Tax Reforms Mechanism Essence

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Abstract: Tax reform is done, when opposing interests of State and taxpayers develop from state of difference to state of conflict and in this state there is a real danger of system collapse. Then the state transforms the tax system in a way, that difference of their interests would become difference of interest again and their cooperation would return to security sector. The final result of the reforms depends on strength and direction of constant and extreme disturbing actions. Extreme actions are formed at force majeure circumstances, are unpredictable and could not be considered at development of translating system. Constant disturbing actions (low legal culture of taxpayers, multiyear “tradition” of not paying taxes; absence of direct linkage between increasing of tax amount and quality of public benefit; corruptness of public officials) are the permanent feature of Russian mental structure and are part of public conscious. They are predictable and thus can and must be considered at developing of tax reform.

Key words: Tax reform, Subjects of tax system, Difference of subject’s interests, Opposition of object’s interests, Conflict of interests, Object of tax reform, Target setting of solving the conflict, Model of tax reform, Constant disturbing actions, Extreme disturbing actions criteria of effectiveness of tax reforms

INTRODUCTION

In some works for history and theory of taxation [1], [2, 3], there is closely studied theoretic experience of tax system functioning. On the ground of combining the historical experience of the Russian taxation system reforming we can lay down theoretical bases of tax reforming.

For that purpose first of all we should divide reforming and innovating activity. Reform-is directed, radical, front and overall changing (or planned model of the same), suggesting changing order of essence functioning of social structure as it acquires essentially new phase state. [4, p. 229] Innovation-is an ordinary, single improvement, connected with increasing of adaption possibilities of social body in these conditions. Their difference is in space and time size, scope, depth, validity, system of changing actions and transforming effects. Reforming activity is one type of innovation activity, more broad (rich) for content and more narrow as for scope; each reforming is innovation, but not vice verse. In one case is implemented the intended activity for making and in another-on usage of institutes [5. p. 13].

Russian history is full of innovation changes in tax system (i.e. introduction of flat tax in 1875 or dragoon money in Peter the 1st period), that were at that time necessary and somehow meaningful steps in its evolution. But in tax reforms we can include only complex rebuilding of tax system, including, as a rule, changing of actual tax rates and introduction of new taxes, changing of tax background.

Up to XVII century Russian tax system was developing step by step-evolution was going spontaneously, it was adopting to answering Government needs. [6, p. 140-145] This needs were also changing spontaneously, depending on changing of external and internal social and political conditions: placing Tartar Mongol Yoke, forming of Moscow state and so on. Taxes were introduced, cancelled and changed, but there were no tax reforms in the sense we define term “reform” according to said above definition in that period of time.

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Changes of tax system, that can be defined as tax reforms, were in later period of Russia development from XVII to XX centuries. The detailed studying of tax reforms shows, that all of them were according to some general principal scheme, that is a mechanism of tax reforming.

**MATERIALS AND METHODS**

Investigating of mechanisms of tax reforming was done with the help of laws of dialectic and tools of general system theory.

**Main Part:** As in any other event, in the mechanism of tax reforming there is some common essence, thing of its essence and is at any tax reform and special-the thing that appears depending on certain historical content of tax reform. General mechanism of tax reforming can be described from general system theory position. Certain forms of displaying the general mechanism of tax reforming differ depending on peculiarities of each tax reform.

Theoretical essence of taxation reforming mechanism from the point of view of general theory of systems is as following:

Conflict is in the basis of every development. In the basis of development of any economic system is contradiction of two opposite directed interests of subjects as for object. Subjects of tax system is state, represented by authorities, legally regulating and practically performing the taxation process and all economic subjects, that are due to their administrative and legal nature have certain financial obligations for paying or transferring taxes to the senior authorities. That economic subjects are companies with different forms of ownership, citizen, that have earned and unearned income, budget and public organizations, budgets of lower and medium stage, municipals and so on. Object in which that both subjects are interests in is part of surplus product, made by business units, which depending on applicable law is transferred to budget, that is compulsory aliened in favor of state.

Thus, in the border of single interrelations “state-taxpayers” lots of different economic subjects contradict each other. And due to complication and hierarchical pattern of finance system of the country one and the same subject can act differently. Thus budget of municipal institution can act as tax collector for companies that work in it and at the same time it transfers part of collected taxes to regional and federal budget. Apparently, that interests of the same body have opposite direction. Hereinafter all subjects of state authority, who are tax payees we’ll call State and all subjects, who have obligations for paying taxes we’ll call tax payers of business units for convenience.

Conflict of State and business units interests as for paying taxes first becomes difference. This difference is because each regional rational economic entity organizes its activity, using criteria of extreme minimum of expenses and maximum of income. Maximum income of State and business units is due to surplus product of business units, which depending on the rules can totally and partially pass to the ownership of State. That is State really wants to collect more and the business units want to pay less.

At the moderate amount of taxes and effective using of tax incomes for creating of public goods this difference of interests does not influence on difference in relationship of state and taxpayers. Their interrelations would strongly be in the security sector, in which small vibrations are quite applicable (Picture 1.1).

But actually State needs are constantly growing and because of that amount and sum of taxes never stay constant long and have a strong tendency for growing. Due to some historical, economical, psychological and political reasons, russian tax payers are not eager and sometimes can not perform their tax obligations fully.

![Picture 1: Transformation of relations between state and taxpayers in the process of holding the taxation policy](Image)
This makes increasing of tax load and, thus, difference of interests becomes material and comes to its extreme state-opposition. The parties begin to act according to their opposing interests: State is increasing pressure on Business units and they, in their turn, try to escape the tax pressure. Relations of state and taxpayers move form security section to the section, where are applicable only temporary infringement. Stated differently, the negative events in economy are invert within actual tax system. But according to practice experience, measures, taken at this stage are oriented not on reduction of conflict, but to strengthen the actual regime. Asymmetric of relations becomes threaten size and here comes the extreme way of developing the opposition-conflict. The system can not meet the needs not State no economic entities and moves to the section of decomposition.

This conflict is from one side fair as is a result of fair development of dialectic conflict. From another it is subject as it arises as the subject are conscious of their interests and aims. But endless development of conflict is impossible as both sides are part of one whole part-economic system of the country. They oppose each other in the frames of single interrelations: where is one-there is another one. Thanks to that subjects at the stage of conflict on the contrary all differences are aware of one common interest-saving of own security. As they are parts of one dialectic unit, to survive they need to take care about saving each other. For that purpose the tax reform is done, that is direction impact on object to reform it rationally. Under the term object of tax reform we understand relation of reallocation of part of surplus product between the business units and tax with the help of tax system.

While making the tax reform the relation of state and taxpayers as transformed thus, that their conflict of interests is difference and relations return to the security section. That means that power makes some transmissions for business and the business agrees with the new rules. That is State who resolves: trying to make applicable conditions for business units, it is it, who finally, defines, how and when the tax system would be changed. Thus state is the main acting subject of the tax reform. Function of definition of objectives belongs to it, it defines the structure and progress operation [7, p. 408].

Under the term definition of objectives to solve the conflict in this case it is understood making of aim, ways and terms of reforming the relations between state and tax payers, that is making the model of transformation the tax system, which authorities are eager to make. [8, p. 7] Actually definition of objectives is writing of laws, decrees and regulations, regulating the reform, organization of new controlling authorities and correction of existing authorities functions.

In the basis of definition of objectives are objective economic essences of actual historic period. While developing model of certain tax reform, state often takes into consideration not only artificially constructions, but those schemes, that were objectively formed in the conditions of business practice, are verified and solved applicable in certain historical conditions. That is why many economic reforms first positively influence on economy and contributes to budget income growth. [9, p. 1268].

Form another side, modeling of tax reform is the result of main acting subject activity of tax reforms-the State-and thus has the subjective side. It outcomes from state’s ideas on admissible level of tax load, ways to get this level, on terms of intended reforms. That is definition of objectives is a print of those, who has the authority, their education, culture, points of view, ideas and values.

At the result of defining the objectives it is made direction of object of movement, that are initial data for system of reforming [10, p. 13]. System of reforming is the system of relations for changing the initial system into the new one. Form the point of view of system hierarchy it is a system of the higher level, as it includes elements of initial tax system and of the new one.

Besides initial influencing points, on the result of reform would influence constant and extreme disturbing actions, made by environment and disturb the required movement. Extreme disturbing actions are formed under the force-majeure circumstances, thus they are unpredictable and can not be surely taken into account at developing of system of tax reforms. They are:

- Actions of God (wars, floods, dryness and so on), that can totally or partly harm some of business units;
- Finance and economic crises, that in the open economical conditions can negatively reflect the finance condition of state budget and certain branches and taxpayers;
- Wars and other geopolitics conflicts.

Extreme circumstances may destroy the whole system of untended reforms, require undertaking of emergency measures, oriented on solving the certain task, but usually negatively influence of the most of taxpayers.
Constant disturbing actions are those citizen’s and authorities peculiarities of behavior, that are permanent features of Russian mentality and are part of public conscious. They are:

- Low public and economic culture of taxpayers;
- Multiyear «Tradition» for failing paying of taxes;
- Separation of authorities and public, absence of direct linkage between growth of taxes and increasing of quality of public goods;
- Corruptness of public officials (it is always easier and cheaper “to agree” with tax inspector, than pay payable taxes) and so on. (Picture 2).

As for constant disturbing actions are predictable and that is why they can and must be considered on the stage of developing the tax reform.

Outgoing parameters of tax system—that is the result of tax reform. How the got system meets the aims of governing can be evaluated with the help of some criteria of effectiveness. From the point of view of system approach the effective system of reform should meet the following requirements:

- **Completeness**, that is all exits of the system are known. That means that all results of reforms are seen and there are no hidden processes and events having the excised consequences for economy;
- **Consistency**, that is applicable inputs of the system didn’t bring undesired exits. That is that is solving of existing conflicts were no new problems and deep conflicts, that require to be sold in future;
- **Finishing of reforming**, that means returning of system of relations between state and taxpayers from the sector of decomposition to the sector of security and keeping the stable state of dynamic balance.

In the future, it will be expedient to see this mechanism in specific tax reforms.

**CONCLUSION**

Tax policy in Russia since ancient times has been the subject of constant and often very sharp, conflicts of interest of the state and citizens. In Russian history, virtually all tax reforms were made when the clash of interests between the state and taxpayers took the form of conflict, the extension of which pose a real threat to the existence of the entire economic system of the country. Learning experience transformation of the tax system has allowed to reveal the essence of the mechanism of tax reform; requirements which tax reforms should meet to be effective; constant and extreme disturbing actions, which influence on the result of reforms.

**RESULTS**

The essence of any tax reform is to transform the tax system so that inconsistency of their interests would become difference of interest again and their cooperation would return to security sector.

Tax reform is carried out when initially opposing interests of the parties-government and taxpayers-are evolving from state of differences in the state of conflict,
in which there is a real threat of the collapse of the system. The end result of reform depends on the strength and direction of constant and extreme disturbing actions. Constant disturbing actions are predictable and therefore can and should be taken into account at the design stage of the tax reform. Effective system of reform should meet the following requirements: completeness, that is all exits of the system are known; consistency, that is applicable inputs of the system didn’t bring undesired exits; finishing of reforming, that means returning of system of relations between state and taxpayers from the sector of decomposition to the sector of security and keeping the stable state of dynamic balance.

REFERENCES