

TAX FUNCTIONS IN THE SYSTEM OF THE NATIONAL ECONOMY MODERN INNOVATIVE DEVELOPMENT

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Key words: tax, income, stabilization fund of the Russian Federation, fiscal function of taxes, regulative function of taxes, control function of taxes, stimulative function of taxes, investment, innovation, innovation development.

The present paper examines tax functions in modern conditions of the production renewal, taxing and taxes functions relating to the aims of the modern state policy in the sphere of innovative development (including regional level of control). It also proves the necessity to refocus the priorities from the fiscal function of taxes to the regulating one in order to turn the tax system into the means of controlling of innovative development.

Functions of taxes in modern conditions of innovative updating of manufacture, the taxation and functions of taxes with reference to the purposes and problems of a modern policy of the state in the sphere of innovative development (including regional level of management) are under analysis. The necessity of carrying over of priorities from fiscal function of taxes on regulating with a view of transformation of system of the taxation into the management tool is proved by innovative development.

The basic purpose of taxes since their occurrence and till today is the satisfaction of financial requirements of the state. The main of the fiscal role of taxes eventually tends to increase. Last decades the share of financing of the state budgets at the expense of tax revenues in economically developed countries makes not less than 75-80 %, reaching on occasion 95 % of all profitable receipts in budgetary system.

The realisation of social programs, maintenance of increasing requirements of a society is not economic blessings, maintenance of national safety demand constant increase in volumes of public revenues in absolute expression. It is the last that defines the tendency noted above to strengthening of a fiscal role of taxes at the present stage of economic development.

Another, but not less important, direction in the decision of tasks in view their realisation on a strategic basis of innovative updating of manufacture is. The thought over realisation of an innovative policy, reorientation of a national economy to its regular scientific and technical updating are only possible on the basis of expansion of use of other functions of the tax-

tion, no speaking about purely fiscal. Now at the decision of problems of development of tax system it is already impossible to be limited to research only fiscal potential of economy.

Realities of the present stage of development of economic relations are that along with traditionally existing functions of the government by innovative development of economy there is a necessity of maintenance of innovative growth of subjects of economy both on macroeconomic, and at regional and microeconomic levels.

The increasing urgency of the effective decision of the given problem is recently caused by objective existence of variety of factors of an economic and social-economic order in which it is necessary to allocate especially such factors, as:

- ◆ a significant increase in the speed of economic transactions;
- ◆ diversification of economic activities;
- ◆ transnationalization of economic activity;
- ◆ emergence of new economic activities, as well as new technologies for the production of goods, performance and service delivery;
- ◆ the growing role of international expertise, international economic competition, etc.

In the current context among the main tasks of state regulation of the economy complex task of ensuring the necessary level of public revenue in the accounting system while maintaining the economic necessity of the economic potential of economic entities goes. To fulfill this challenge in the only fiscal functions of taxation is not possible. It raises the need to formulate a new system of taxation targets, in a manner conducive to the effective solution of the above tasks.

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In the classical works on the theory of taxation, in addition to fiscal traditionally such functions as distribution (social), control, regulating are highlighted.

In today's world with greater social orientation of public regulation of the economy the first role of the functions of taxes has increased. In varying degrees, this important feature of taxes implement tax systems of all countries, not excluding the tax system and the Russian Federation. However, the fiscal capacity of taxation has its limits. At a certain stage of development further increase in the funds redistributed to social goals, is starting conflict with the purpose of reinvestment in the expanded reproduction of wealth. There has been a reduction in the overall investment potential of the budget. Resolving this conflict is only possible by making investments focus on continuous innovation renew. The latter can be achieved with a corresponding revision of the tax policies of its stimulating effect on the development of facilities and areas of innovation development.

In the current socio-economic conditions of the Russian Federation the only viable way to enhance the social role of taxation - by cyclical, or more precisely spiral-like enhance the value redeployed share of national income is clearly seen. The sense of the ways is not in the fully redeployed consumption of the national income through social programs, and rotates investing part redistributed national income in most innovative sectors of the economy to stimulate its economic growth. The latter, in its turn, will lead to an increase in national income, and hence to an increase in absolute values redeployed its parts. Of the following two important conclusions are:

- ◆ very relevant in today's economic environment of Russia it seems scientifically sound solution to a problem finding the optimal balance between reinvestment and consumed in the social order in parts redistributed national income (the solution of this problem is not one of the scientific objectives of this study);

- ◆ now the social function of taxes in the socio-economic conditions of Russia could be classified as secondary or derivative functions, a decision which should not be a meaningful public regulation of the economy, but should be achieved through implementation of (core) functions taxes.

The information provided to the tax authorities of tax revenue structure and tax base, tax

incentives, etc., often gives a distorted view of the economic activity of business entities, and the economic processes in society. The thing is that the existing tax system in Russia is not able to reflect, fully and adequately, all the characteristics and specifics of economic activity within the national economy. In this regard economic sense of control functions taxes are need to be clarify seriously. It seems to us that there be more thoroughly examine twofold:

- ◆ the implementing control functions of governance in general within the public management of specific business entities through a system of fiscal relations - the microeconomic aspects of control functions taxes;

- ◆ the usage of information flows which are within the framework of the system of fiscal relations to identify certain trends in the socio-economic development of the country - a macroeconomic point of control functions taxes.

The structure of the information system, realizing the control function in the microeconomic aspects, diversified and includes:

- ◆ the information contained in the mandatory reporting of taxpayers and other stakeholders to the tax authorities;

- ◆ the information obtained during the special monitoring activities by tax authorities (i.e. materials desk and exit checks, tax information office, etc.);

- ◆ the information obtained from tax authorities on taxpayers in other ways within the legislative competence (in particular, estimates).

The described above system of information flows, in addition to diversifying, is of a fairly complex spatial-temporal structure, which requires development and application of special means of automated processing of information flows of complex structure for the success of the monitoring role of taxes in the microeconomic aspects.

Summing up all those, we should note that the monitoring function of taxes in the microeconomic aspects is a well-known from the theory of management system for monitoring the actual implementation of management decisions. The appointment of this function is to control not the work of taxpayers but for the completeness and correctness of their compliance with legislative priorities for economic development. In other words, the function of checksum taxes are most successfully implemented at the regional level, most close to specific industrial

clusters - crucial parts of the innovation updates.

The last on the order but not on the importance of the tax functions is regulatory function. According to some economists, it is dominant among all the functions of taxes, as the appointment of taxes is in the regulating of the economic processes. Thus, such an approach is typical for supporters of Keynesian theory. It regulates all investigated thoroughly. Its composition is usually identified three mini functions 1) catalyst, 2) de-stimulating, 3) reproductive.

The essence of enabling mini function is usually to be restricted to the system of privileges and exemptions, which are provided to certain categories of taxpayers, the economic benefits that contribute (in theory) to increase their economic potential. Viability use of this mini functions to meet the challenges of innovation development is obvious.

The economic aim of the de-stimulating mini function is implemented by the state for individual markets or for certain categories of taxpayers more stringent than the rest of the conditions of taxation. In theory, it is believed that these actions will help reduce business in markets with more stringent fiscal conditions.

However, the interpretation of economic sense de-stimulating mini-function traditionally given is not always convincing. As an example of inconsistency reality theoretical reasons is the tax Excise tobacco and alcohol products.

According to theoretical calculations, the mechanism of influence de-stimulating mini function on business activity in this area is expressed with the following dependence: an increase in the rates of excise duties on tobacco and alcoholic products should lead to a decline in business activity on the markets, i.e. to reduce the volume of sales of relevant products. An indicator of the level of implementation of excisable products the value of excise revenue in the budget can serve. The table shows the correlation between the dynamics of the rates of excise duty on alcohol products and related income to the federal budget. To exclude the impact of increasing rates of excise duty on the amounts of tax revenue, in a special column table the recount of the amounts received to the tax contingent liters of ethanol is made by the author.

Calculated on the basis of data tables paired rank correlation coefficient Kendall has a value of 0.79, which indicates that between two rows of

dynamic (changing rates and changes in excise tax revenue) a strong direct link is.

In other words statistical analysis shows that with an increase rate of excise on ethanol in a fairly high degree of probability of production of ethyl alcohol (in conditional liters) will increase.

It's not difficult to notice that this conclusion is on the contrary to the interpretation of the classical economic sense of de-stimulating mini function of regulatory function of taxes we have set out earlier.

The foregoing does not mean fallacy of the classical economists' views on the economic content of taxes and duties. On the contrary, it could be argued that the increased tax burden, in fact, is one of the factors reducing the opportunities for economic development businesses. The essence of the contradictions in this case is that the current level of development of economic relations has not considered this factor as the sole or primary factor affecting the change in the level of business activity. It just turns into a "one of the many" and cease to be decisive.

On the one hand, referred to several devalues the very idea of the possibility of state regulation of the economy through fiscal instruments. However, the mere possibility of such a regulation is not denied, because the idea and mechanism of action of the instrument is explained with objectively existing micro-economic laws. The solution of the problems in this case should be, according to the author, the concept of integrated tax management, in which taxes will be examined not as a tool of economic management but as an important element of a system of instruments, which in combination with other (non-) tools will significantly improve the effectiveness of state regulation of the economy. Given the already articulated programs of innovative development we should admit that the inclusion in the composition of fiscal management techniques can be considered to some extent predetermined.

As a third mini function of regulatory functions the reproductive mini function is allocated. In theory, the economic meaning of the mini function is usually brought to the tax system (or its individual components) to raise funds for the restoration of individual sources of resources consumed in the economy.

Nowadays there are no taxes or fees realizing this mini function in its classical interpretation directly in the current tax system in Russia. More-

**Changes in the rates of exciseduties on alcohol products*
and excise revenue to the federal budget**

Year	The rate of excise duty	The change of the rates to the previous year	Income to the budget of a year		The changes of the income to the previous year
			Thousand rubles	Approximately 1000 L	
2001	8 rubles. / L	-	3 338 988,6	417 373,6	
2002	14.1 rubles. / L	1.76	3 151 395.6	223 344.8 0.54	
2003	16.2 rubles. / L	1.15	3 725 519.7	229 970.4 1.03	
2004	18 rubles. / L	1.11	4 216 151.3	234 230.6 1.02	
2005	19.5 rubles. / L	1.08	3 569 455.72	183 049.0 0.79	
2006	21.5 rubles. / L	1.10	at the time of the table data is not available		

* To simplify the data is only for ethanol and spirit solutions.

over, enshrined by law and economic sense as tax collection and contradicts the very idea that mini function. For example, impersonal appointment raised funds - funding for the State and / or municipalities the tax is established. The appointment is set as a collection fee for a legally significant action, that is, it also excludes the targeted use of funds raised.

However, the taxes and fees, as well as other sources of state revenue, and sources of income of economic agents and households have a certain reproductive potential. Specific in this case is that the opportunity to realize this potential does not depend on its bearer. So with respect to taxes and fees, as well as other sources of state revenue, it will be administered is not a tax and fiscal instruments of state regulation of the economy.

Here is a simple example. Suppose that in three different economies in the budgetary system 1 million conditional cash units is raised, while in this case, what was considered a source of funds - taxes, income from the use of public property, credit or anything else is of no matter. Imagine now that the raised funds have been used as follows:

- ◆ in economy 1- are invested in a new economic entity operating in the real sector of the economy;
- ◆ in economy 2 - invested in shares of foreign business entity (we'll take it that the actor works in the real sector of the economy);
- ◆ in economy 3 - have been incorporated into the existing in the State Stabilization Fund (i.e. "frozen" and not returned back to the economy).

Reproductive capacity raised in each economy has been realized in different ways.

For example, in economy 1, it was carried on the national economy; the degree of realization of this potential depends on the specific characteristics of the object for invest-

ment. For example, if the business entity is a zone of innovative development or target application of innovative technologies, it will effectively contribute to the increase in gross domestic (or national) product and national income. Reproductive capacity in this case can be considered implemented to the fullest extent possible.

With regard to economy 2, views on the implementation of reproductive capacity raised as a whole would be similar to the above, but in this case it will have on the economy of another state and could be concluded that with respect to its own economic potential is not realized even if the exchange on invested outside the state funds are not received adequate compensation of innovative upgrade of the sector (or business entity) own economy.

With regard to economy 3, which raised the funds were withdrawn from the economic circulation and "frozen", it can be argued that reproductive capacity investigated the financial resources is been saved for the future, but is not currently implemented.

From the above example, several important findings:

- ◆ reproductive capacity does not depend on the source of financial resources (taxes, etc.) and is defined with the characteristics as the resources themselves the volume of incoming funds, the currency in which they came to the economy, etc.) and mobilized their economy (investment requirements, financing requirements, inflation, yield, risk investments, etc.);

◆ reproductive potential could be realized in respect of the national economy or in terms of economy of a State;

- ◆ so one could argue about the existence of internal and external reproductive capacity and consider both the capacity to isolation;

◆ the emergence and implementation of reproductive capacity are not bound by time-economic facts: its emergence comes at a time raising funds, while implementation could significantly protect the time of inception.

It follows from the foregoing that the analysis of the extent to which the reproductive mini functions of regulatory function of taxes in the current level of development of socio-economic processes is a fairly complex task that requires the application of innovative methods of data collection, processing, analysis and interpretation of tax information. In other words, it makes sense to talk so much about the transformation of the economic meaning of this feature, but the need for a fundamental change in economic mechanisms of its implementation. It should go to develop a scientific methodology for the implementation of the regulatory functions of taxation adequately reflecting the real state of economic relations both in Russia and in the global economy.

With regard to fiscal and regulatory functions, we believe that both of them could be classified as a baseline, i.e. functions, which can be seen as a direct objective of state regulation of the economy in its tax segment. It is the base of the fiscal functions taxes will be:

- ◆ first, to fully comply with their economic purpose, laid down when the very idea of taxation;
- ◆ secondly, to be fully in line with the financial interests of the state, which are limited with ensuring the needs of budget expenditure of sources of financial resources.

Priority of the regulatory function of taxes and securing it as a goal of the tax segment of state regulation of the economy stems from the idea of J. M. Keynes on the state's role in the regulation of economic processes, thus having a much smaller story of actual implementation. As a result, it can be argued that such a choice of the goal of government regulation will be accompanied by relatively high risks associated with inadequate study of the mechanisms of implementation of regulatory functions, the lack of reliable statistics on the results of state regulation of the economy through the tax system and etc.

However, as the benefits of the regulatory functions the following should be noticed:

- ◆ orientation for the implementation of regulatory functions allows objectively for a wider range of targets of state regulation of the economy (in the first place - guiding innovative development)

rather than focus on the implementation of fiscal responsibility;

- ◆ the priority of the regulatory functions of state regulation of the economy does not preclude the implementation of fiscal functions, while the contrary can only be a subject to a rigid system of limiting conditions;

◆ implementation of the regulatory functions of tax-oriented in state regulation to expand the innovative capacity of the national economy will be the factor that ensures the implementation of fiscal functions, and distribution (social) functions taxes;

- ◆ implementation of the regulatory functions of tax-oriented in state regulation to expand the innovative capacity of the national economy will provide more flexible and comprehensive impact on the economy as a whole, including the impact on state spending, providing real opportunities to reduce them.

◆ It follows from the foregoing that, with the main tasks of state regulation of the economy are not financial, but socio-economic challenges through innovative programs, the priority of the implementation of the regulatory functions taxes should be allocated. In terms of the contemporary level of economic development of the Russian Federation, the need to implement the fiscal functions of taxes must be established as a prerequisite for the realization of their regulatory functions. In other words, we can speak about the synthesis of these two functions, i.e. the need to implement a regulating-fiscal function. From the standpoint of the most effective solution of the urgent problems of innovative development facing the state power now, it is appropriate under state regulation of the economy to establish a priority regulatory function of taxes provided always fully comply with the fiscal interests of all levels of budget system.

Based on all the above considerations the optimal mix of classical roles taxes in the current system of state regulation of the economy can be graphically presented by the author (see figure).

Today's level of development of economic relations is no longer allowed to represent the function of business activity (Q) even a single market through a simplified formula type

$$Q = f(Tax),$$

where, Tax - a tax or a combination of taxes paid actors researched the market.

Referring to the role of taxation in regulating the processes of innovation development, it is appropriate to say about another one, related to tax,

an important factor - the effect of “transcriptions tax burden.” The meaning of this economic phenomenon is that the formal tax burden of a separate business entity almost never coincides with reality. It can be argued that there is the problem of translation taxes not only in relation to a separate business entity, but in the aggregate economic entities that make up a single market (economic activity) or the economy of the territory as a whole.

◆ availability of substitutes in other markets (such as functional as well as
◆ geographical aspects), etc.

This would be true for the whole market, comprising the territorial (regional), national or global economy, including foreign exchange and stock markets, as well as the labor market.

A full set of factors in any case will not include such factors as technical (economic and legal), par-

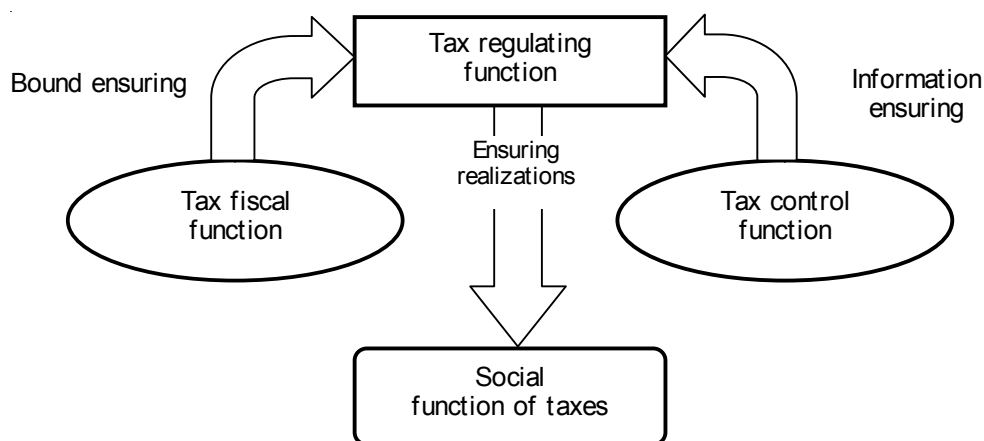


Fig. The Parity of classical functions of taxes in modern system of state regulation of economy

Description of the economic mechanism of the effect advisable to start with a finding of the fact that taxes (regardless of their theoretical nature - direct, indirect) are the subject of cost management. Consequently, they can be considered as constituting the most recent prices for their products - goods, works or services. Because of the effect of real economic laws of any business entity will seek to maximize fully compensate all the costs that it incurs in the course of managing, it will naturally try to compensate and the greatest possible share of their tax burden.

Compensation of costs (regardless of the nature of their occurrence) is possible by increasing the prices of products, hence, the degree of compensation for the tax burden of business entity will directly depend on the degree of freedom that it gives the market in pricing. Naturally, the share of the tax burden shifted to the consumer, ultimately will be determined by a combination of influencing factors, including the most important of which can indicate the following:

- ◆ elasticity of demand in the market price;
- ◆ the degree to meet the demand for market study (the level of market saturation);
- ◆ a State anti-monopoly and tariff policy;

ticularly the establishment and tax, as well as its character. It can be argued that in markets with low elasticity of demand at a price in terms of price arbitrariness producers paid their taxes all will be indirect, i.e., either do not affect the outcome of economic activity, or a similar impact would be negligible. On the contrary, all taxes paid by businesses operating in a highly competitive price (i.e., in markets with high elasticity of demand for the price) will have a direct impact on the outcome of economic activity.

From the above an important conclusion should be: at the present stage of development of economic relations in society division of taxes on direct and indirect is of mostly theoretical value. Decision-making in the use of the tax mechanism of state regulation of economic relations in terms of its focus on innovative development should focus on accounting for other factors that influence the level of business activity in individual markets than traditionally seen in the theory of taxation factor combination of direct and indirect taxation.

¹ “Main trends of the Russian Federation politics in innovation system development for the period till 2010” adopted by the government of the Russian Federation in 2005