	1193407	1179993	1129151	1298638	1461210
Deductions for social events	57190	64376	67064	73338	49286	59732	67690	70791
Income tax liabilities	27535	38050	23212	33493	38058	31330	5141	27618
Value added tax liabilities	103	378	465	685	251	0	0	14531
Liabilities from other taxes and fees	22465	24838	27359	37049	45903	55518	65872	65652
Taxes and fees	50103	63266	51036	71227	84212	86848	71013	107801
Tax burden	11,36%	12,65%	10,67%	12,11%	11,31%	12,98%	10,68%	12,22%
Return on assets	6,39%	13,85%	5,01%	10,41%	9,30%	7,39%	0,08%	4,70%
Profitability of sales	9,16%	25,74%	8,18%	16,75%	15,73%	13,69%	0,14%	8,85%
Coefficient of autonomy	0,45	0,52	0,54	0,66	0,70	0,71	0,62	0,55
Current ratio	1,01	1,12	1,24	2,17	2,97	3,06	1,72	1,54

Table 2.5 – Performance indicators of JSC "Poltava Turbomechanical Plant"

[1]

	2012	2013	2014	2015	2016	2017	2018	2019
Net income from sales of products (goods, works, services)	294437	381700	306528	341164	230128	281895	331555	257977
Deductions for social events	21329	24731	25255	23524	14494	17556	20614	16522
Income tax liabilities	6029	6794	6450	851	9344	528	1998	0
Value added tax liabilities	6	6817	441	0	821	660	0	0
Liabilities from other taxes and fees	10172	11190	12307	12342	15798	19355	22627	18121
Taxes and fees	16207	24801	19198	13193	25963	20543	24625	18121
Tax burden	12,75%	12,98%	14,50%	10,76%	17,58%	13,52%	13,64%	13,43%
Return on assets	5,57%	6,90%	3,09%	14,89%	1,33%	0,49%	0,42%	1,72%
Profitability of sales	9,12%	6,85%	4,39%	23,59%	3,39%	1,21%	0,72%	3,87%
Coefficient of autonomy	0,33	0,46	0,47	0,59	0,67	0,59	0,59	0,60
Current ratio	1,33	1,44	1,31	1,73	1,83	1,86	1,86	1,88

In Tables 2.4 and 2.5, the tax burden ratio was calculated as the ratio of the total amount of taxes paid and social security contributions to sales revenue for the same period. As can be seen from the calculations' results, the tax burden of JSC "Poltava Turbomechanical Plant" slightly exceeds the similar characteristics of JSC "Nasosenergomash".

The proposed method of calculating the average tax burden covers all major taxes paid by the company. It can be used for analytical research in the field of taxation at the enterprise level and tax authorities to identify companies that evade taxes or use mechanisms to minimize tax liabilities.

To analyze the impact of the tax burden on the financial results of the enterprise, the appropriate financial ratios were calculated, namely: return on assets, return on sales, autonomy ratio, current liquidity ratio. When calculating profitability indicators, the value of net profit was taken as the financial result. Subsequently, with the EXCEL spreadsheet editor's help, a correlation analysis between the level of the tax burden and the calculated financial indicators was performed using the “Analysis Package” service. The results of the calculations are shown in table 2.6.

Table 2.6 - Correlation coefficients between the level of tax burden and financial indicators

	JSC "Nasosenergomash"	JSC "Poltava Turbomechanical Plant"
Return on assets	0,6134	0,6862
Profitability of sales	0,6711	0,6511
Coefficient of autonomy	0,1930	0,3585
Current ratio	0,2920	0,1647

The results of correlation analysis show that the tax burden level has the greatest impact on the profitability of the enterprise. There is no single approach to assessing the level of the tax burden on the enterprise in the scientific literature. Thus, the approaches to determining the tax burden used in work cannot fully and objectively reflect the real tax burden. Therefore, the results obtained do not give a complete picture and can not compare with the burden of taxes on other enterprises. The vast majority of approaches do not consider either individual types of taxes or costs related to taxation, business areas, industry, scale, and other important factors. After all, the ratio of the amount of taxes paid by the company to the value-added or revenue from sales without considering other aspects indicates the formal level of its taxation, rather than the tax burden on it. In this regard, it is necessary to form a unified approach to defining the tax burden concept's essence, based on improving further existing methods of calculating the level of the tax burden.

3 WAYS TO INCREASE THE EFFICIENCY OF APPLICATION OF TAX MECHANISMS OF REGULATION OF ENTREPRENEURIAL ACTIVITY

3.1 The impact of tax reforms on the development of entrepreneurship in Ukraine

Based on the analysis of the dynamics of budget revenues in Ukraine as a whole, it is worth noting the following: the authorities should refine the tax position of Ukraine, which in the future should remove obstacles to development and cooperation at the enterprise level to achieve viability and full functioning of small business and economy. Despite some shortcomings, there is no more effective alternative to a simplified taxation system in Ukraine to remain important in the coming years. To create an effective and sound tax system for small businesses, tax incentives, and improvement measures are needed. Among them, it is important to eliminate the main shortcomings of the existing tax system for small businesses and lay the foundation for forming a tax system that can stimulate production, innovation, and investment to introduce new quality forms of tax relations. The system of taxation of individuals for entrepreneurs should be improved: when calculating the number of tax liabilities, there is no relationship between the tax rate and the amount of income, there is no obligation to record income and expenses, and the use of registrars of settlement transactions, which leads to uncontrolled activities objects of management. As a result, actual income is hidden, and there is a tendency to evade taxes.

The state can achieve the results outlined in the concept of tax policy by using these instruments in three different directions: stimulation, support, and discouragement of taxpayers' actions. World practice shows that basically, the state seeks to use these tools to increase the interest of taxpayers in the implementation of priority, from the point of view of public interests, actions. In this case, the direction of the impact of such instruments is stimulating. The state disposes of a whole arsenal of such instruments, united by the common name "tax privilege" or "tax preference."

This includes a reduced tax rate, a deduction from the tax base, a direct reduction in tax, and other instruments.

Certain instruments are used to compensate for the losses of taxpayers from their actions that meet the national interests and aim to eliminate the negative impact of external factors on the results of their activities. This can be, for example, the transfer of losses on income tax (income) to reduce the tax base of future periods, a deferral (installment plan) of tax payment. If they carry out actions that are undesirable for the development of the economy and the solution of social problems, the direction of the instruments' influence is of a restraining or discouraging nature. A typical example of such use of tax regulation instruments is the increased excise rate on certain goods, leading to decreased demand and a corresponding reduction in production. At the same time, it is important to emphasize that the instruments themselves do not differ in the purpose of their use: the same instruments used by the state can influence the development of socio-economic processes in society in different directions.

Thus, summarizing the above, it should be noted that the instruments of tax regulation of the economy can have both a stimulating and discouraging and restraining nature by their intended purpose. When developing tax policy, the state should consider all aspects of tax relations: both the desire of economic entities to minimize taxes and the state's need to fully implement its functions. One of the most important points of a well-thought-out tax policy is a reasonable determination of the tax burden's optimal size, which requires serious analytical work to reach a compromise between the state and taxpayers. The methods and forms of using tax regulation instruments currently applied in the Russian tax system have shown insufficient effectiveness. In our opinion, an increase in the tax regulation system's efficiency can be achieved only if a clear macroeconomic strategy is developed and implemented within the framework of state regulation of the economy while ensuring a close relationship of the entire set of economic, financial, and tax methods. The current Ukrainian tax system can generate economic growth and an increase in

government revenues on this basis. But to achieve this goal, appropriate decisions of the executive and legislative branches of government are needed.

3.2 Application of incentive methods in tax regulation of entrepreneurship

At the present stage, the priority measures of tax policy to reduce the tax burden for the formation of favorable conditions for economic activity are not reducing tax rates, and institutional changes in the system of fiscal relations and taxpayers, structural optimization of the budget, improving the budget planning system and prognostication. Important priorities in the state fiscal service activities are improving the quality of the tax administration mechanism, developing electronic services for taxpayers, improving the model and institutional mechanisms of the state tax risk management [14].

One way to promote business development is by applying tax optimization principles, which are systematically related to all business management processes and is based on tax planning, analysis, accounting, and control. Optimization of the tax burden is a mechanism for implementing tax policy in the enterprise's economic practice, from goal setting to monitoring the effectiveness of the implementation of the selected option of taxation [7].

Currently, tax revenues from small businesses that use special tax regimes are relatively small. Single taxes under special tax regimes go mainly to regional and local budgets, for which they are essential. The share of revenues to the local budget from taxes such as the single tax is 100%. Therefore, special attention in matters of supporting small businesses should be carried out by municipalities' authorities. Only local authorities know the most competitive type of activity in a particular territory, the solvency of the population, which is consumers of goods, works, and services produced by small businesses. At the same time, the main goal of regulating these issues is to find a balance in the financial capabilities of consumers and the financial capabilities of small businesses to carry out financial and economic activities and fulfill their current obligations, including obligations for taxes and fees, insurance

premiums to non-budgetary funds and other mandatory payments. To stimulate capital investments in developed countries, an investment tax credit is provided - in the form of a deduction from the accrued income tax after the commissioning of new machinery and equipment. Currently, Ukraine uses three groups of tax instruments to stimulate innovation and investment financially:

- tax incentives provided to all taxpayers engaged in innovative activities; - tax benefits for residents of special economic zones;

- special tax incentives for small innovative businesses. The effectiveness of this toolkit is very low. The investment tax credit, successfully used in many foreign countries, is rarely used in Ukraine due to the complexity and bureaucratic procedures for obtaining it.

In general, it can be argued that the tax instruments and financial incentives used today and the planned steps to improve them do not prevent an increase in the number of people employed in small business and medium-sized businesses. It is necessary to look for reserves and focus on improving the efficiency of control over illegal labor activity and on creating a favorable investment climate, protecting the interests and rights of bona fide entrepreneurs, whatever the size of their business.

Effective use of the main instruments of tax policy, which include various methods of taxation, tax benefits, and discounts, investment tax credits, regulation of tax rates in the implementation of innovations, the use of accelerated depreciation, etc., will ensure the achievement of priorities for small businesses, namely: to create favorable conditions for investment, organization of new jobs, stimulating the production of innovative products, to ensure technological renewal of fixed assets on an innovative basis, to reduce the effects of the global financial crisis.

It should also be noted that the interests of the state are not limited to fiscal goals. After all, the interests of the state and taxpayers may coincide in terms of interest in growing real incomes, improving citizens' welfare and business development by providing conditions for economic growth, and increasing domestic producers' competitiveness. The basis of effective and economically sound tax regulation is a system of tax benefits and incentives. Tax benefits are advantages

provided to individual taxpayers, in the presence of which they may pay less or no tax payments. For a taxpayer, this is definitely a big advantage. To some extent, tax benefits are incentives for timely, full payment of taxes. However, the state through tax benefits reduces the potential inflow of financial resources, which are then distributed in different areas. As a result, the lack of funds means that the state cannot effectively perform its functions. At the same time, the application of reduced tax rates should be attributed to the instruments of formation of additional financial resources of the state in the future, provided that preferential taxation is carried out on economic entities of strategic and leading sectors of the economy.

CONCLUSIONS

The real business conditions in Ukraine are characterized by an excessive tax burden on businesses and the instability of tax legislation, which hinders economic entities' business activities. Therefore, one of the determining factors of business growth is creating an effective and flexible mechanism for optimizing the tax burden on the enterprise, which is the main goal of corporate tax management.

The introduction of almost annual changes in taxation does not allow companies to study in detail and correctly apply the rules of tax law in their activities. Despite the convergence of accounting and tax accounting, its maintenance remains cumbersome and costly. In general, supporting the new concept of corporate taxation, we believe that the current tax mechanism contains many problematic issues that do not help bring the business out of the shadows and improve the business climate. The solution requires creating a clearer methodological framework that will ensure the high effectiveness of the changes adopted in the Tax Code, and improving the taxation of enterprises will reduce the time and money spent on tax accounting and tax payment and simplify administrative reporting procedures.

One of the most important and at the same time complex problems of the Ukrainian economy at the present stage is the improvement of relations between taxpayers and the state. This is because the goals of entrepreneurship, the means of achieving it, and society's economic basis have changed. In the context of the transition to a market economy, taxes should be used as a source of budget revenues and as an important tool for financial regulation of the economy. The importance of effective management decisions in taxation is increasing; responsibility for their socio-economic consequences is increasing.

To ensure progressive and stable economic development, tax policy should be aimed at restructuring the economic complex of the country, creating an adequate infrastructure for market conditions, increasing the competitiveness of domestic business, ensuring economic growth through innovation, an active policy of fair

relations between business and employees, which should be the basis for ensuring the growth of incomes, and above all wage growth and strengthening its incentive role.

The study allows us to draw some conclusions about the impact of tax policy on socio-economic development:

1. There is a deterministic feedback loop between the tax burden and economic development under stable conditions in Ukraine.
2. There are practical possibilities to strengthen the positive regulatory impact of taxation on the economic situation by reducing taxation.
3. It is tough to objectively assess the relationship between changes in the tax burden and individual indicators of the social sphere, and this issue requires further and more detailed research.

In Ukraine, too, there is a discrepancy between liberal methods of tax policy and the adopted model of a socially-oriented economy, and this issue needs to be addressed immediately.

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