

## Tax a form of resolving social contradictions of the Russian society

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**Abstract.** The essence of tax as a form of resolving social contradictions is to find equilibrium between the interests of the state and concerns of its taxpayers. To preserve the balance of interests, the state has to set the upper limit of taxation and return part of the collected taxes to its uncompetitive (low income) strata in the form of certain material and non-material socially desirable benefits and services. As a result, the social function of taxes begins to prevail over the rest of the functions, and this becomes an obligatory condition, without compliance with which modern society can't live and develop.

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Transfer of the Russian state to market relations resulted in necessity to develop theoretical aspects of various branches of science appropriate to them. Such theoretical constructs will enable to put in practice the most effective conceptions and models that would correspond to major social and economic benchmarks of modern society.

Today theory of economic science gives an ambiguous answer to the question what kind finance should be at the disposal of the state, only that of the centralized sector of the economy, or decentralized finance as well (finance of economic agents and population who are the providers of money resources) in the form of obligatory payments to public authorities.

The key role in the formation of revenue sources for the state is performed by its tax policy, that is, the policy of managing the system of collection (withdrawal) of money resources in the form of taxes by public authorities to the budget of different levels to secure fulfilment of social tasks and functions of the state. Tax policy exerts a great influence on shaping the social structure of modern society by means of redistribution of tax burden among categories of population, different in their welfare standards.

Tax policy is one of the basic instruments of social and economic government of the state. Tax incentives can have a huge impact on making decisions about where to invest, when to invest and what to invest, and consequently, on the volume of funding allocated for social programmes.

What is called nowadays a "modern" tax policy, i.e. policy of universal, efficient and fair taxes, is a partial solution to the problem of social and economic inequality in contemporary society [1].

At the same time, incompletely studied and realized significance of the social essence of taxes, as well as correlation of suggested theoretical

conceptions with the used models of taxation, doesn't give an opportunity for a more efficient application of the models as an instrument of public authorities for regulating arising social and economic contradictions.

In the process of historical development of society and drawing territorial boundaries, public authorities, that perform on behalf of the state, determined the volumes of people's revenues, appropriated by law in the form of various obligatory payments in order to continually meet their own needs.

In so doing, persons in office strove for maximum taxation of their citizens, without taking any interest in their material capabilities for further reproduction, which eventually caused various social protests and led to changes in existing territorial boundaries, forms of state structure, etc.

Later on in the attempt to preserve control over the subject territories and secure constant inflow of obligatory payments, public authorities had to establish the limit of maximum allowed taxation, keeping the balance of interests of the state and its population as a chief payer. On the subject territory they set an administrative order and provided some public services to the people – initially in form of protection from various infringements of property rights, taking all kind of law-enforcement actions, etc.

With extension and development of economic relations among individuals, their groups and territorial subdivisions, there arose the need to improve the range of public services, rendered by the state, the list of which covering the most costly and important sides of life of society.

However, any service on the part of the state, no matter what aspect of society's activity it facilitates, requires supporting funding for its rendering. In this case taxes make the major source of

money resources that come at the disposal of public authorities, the more taxpayers – the better.

The state can't finance itself directly, so money receipts in favour of public authorities are carried out by means of accumulating obligatory payments in the budgets of all levels and funds, in other words, through creation of a fiscal (tax) system. Forms and methods of tax collection have always been of a vivid fiscal character. And the implemented economic policy expressed the interests of the main addressee, that is, the state, for whose benefit the accumulated money funds were received.

Public authorities, performing on behalf of the state, initiate passing statutory acts that reflect their interests, concentrated on redistribution of the accumulated money flows (taxes) for their own benefit. Owing to this situation, the essence of taxes as a form of resolving social contradictions will be in balancing the interests of the state and concerns of its taxpayers. Hence, there should be common interests of the both parties, and the state, that is concerned with maintenance of its welfare (sources of revenues), is directly motivated to sustain the current living standards of its people.

If governments establish an allowable fixed volume of alienable (appropriated) revenue for its people in the form of taxes, then its citizens will be also concerned with the existence of the state and development of their economic activities. Reasonable tax rates, introduced by law, become gainful for population, as after paying taxes people have a considerable part of their revenues at their disposal, and it avails for extensive reproduction.

With on-going development of society, aspiring to maintain the existing balance of interests, the state that is directly concerned with keeping status quo by means of spending money funds, accumulated through the fiscal (tax) system, begins to render a wider list of socially relevant goods and services to its citizens. And under the circumstances it is not the state, but taxes become the guarantor of exercising declared rights and freedoms of population on the part of public authorities and a form of resolution to social conflicts.

In case of increasing tax rates to the critical maximum, non-compliance with declared rights and freedoms of the people or breaking them eventually entails political and economic estrangement of population, speedy stratification in the property status, growing economic inequality and social tension in society and various protest moods [2].

Dominance of government interests and attempts to enhance amounts of taxation can be fulfilled by means of repressive measures regarding population, but it can't last long, and finally will lead

to economic stagnation and political disturbances, even change of the ruling regime [3].

Not to give way to upsetting the achieved equilibrium, the state is forced to restrict the upper limit of taxation and donate a part of the drawn obligatory payments – taxes, back to population, as a rule, to its uncompetitive (low income) strata in the form of socially significant material and non-material goods and services. Thus, to keep the created balance and preserve an access to distribution of resources, the state is to be interested in stabilizing the status quo even more than taxpayers who endow a part of their income to the state.

Therefore it is the high income, but not low income categories of population are concerned with the application of taxes as a form of resolution to social contradictions in the polarized modern society.

In any society representatives of high income groups of population are not directly motivated to improve welfare standards of low income majority, at the expense of whom they maintain their high economic standing. That's why they oppose imposition of sumptuary taxes (wealth tax and the like) or redistribution of a share of their income in favour of other members of society. On the other hand, when protecting the interests of private property, they are obliged to restrict the process of distribution of money funds through taxation not for their own benefit, but in favour of other categories of people to keep the attained standard of well-being.

To maintain their welfare high income population groups start to appeal to public authorities with calls for social reforms and enlargement of the list of socially important goods and services, provided to low income strata.

For example, in the countries of Northern Europe or Sweden, that are characterized by a strong social orientation of government regulation, the official interpretation of the social function of the tax implies that taxes are a fee for social stability, paid by people with high income for the benefit of low income strata of population [4].

And it should be taken into consideration that the political and structural reforms, carried out in Sweden last century, had a huge impact on the Swiss tax system, as a result of which taxes started to make up 60 % of GDP by 1990 [5].

Taking such actions on the scale of the state can be implemented only at the expense of the funds, accumulated within the fiscal (tax) system, taxes being dominating source of revenue for the latter.

The commitment of the state to the use of taxes as a means to resolve social contradictions and implement various social programmes is

particularized in publications of national and foreign scientists [4; 6; 7; 8; 9; 10].

In the meantime there is a need for complex studies devoted to the analysis as a form of resolving social contradictions.

In the opinion of McGuire M. and Olson M., the previous economic research didn't explain either difference in incentives, affecting dictatorial and democratic governments, or their influence on tax rates, distribution of revenues and ensuring production of public goods. In other words, there's an obvious wide gap in economic studies [9].

Reforms, targeted at forming market economy in Russia, facilitated appearance of both new scientific terms and concepts in national economic science, widely accepted in the world scientific community, but nearly never used in this country either in scientific circulation, or in practice, and emergence of social contradictions, the mechanisms of resolution to which have been approved and realized in many other countries.

At the same time, it should be born in mind that neoliberal reforms of taxation, implemented since 1980 in some developed democracies, resulted in the rise of current tax rates and enhanced the trend for boosting social share in the operational tax budget [11].

Nevertheless, it's not quite certain, tax experience of which countries and to what extent might be demanded most of all for resolving existing social contradictions.

And it's especially difficult to implement the borrowed model of socially-oriented taxation in practice without taking into account real state of national economy and specificity of the Russian society development, and suggest required methods and instruments on the basis of this experience.

And what is necessary to take into consideration is the circumstance that social taxes (social or insurance fees in the system of insurance security), that are used in many countries to support uncompetitive population, and directing tax funds for social purposes do not coincide with each other. In the first case, they are specialized payments forwarded to social insurance in case of retirement, self-employment, disability, etc. In the second situation we deal with the purposeful government policy of reallocating all accumulated taxes to solve social problems of society.

By reference to the processes of globalization and internationalization of economic relations, the experience of socially-oriented taxation, implemented both in the countries of European Union and other states, might be demanded when solving similar problems in the aspect of practical application.

Stratification of the Russian society is an objective and typical property of market relations, but polarization of revenues of Russia's population took place on the background of the national economic crisis and a drastic increase of material welfare of some groups of citizens at the expense of other ones.

Economic nature of the current differentiation is of an objective character, and what should be paid special attention to is the role and importance of social factors while implementing a reform in the society, especially in the very beginning of such reorganization, as rejection of reform by majority of population hinders formation of the people's market mentality.

Growing polarization between high income and low income strata of population causes social inequality, as both deeply rooted paternalistic perception of the state, and boost of welfare among separate groups of citizens bring about disproportionate development of Russia's territories.

Most citizens of this country have an idea that in the process of market reform nearly homogeneous structure of the socialistic state broke apart into several groups of population, markedly differing in their material wealth. In the aftermath only a low number of Russians could adapt to new conditions of economic activity, make use of the provided opportunities to improve their material well-being, find their place and role in market relations. At the same time living standards of a significant part of population decreased, many citizens found themselves below the poverty line, and they were reluctant to understand and assume the values of market economy.

As a rule, access to the sources of welfare, allocation and control over them are initiated and exercised by one group of population or its representatives who are sure that the reform process will increase their personified profits. In the end, this serves the reason why interests of one group of citizens dominate over those of the other part, and distortion of the existing principles of taxation in the way, when the gap between high income and low income strata of population can't be bridged, leads to slowdown of growth rates of the society and gives grounds for further social and economic contradictions.

To attain the goals set by society, it's required to bring to force a reconciled order of actions with a glance to available money resources. Taxes with their set of functions can provide for income of funds at the disposal of public authorities.

The hierarchy or ranking of tax functions is connected with the realization of the fiscal function, the priority of which is logical and undisputable, as in case of failure to carry out this function, the

performance of the other functions of taxation seems next to impossible.

Predestination of the fiscal function of taxes is to create the material basis for the operation of public authorities through centralized accumulation of obligatory payments in the budgets of different levels, which enables the state to implement social programmes and projects. In this case taxation functions as a social practice of the state, aimed at regulating the processes of distributing the results of economic activity of legal entities and individuals.

But it is the very primacy and fiscal directivity of the tax function distorts the hierarchy of tax functions, their sequence and co-subordination, and prevails over their social implication, and hinders their application as an instrument of regulating social and economic contradictions in modern Russian society.

However, in the conditions of Russian reality taxes implement only their fiscal function of accumulating obligatory payments which suppresses all other functions of taxes.

Realization of the fiscal function of taxes in the process of accumulating obligatory payments should be revealed with the help of their social function that facilitates better understanding of the goals and tasks that public power bodies face, or the hierarchy of interests that the state manifests.

Therefore in the process of operation, the fiscal function of taxes should gradually transform, little by little transferring to other functions and preserving integrity of social significance of taxation.

Discussions about the social function of taxes that performs as a form of resolving social contradictions and an instrument of levelling income inequality among various groups of population used by public authorities, have both proponents and opponents.

Beyond any doubt, disabled categories of population (retired people, dependants, handicapped persons, etc.) need different sorts of government social support. But there are able-bodied citizens who are reluctant to work due to some reasons and expect to receive public social transfers. Possibility to obtain all kinds of social benefits from government leads to growth of social parasitic attitude or smugness, constant expectation of and dependence on material support from outside, exploitation of fruit of somebody else's labour [12].

Zero-address impersonal help to uncompetitive (low income) sections of the population on the part of the state brings more harm than benefit, as cultivates parasitical attitudes, directed not at motivation of their labour activity and formation of active life position, but at expectation of assistance from the state. As a result, instead of

decreasing the quantity of citizens who receive all kinds of benefits, compensations or other financial aid from the government increases. Finally, it leads to extra burden on other taxpayers who have to fund various kinds of government social support to the less-well-off sections from their own revenues.

Processes of taxation not only have a direct effect on the development of social and economic life of society, but also form legal awareness of population, provide the basis for resolving current contradictions, arising between the interests of the state and the concerns of its taxpayers. It allows to view taxes both in a light of their fiscal function, and from a position of social (distributive) function. In the issue the social function of taxes becomes a prevailing one among the rest of the functions, which is also typical for other economic categories (money, finance), taxes being derived from. So the social function is a regulatory requirement, without fulfilling which modern society can't exist and develop.

Tendencies and dynamics of factors that affect final results of tax collection, further formation of tax funds and implementation of social programmes and projects, aimed at levelling current contradictions, are the acute points of modern market economy.

Under conditions of growing income differentiation among population strata, the key factor of tax policy in Russia must be prevalence of the social function of taxes over the fiscal one. For this purpose, it's essential to take into consideration the theory and practice of foreign taxation while seeking ways to resolve social and economic contradictions.

Consequently, it's vital to rethink the current conception of tax policy and implement a transfer from its fiscal essence to socially-oriented taxation, directed at providing not only various forms and sorts of public benefits to uncompetitive population groups, but giving them a chance to obtain some sources of revenue by themselves by their employment on the labour market.

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