The impact of taxes on competitiveness of modern Russian economy

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Abstract. The article examines the relationship between taxes and organisational competitiveness, through the redistribution of national income, the fiscal function of taxes and the economical stimulation of production. One of the most effective forms of modern economic management, including those affecting the competitiveness of economic agents, is state fiscal regulation. Taxes, by participating in the redistribution of new value, are part of a single process of reproduction, a specific form of production relations. Fiscal regulation covers the economic life of a country, the structure of production, capital formation, personal consumption, and the very competitiveness of economic agents, since tax measures are the most universal tool for influencing superstructure relations on the basis. In addition to the financial function of securing government revenue, the fiscal tools contain enormous potential for economic impacts on the economic agents competitiveness.

Keywords: taxes, competitiveness, tax system, economic relations, tax policy, fiscal tools.

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Introduction

In a market, the basis of an organisation's success is the quality of its products, and the businesses compet for the quality with each other. The sale of a product means that it satisfies consumers in terms of its consumer properties. Competitiveness is the matching of the properties and characteristics of a product with the requirements of the consumer, which respects the interests of the producer and the consumer and means the product is fully compliant with the market conditions. The goods should have a combination of physical, chemical, aesthetic, ergonomic and other properties, as well as meet the requirements and conditions of their sale (in terms of price, timing, service, delivery, etc.). The product must constantly meet the needs of society, which are dictated by the interests, tastes and preferences of customers. The same product can be competitive in the domestic market and uncompetitive in the foreign one.

The competitiveness of a product varies according to market conditions, advertising and other internal and external factors. A product with a higher level of quality may be less competitive if its value increased significantly by giving the product new properties that are not required by the group of consumers for whom it is intended.

The consumer of a product is interested in value of the product not the nature. The more customers confirm this compliance, the more competitive the product is.

The most effective state regulation method to solve the competitiveness problem is taxation.

Taxes, by participating in the redistribution of new value, are part of a single process of reproduction, a specific form of production relations. The specific form of the production relations of taxes forms their social content.

Taxes, while expressing a more limited sphere of production relations, are only part of distributive, or rather redistributive, relations. Participating in the redistribution of national income, tax relations are subordinate to the primary relations of material production, changing according to the requirements of the productive forces and exchange. In general, they are derivative and secondary in nature.

In redistributing national income, taxes ensure the state appropriating the part of the new value in monetary form. This part of the national income, forcibly mobilised in the form of taxes, becomes the centralised fund of financial resources of the state, i.e. the basis of its activity.

In addition, taxes, as a redistributive factor of national income, are also designed to defuse the resulting «failures» of the distribution system; by encouraging (or reducing this interest) people to develop a particular form of activity.

The compulsory acquisition process has a one-way movement of value (from the taxpayer to the state) without an equivalent exchange, i.e. there is no sale or purchase. Tax amounts are generated from the new value and become the property of the state.

Also taxes have a material basis. They are part of the income of members of society, expropriated and appropriated through political pressure by the state. This phenomenon acts as the material content of taxes. Increasing tax revenues mean an increasing generalization of national income.

Main part

We believe the taxes have a dual nature: they are a specific form of production relations (social content) and are part of the value of national income in monetary form (material content). Taxes, as a derived form of capital surplus or surplus value, are charged by the state to carry out its functions. On the other hand, as a derived form of the value of the necessary product, taxes mobilised for the reproduction of labour. The extent of the denationalisation of the value of surplus product depends on the activities of the state, which, under the influence of economic conditions, is constantly expanding its activities, giving rise to a real upward trend in the proportion of this denationalization.

Nowadays state also accumulates a certain share of the value of the necessary product due to its participation in the reproduction of the labour force, which covers such important areas as education, health care, defence, housing, culture, social security, etc.

Using political power, the state claims a share of the transformed forms of new value: profits, interest, rents and labour income, as well as a share of the price of goods and services. These features of non-productive exploitation enable the state to raise it to limits that are inaccessible under similar conditions to private capital, because the tax relationship is supported by the entire system of political pressure.

The economic nature of taxes is characterised by the monetary relationship that the state has with legal entities and individuals. Specific forms of manifestation of the tax category are the tax payments established by the legislative authorities.

The economic category of taxes is objective, reflecting the actual financial relationships existing in the economy. This category expresses the general regularities common to all economic relations, since taxes are closely related to other financial categories – public expenditure, public credit, etc. At the same time, taxes as a financial category having their own distinctive characteristics, features, forms of movement, i.e. their functions which distinguish them from the whole set of financial categories.

In any society the state uses taxes to carry out its functions and tasks and to achieve certain goals. Tax policy plays an important role in realising these goals. The process of its formulation and implementation provides the conditions for the fulfilment of society's tasks and acts as an active instrument of influence on economic interests.

Tax policy is an integral part of government fiscal policy. There is the state system of tax measure.

The content of tax policy is diverse. It includes the following essential links:

- development of evidence-based tax concepts. They are formed on the basis of a study of the requirements of economic laws, a comprehensive analysis of economic development, the prospects for the development of productive forces and production relations, and the needs of the population.
- determining the main uses of taxes for the future and the current period; it is based on ways of achieving the goals set out in economic policy, taking into account international factors.
- implementing practical actions aimed at achieving the goals set.

The unity of the three main objectives determines the content of tax policy. A tax policy which does not contain the basic concepts of tax development, i.e. which is focused on meeting current needs, is unrealistic;

at the same time, a tax policy which is limited to the formulation of basic concepts and areas of taxation without supporting them with practical government action is also unrealistic.

Tax policy aims at the intensification of social production, the dynamic and balanced development of all sectors of the economy, the acceleration of scientific and technological progress, and the resolution of social and economic problems. Tax policy should take into account the interests of both the state and labour collectives, as well as those of individuals, both central and regional. Tax policy is designed to increase the efficiency of production and the responsibility of producers of products and services. Through targeted taxes, money is concentrated on priority areas of government policy.

The tax policy is determined by financial and economic relations. It may vary according to the challenges faced by states at particular times. Tax policy is formulated and implemented under the influence of macro-level determinants of economic development (growth rates, financial situation, level of regional economic development, etc.). The level of taxation is also strongly influenced by the nature of government policy and the struggle of the population to improve their economic situation.

Russia's current tax policy is aimed at overcoming the negative processes that have accumulated over the years, creating the preconditions for the accelerated development of market relations, and increasing the role and importance of the regions.

The new principles of fiscal policy and fiscal regulation include: first, the economic independence of budgets at all levels. This means separate budget formation on a normative basis, approval and execution; secondly, the need to link the formation of independent budgets with the financing of the republican budget; thirdly, the formation of the budget on the basis of revenues derived from the formation of targeted budgetary funds for various programmes and activities, as well as targeted subsidies and subventions instead of impersonal subsidies to lower budgets; fourthly, fiscal regulation of the economic relations between the central and local authorities fundamentally changed.

The ultimate result of implementing the taxation principles will be increased production of consumer goods, development of entrepreneurship, support for the agro-industrial complex, and improved competitiveness of domestic goods.

Under the current tax system, businesses are interested in making a minimum profit to avoid high taxation. The economy becomes the costliest than ever before. This is also promoted by the prevalence of cost inflation and the presence of monopoly in a free pricing environment (Kushlin, 2002).

There are several tasks of the modern tax policy. At first, it needs to ensure sufficient budget revenues into financing of especially urgent social and economic programmes. At second, it needs to make sharp structural shift of economic proportions in favour of those industries working directly to meet the needs of the population. At third, in needs to create the most favourable conditions for stimulating business activity and increasing competitiveness of goods.

There are special fiscal tools for successfully tax policy implementing and enforcing. We consider it is a set of ways of organising tax relations applied by society in order to ensure favourable conditions for economic and social development. The fiscal tools include the types, forms and methods of organisation of tax relations and quantifying.

The fiscal tools structure is quite complex. It includes various elements corresponding to the diversity of tax relations. The multiplicity of tax interactions predetermines the application of a large number of types, forms and methods of their organisation (elements of the fiscal tools). On the basis of a thorough study of the operation of economic laws, the laws of tax development and the objectives of economic, financial and taxation policy state, represented by its executive and legislative authorities, establishes the best possible tax methods for forming the revenue part of budgets at all levels. The state provides a legal form to the fiscal tools through tax legislation and regulation. The fiscal tools are determined by a tax concept in terms of expressing of government.

The effectiveness of the fiscal tools depends on the essence of taxes and the laws of their functioning, the distinction between taxes and their functions. The tax policy and the fiscal tools make it possible to understand the relationship of basic and superstructural categories, i.e. the objectivity of taxes and the subjective activity of the state.

Tax policy and the taxation mechanism determine the role of taxes in society. It is a subjective phenomenon closely linked to the activities of the state. The role of taxes is in constant flux and depends on changes in state policy. Also it is more fluid and multifaceted, reflecting in a concentrated form the interests and objectives of the dominant forces in society.

In the post-war years, the industrialised capitalist countries have repeatedly revised their tax policies and fiscal tools in line with new economic concepts. Their fiscal measures in the 50s and 60s were based on the Keynesian model, which focused on the regulation of aggregate investment and consumer demand of the population. These measures were aimed at increasing market capacity and mass consumption growth, helping the private sector to develop large-scale production, mitigating cyclical fluctuations and ultimately ensuring a more or less stable, relatively high rate of economic growth. In all economically developed countries, especially Japan, tax policy pursued as the short term so as the long term.

Fiscal regulation together with other state interventions contributed to a temporary partial solution to economic problems.

The Keynesian model (Keynes, 1983), included taxes, was recognized as ineffective in the mid-1970s and early 1980s because of declining of production, cyclical and structural crises, increased inflationary processes, social conflicts and other problems. It was replaced by «supply-side economics»: by it the taxation mechanism becomes the main instrument. Reducing corporate tax and income tax rates is intended to encourage capital, to encourage savings by the public. The reduction of bite of taxes is intended to have a positive effect on the long-term rate and proportions of monetary and productive capital accumulation, while the preferential tax regime stimulates the scientific and technological progress.

There are different points of views on the nature and content of the taxation mechanism. For example, Utkina T. (1999) believes the fiscal tools are firstly methodological and only then a procedural concept. Consequently, the fiscal tools have an ambivalent nature. This nature needs to be considered from a broad (general theoretical) and narrow (practical) perspective.

First, the fiscal tools are the tax theory considering this nature not only as an organisational and economic category, but as an objectively necessary process of managing the redistributive relations formed by the socialisation of part of the national income. The whole sphere of relations developing this process can be divided into three subsystems: fiscal planning, regulation and control. The theoretical definition of these subsystems specificity is governed by the fundamental assumptions of economic theory. All of them are the components of reproductive relations developing on the basis of a real economic basis.

Secondly, however, practice is different in terms of adjustments to the conceptually defined areas of tax planning, regulation and control. Therefore, the fiscal tools is a set of specific tax actions. This is a real tax proceeding. From this perspective, the fiscal tools act as an economic lever of subjective (imperative) regulation of the tax relations system. The subordination of such actions to the law precludes subjectivity in the regulation of tax relations.

The fiscal tools vary in accordance with specific space and time. Thus, tax actions at different levels of government and administration are significant so as the differences in timing. The fiscal tools are the set of practical tax actions, conditions and rules for implementing the provisions of tax laws in practice. This is why it is so important to follow the law in every practical action in order not to violate the basic fundamental requirement of tax theory – the subjective and objective origins of the taxation process constitute a whole. The tax action that is not based on an objective basis acts as a subjectivist interference in reproductive processes, which inevitably leads to their deformation.

The elements of the taxation mechanism are:

- forms of bite of taxes;
- system of laws and regulations;
- organization of the tax system;
- organization of business taxation;
- organization of personal taxation.

The fiscal tools are divided into a policy-making tool and a regulatory one.

The directive fiscal tools are designed for tax relations the state is directly involved. They include:

- taxes;
- government credit;
- budgetary expenditure;
- budget financing;
- organisation of the budgetary system and budgetary process;
- taxes planning.

In this case, the government develops detailed system of organisation of tax relations are compulsory for all participants.

The regulatory fiscal tools determine the basic rules of the particular segment of finance, without directly affecting the interests of the state. This type of fiscal tools is characteristic of the organisation of intra-business financial relations in private enterprises. In this case, the state establishes a general procedure for using the financial resources remaining the enterprise after taxes and other obligatory payments are made, while the enterprise independently develops forms, types of monetary funds, and directions for their use.

The state can stimulate or restrain economic development by changing tax policy and the fiscal tools.

Fiscal regulation covers the economic life of a country, the structure of production, capital formation, personal consumption, and the very competitiveness of economic agents, since tax measures are the most universal tool for influencing superstructure relations on the basis.

In addition to financial function of securing state revenues, the fiscal tools contain many opportunities for economic impact on social production, its dynamics and structure, the development of scientific and technological progress, etc.

Conclusions

One of the most effective forms of modern economic management, including those affecting the competitiveness of economic agents, is state fiscal regulation.

The competitiveness of national economy agents depends on the resources available and the efficiency of their use. It is largely determined by the level of needs, people's attitudes to work, forms and methods of motivation.

The basic concepts of motivation theory are interpreted differently in literature. In particular, there is no consensus in defining the concepts of 'motivation' and 'incentives'.

Motivation is the influence on human behaviour to achieve personal, group and societal goals. It is necessary to consider people's motives, i.e. what triggers their actions when choosing forms and methods of motivation.

Motivation can be carried out by a variety of methods: explanation, education, personal example, systems of rewards and punishments in the organization structure, etc.

Tax motivation is a component of the economic motivation. It is measured by the performance of market economy actors as well as by a number of characteristics that determine attitudes towards work. One form of tax motivation is a person's attitude towards taxes and the timeliness and completeness of their payment to the budget system.

The system of tax motivation as an activity of the personal factor, acts as a general basis for the development, identification and utilisation of sources of economic development, since the decisiveness of the human. The tax motivation system should be flexible and effective to react on changes in production, improve itself accordingly, and have the motivation effect on the competitiveness of economic agents through an interlinked system of economic interests.

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