

Significance and Function of Tax in Resolving Contradictions Arising Between the State, Legal Entities and Individuals

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Abstract: Collecting tax revenues into budget system and their further distribution in order to regulate activity of members of society is one of the main tasks and functions of any state. An integrated and regular system of taxation, underlying the state, serves to supply resources for public needs. There's certain antagonism of interests of the state, which alienates part of value in the form of statutory payments for its own benefit and its taxpayers who are aimed at not paying taxes but gaining a profit (for legal entities) and earning an income (for individuals) to cover current consumption and form savings.

Key words: State • Taxes • Taxpayers • Contradictions • Fiscal interests

INTRODUCTION

Collecting tax revenues into budget system and their further distribution in order to regulate activity of members of society is one of the main tasks and functions of any state. An integrated and regular system of taxation, underlying the state, serves to supply resources for public needs.

By no means unimportant factor in these processes is to define socio-economic limits of imperative withdrawal of money resources, balance between needs of society, amount and rates of tax and possibilities of collecting taxes.

In recent years the role of the state in regulating and solving existing socio-economic contradictions has been more actively emphasized in scientific literature, courseware and various information sources.

This situation is possibly conditioned by the idea circulating in the Russian economic science from the Soviet period that any government intervention in social and economic processes of society is reasonable and aimed for the good of the country.

At the same time strengthening the role of the state doesn't imply its direct intervention in distribution processes taking place in the economy, or increasing regulation of economic relations among main elements of financial system, or prevalence of public property in the economic structure.

The state solves the problems connected with covering spending for socially significant public goods and services, that can not be directly financed by private sector due to long payback period on the invested money resources and contradictory interests of business and society [1].

Economic subjects, households, individuals are reasonably interested in formation of some body of power in the from of the state that could create and sustain conditions for extended reproduction.

The state in its turn, pursuing the goals of its further development, is also interested to mould a single system of managing regular tax revenues, which are a part of alienated (transferred) value contributed by taxpayers for the benefit of public power.

Consequently, the essence of taxes is centralized periodic intervention of public power bodies in the financial activities of economic units and population in order to induce them to exchange part of material assets belonging to them into services rendered by the state.

For this purpose the state has to create facilities, primarily economic ones, for maintaining public power bodies, that is to make proportions how to withdraw money in taxes, as legal entities and individuals will never distribute money flows without pursuing their own interests by themselves.

On the part of the state it's necessary to secure effective use of the financial resources drawn, reduce process and functional costs arising from fiscal activities,

form efficient tax system allowing to bind aims of strategic development of the country and mechanisms of tax impact.

On the other hand, by proving tax preferences to taxpayers and reducing total tax burden, the state expects civilized behaviour of economic agents: decriminalization of business and allocation of released capital to social and investment development [2].

However, interests of society and government are the unity of separate interests of individuals and groups they enter or create, interests of certain economic agents and their associations. And we should bear in mind that concerns of representatives of different strata of society and its functional elements can contradict each other at different time periods.

The peculiarity of modern financial policy is strong dependence on how the current tax system (and the government as its recipient) is perceived by its component parts or contributors-taxpayers, legal entities and individuals. And what should be taken in consideration is that the actions of public power bodies are not treated as reasonable and transparent in terms of fair taxation by the people of the country.

S. Grigorieva marks that the existing contradictions are explained by cross economic interests and absence of smart policy, that could reconcile the differences among participants, can lead to serious social and economic conflicts and instability in the state.

As a result, the budget system receives less money than its due and this restricts funding of many government programs and in its turn provokes dissatisfaction of some part of taxpayers or longing to evade obligations imposed on them [3].

There's certain antagonism of interests of the state, which alienates part of value in the form of statutory payments for its own benefit and its taxpayers who are aimed at not paying taxes but gaining a profit (for legal entities) and earning an income (for individuals) to cover current consumption and form savings.

In dwellings about necessity of paying taxes by legal entities and individuals to budgets of different levels, it's significant to rely not upon the purpose of payments (though it plays an important part in building a uniform and coordinated policy), but on the utility of financial resources withdrawn from taxpayers.

A taxpayer estimates utility of every rouble taken from him, as first and foremost he sees the value as a sum of private savings, or an investment resource, or means to obtain a set of personified individual goods, but not as a tool to bolster economy of the state.

Professor Casey Mulligan notes that "taxes affect behavior, because taxpayers take steps to pay less tax. As a result, every tax dollar brought into the public treasuries harms the private sector more than a dollar and the amount of extra harm depends on the marginal tax rate" [4].

This comes from the one-sided orientation of the levied tax to the interests of the generalized recipient, that is the state, the economic goals and concerns of which are often directly opposite to the personified interests of the taxpayer.

When the state builds the structure and mechanism of the operating tax system, it tries to solve the following contradictions:

- Decide what part of profit or income in the form of taxes should satisfy the requirement of sufficiency of revenues in the budget system;
- Define the amount of withdrawal of profit and income that would be enough for further development and reproduction of economic agents;
- Know backlash of taxpayers to the functioning tax system;
- Determine efficiency of the current system of taxation, whether it allows business entities to turn to black economy schemes, etc.

The existing tax system strives to suppress economic interests of business entities and households without giving them an opportunity for extensive reproduction and the main aim of taxpayers-i.e. increase of personal welfare-doesn't always coincide with the present theoretical concepts, suggested by financial science and goals of the state.

Taxes, being a contradiction, are at the same time a form for its solution (for example, between the head of household and other members, the owner of the company and its workers, government, legal entities and individuals, the federal centre and constituent territories of the federation) in terms of distribution of tax burden.

For instance, an owner of a company always meets contradictions that are inherent to the nature of taxes, as he identifies finances of an enterprise with his personal ones, which are in their turn a private financial asset, private property; and he sees tax payments as necessary expenses affecting his material welfare. All the times an industrialist faces the choice how to allocate and where to direct the financial results of the given business entity-either to satisfy his personal needs (as this is his

private finance), or to form the payroll budget, or to pay taxes and other statutory payments, or to update equipment, etc. [5].

The current contradictions in tax relations exacerbate when viewed on the level of a family or household and they will be never solved for the benefit of the state. Payment of taxes directly influences private and family budgets as a part of monetary resources is withdrawn from them without offering anything personified to concrete members of the given household.

Actually the real situation is different as economically inactive population obtains all kinds of public social transfers (retirement benefits, educational grants, other benefits) from the budget system and public pension funds at the expense of working citizens. And this is another contradiction because the taxes are paid by one group of citizens and benefits go to others, who are even not relatives of the taxpayers.

Moreover, the amount and quality of public goods and services coming at the disposal of taxpayers from the centralized sector of economy, doesn't often meet their expectations.

Meanwhile tax evasion causes reduced money revenues to the budgets of different levels, induces limited economic activity of business entities and households and increases the rate of crime and corruption.

Tax evasion is a manifestation of social injustice towards law-abiding citizens who settle their statutory payments and bear an excess tax burden, as they finance government spending on a unilateral basis, but it is the whole population of the country who enjoys public goods. There's the so-called "free rider" problem conditioned by non-excludability of public goods, that is impossibility to exclude anybody from making use of this good, or implementation of such exclusion would be excessively costly [6].

An individual (proprietor) is always at contradiction whether to pay a part of his revenue in the form of taxes and to what extent to pay and he should be concerned with making statutory payments because the government guarantees him provision of socially significant rights and services on a full scale. On the other hand, an individual is not interested in paying taxes to the full extent under market conditions, as nowadays citizens have to undertake expenditures which in soviet period were carried out by the state (spending for education, medicare, health resort services, child's recreation organization and so on).

If the society assumes supreme values of the state development, the existing tax system will suppress economic interests of a person, giving no way for extensive reproduction, as the concerns of an individual and the state as a whole, that are regulated by the fiscal function of taxes, are antagonistic and this conflict is usually settled for the benefit of the state.

Another form of resolving contradictions of the whole and its parts is in favour of a part. In this case the state forms such a system of collecting payments and fiscal policy that do not repress a law-abiding person, but facilitate reproduction and create equal opportunities for entrepreneurial activity.

Based on the above stated one can make a conclusion that in situation of distributing revenues of business entities there are always irreconcilable contradictions, the evidence of which is their hidden redistribution-tax evasion, all kinds of tax fraud, black market and the like [5].

In the meanwhile the usual traditional practice of withdrawal of a part of revenue from taxpayers and ignoring their opinion and wishes for the benefit of public power bodies, gives another sense to the fiscal function of taxes. The need for taxation hides a one-sided, non-equivalent and forced by the state mechanism of withdrawal and distribution of a part of revenue for business entities and households and this opinion is reflected in publications of various authors [7; 8; etc.].

Taking into account the circumstances, arising from various economic agents in the course of business relations, the role of the state is to secure fair distribution of welfares, privileges and resources in the process of producing goods and rendering services, that is to reconcile the existing social contradictions.

Besides, to link fiscal concerns of the state and economic interests of taxpayers, the tax system must have an optimal number and ratio of direct and indirect taxes and also use the experience of other countries how to eliminate the drawbacks of the two forms of collection [9].

Need for government intervention in distribution and redistribution of property is caused by the fact that concentration of natural, financial, labour and other resources in hands of a small group of individuals allows them to dictate conditions that are beyond the reach of the majority of other individuals, groups or their representatives, or unprofitable to them.

In the opinion of M.C. McGuire and M.L. Olson, most governments do not enjoy unanimous support, but represent some ruling interest, such as a majority, that leaves out part of the society [10].

One more existing contradiction, hindering creation of an effective system of collection of statutory payments and implementation of fiscal and tax policy in Russia, is not only their conceptual originality, or tendency to approximate suggested theoretical models, or complexity of administrative regulation, but also “antifiscal” behaviour of taxpayers who are legal entities and individuals. Most taxpayers realize the necessity of taxation, however, they are reluctant to pay taxes and this is not the problem of theory, but the fact of practice.

T. Merkulova takes the viewpoint that self-regulation of tax relations requires voluntary tax payments by economic agents and willingness to pay doesn't obligatorily come under the threat of punishment, an essential element of tax code.

People pay taxes not only under compulsion, but under the influence of other reasons, among which are religious motives, general concerns of humanism and social justice, recognition of government's effectiveness in supplying public good, overall equivalency of levied taxes and benefits that citizenship of this state provides [11].

R. Musgrave considers that the tax amount should be the value, the consumer receives while getting maximum satisfaction from public and private services for his payments. The balance of interests, providing this correction, in most cases is ensured by political mechanism with the help of which public power bodies have to take into account wishes of voters [12].

It quite explains consciousness, tax honesty, discipline, tax culture and morale of population in developed countries with which they pay taxes. They see real results of how the government uses part of their revenues withdrawn from them, though the tax systems of those countries are far from being perfect, there also exist some problems that demand their solutions.

Birger Nerré believes that in general tax morale is used as a term connected with a certain “willingness-to-pay taxes”, a feeling of obligation to the state (according to the benefit principle) or the obligation to the general public or community (with tax moral according to the ability-to-pay principle), respectively. Tax discipline then reflects the attitudes of the taxpayer in his or her actions [13].

A taxpayer has to make decision on alienating a part of value for the benefit of the state only within the framework of a fixed set of established institutes and he can not choose the means of payment that he considers to be most convenient and efficient.

So, what is required is to rethink the essence and content of tax in public consciousness in the direction that would treat taxpayers not as “impersonalized objects of taxation”, but as personified allies of public power bodies that are concerned with successful implementation of tax reforms to increase welfare of modern society in Russia.

Today it's not enough to simply declare that tax is “a social price” of public goods, the government needs to prove it by facilitating better functioning of modern society.

From the point of view of entity of the state and public interests, an acute question of contemporary Russia is the ethical aspect of paying taxes. It is generally connected with low financial literacy and tax honesty of the population, immediate individual interests, prevalence of personified concerns of citizens over public ones.

The state should perform as an arbitral referee in reconciling contradictory interests of polarized society by means of providing even tax burden, optimal level of taxation and giving the tax a status of basic instrument in solving social conflicts.

Thus, nowadays the issues of efficiency and social orientation of tax policy are more acute that in previous periods of history of this state.

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