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Principles of taxation in the formation of tax systems of Ukraine and Poland

Globalization and internationalization of economic relations requires both the formation of new and strengthening existing tools to ensure the competitive advantage of their own economy. Taxes and other obligatory tax payments are among the basic internal tools of influencing the socio-economic and environmental problems of the country and partner countries.

Poland and Ukraine regained their independence at the same time in the early 1990s, and governments paid considerable attention to the use of taxes in reforming their own economic models. Taxes in Poland have become an element of the policy of "shock therapy", they were actively used by governments in consistent reforming the national economy to market conditions in Ukraine.

Taxes have become a basic instrument of fiscal policy of Ukraine and Poland, but the efficiency of use was different taking into account the macroeconomic indicators of development of both countries, and their social development.

Keywords: *tax systems of foreign countries; principles of taxation; Ukraine; Poland.*

Relevance of the topic. Modern tax systems of Poland and Ukraine were formed simultaneously after the collapse of the CMEA in the late 80's and the Soviet Union in 1990-1991 in difficult political, socio-economic conditions of transition to a mixed type of economic systems, creating their own models that would provide rapid, efficient application of new forms of management. While Polish governments have focused on rapid reforms based on "shock therapy", Ukraine has chosen a more gradual evolutionary path. The 30th way of development of both economies since the restoration of independence shows that the decisions of the Polish governments were generally justified, and their consistent rapid implementation provided positive socio-economic indicators in the middle 90s. Instead, constant changes in the governments of Ukraine, inefficient use of modern tax instruments, led in particular to the lag in GDP, the main social indicators of Poland.

The actions of governments in the process of transition to market relations were relatively systemic in nature, affecting nearly all industries and spheres, forming both formal and informal institutions of so-called sustainable development. Particular attention was paid to the role of the state as a renewed economic entity, determining the functions of government agencies, instruments of influence on various socio-economic processes in both countries, including taxes and other types of obligatory tax payments.

Thus, the problems of forming an effective tax system and principles of taxation, reducing the shadow sector of the economy, increasing tax revenues were the subject of research by a wide range of scientists of different periods: Adam Smith and David Ricardo, who once formulated the first principles of taxation and a cohort of new generations: Breus C.V., Galchynskiy S.A, Demianenko M.Ya., Denysenko M.P, Predborskyk V.A, Pynzenyk V.M and many others.

Results and discussion. The change and narrowing of the role of the state in economic processes in post-Soviet economies was forced with various consequences for both the economies as a whole and public finances, which were based on monetary and fiscal policy. The approaches of the governments of two countries differed, but the policy in the field of taxes differed in the similarity of actions and tools in ensuring the revenue side of the state and local budgets.

The change in the content of tax instruments in Poland began in 1989 with the transformation of the payment of existing taxes and fees, mainly income tax and the emergence of new obligatory payments. The formation of an integrated system of taxation began after 1997 with the almost simultaneous adoption of two basic documents of the republic, which directly and indirectly affected the sphere of tax relations:

1. The new Constitution of Poland of April 2, 1997 [2];
2. USTAWA Ordynacja podatkowa of 29 August 1997 [5].

Instead, the modern national tax system was based primarily on the adopted Law of Ukraine "On Taxation" of June 25, 1991, which became the basis for the formation of formal and informal tax institutions with clearly defined principles of taxation, in contrast to Poland. Subsequently, the Constitution of Ukraine of 1996 also enshrined one of the basic responsibilities of a citizen - the obligation to pay taxes, which has become a constitutional tradition [1], [2].

Principle (Latin *Principium*) means the basis or principles used to build a separate system in order to provide and maintain its main characteristics and parameters. The tax system is not an exception, but a specific formal

institution of the relationship between the citizen and the state, which was transformed in both countries and associated with two problems both Ukraine and Poland faced that time:

1. Reducing the role of the state in regulating economic and other processes;
2. Formation of new and change of existing formal and informal state institutions that will ensure long-term economic development, sovereignty of the state after the restoration of independence, implementation of basic constitutional norms, which are guaranteed exclusively by the state as an entity.

The principles approved in Ukraine generally met the challenges of the early 90's and reflected both the economic and legal basis of taxes and other tax payments, the peculiarities of the regulation of tax relations [4]:

- stimulation of scientific and technical progress, technological renewal of production, entry of domestic producers into the world market of high-tech products;
 - obligatory – introduction of norms on payment of taxes and fees (obligatory payments), defined on the basis of reliable data on objects of taxation for the reporting period, and establishment of responsibility of taxpayers for violation of tax legislation;
 - equality, non-admission of any manifestations of tax discrimination - ensuring equal treatment of business entities (legal entities and individuals, including non-residents) in defining the obligations to pay taxes and fees (obligatory payments);
 - social justice – providing social support to the poor through the introduction of economically justified non-taxable minimum incomes and the application of differentiated and progressive taxation of citizens who receive high and very high incomes;
 - stability – ensuring the invariability of taxes and fees (obligatory payments) and their rates, as well as tax benefits during the budget year;
 - economic feasibility – the establishment of taxes and fees (obligatory payments) on the basis of indicators of national economic development and financial capabilities, taking into account the need to achieve a balance of budget expenditures with its revenues;
 - uniformity of payment – setting deadlines for payment of taxes and fees (obligatory payments) based on the need to ensure timely receipt of funds in the budget to finance costs;
 - competence – the establishment and abolition of taxes and fees (obligatory payments), as well as benefits to their payers are carried out in accordance with the legislation on taxation exclusively by the Verkhovna Rada of Ukraine, the Verkhovna Rada of the Autonomous Republic of Crimea and village, settlement, city councils;
 - unified approach – providing a unified approach to the development of tax laws with the obligatory definition of the taxpayer and fee (obligatory payment), the object of taxation, the source of payment of tax and fee (obligatory payment), tax period, tax rates and fee (obligatory payment), terms and procedure for tax payment, grounds for granting tax benefits;
 - availability – ensuring the profitability of tax legislation for taxpayers and fees (obligatory payments).
- Instead, after the adoption of the Tax Code of Ukraine, there was a fundamental change in the institutional economic principles of taxation and focusing exclusively on the legal nature of taxes [3]:
- generality of taxation – each person is obliged to pay the taxes and fees established by this Code, the laws on customs matters, the payer of which he is in accordance with the provisions of this Code;
 - equality of all taxpayers before the law, prevention of any manifestations of tax discrimination - ensuring equal treatment of all taxpayers regardless of social, racial, national, religious affiliation, ownership of a legal entity, citizenship of an individual, place of origin of capital;
 - the inevitability of the occurrence of statutory liability in case of violation of tax legislation;
 - presumption of legality of taxpayer's decisions if the norm of a law or other normative legal act issued on the basis of the law, or if the norms of different laws or different normative legal acts presuppose ambiguous (multiple) interpretation of rights and obligations of taxpayers or controlling bodies, as a result of which there is an opportunity to make a decision in favor of both the taxpayer and the controlling body;
 - fiscal sufficiency – the establishment of taxes and fees, taking into account the need to achieve a balance of budget expenditures with its revenues;
 - social justice – the establishment of taxes and fees in accordance with the solvency of taxpayers;
 - cost-effectiveness of taxation - the establishment of taxes and fees, the amount of revenue from the payment of which to the budget significantly exceeds the cost of their administration;
 - tax neutrality – the establishment of taxes and fees in a way that does not increase or decrease the competitiveness of the taxpayer;
 - stability – changes to any elements of taxes and fees may not be made later than six months before the start of the new budget period in which the new rules and rates will apply. Taxes and fees, their rates, as well as tax benefits may not change during the budget year;

- uniformity and convenience of payment – setting deadlines for payment of taxes and fees, based on the need to ensure timely receipt of funds to budgets for the implementation of budget expenditures and the convenience of their payment by taxpayers;
- a single approach to the establishment of taxes and fees - the determination at the legislative level of all obligatory elements of the tax.

It should be noted that the combination of law and economics, finance has always provoked debate, because taxes have traditionally been characterized by a dual nature, compulsion with a clear definition of legal and economic principles of taxation for the gradual formation of tax trust between state and taxpayer. In fact, in Ukraine there has been a shift in emphasis towards legal principles that are secondary to economic ones, which has negatively affected the choice of tax instruments to regulate processes in the economy. The result of such changes is both a fairly significant level of the shadow economy and the inability of fiscal authorities to effectively administer obligatory payments.

A similar situation has developed with the principles of taxation in Poland, although with its own features. In particular, since the beginning of the formation of the Polish tax system, as noted by Robert Wolanski, there were no clearly defined principles of taxation in general, without highlighting individual legal and economic, but primarily the legal aspect was taken into account, because the Constitution of Poland, as well as Ukraine, clearly outlines, first of all, the civil obligation to pay taxes.

The main attention was paid to the system of indicators and assessment of the functioning of the Polish Tax System, the effectiveness of the application of certain elements of the legal mechanism of taxes. The lack of clearly defined tax principles resulted in lawsuits against one of Poland's main bodies, the Trybunał Konstytucyjnego, for clarification of certain tax rules and violations of certain tax principles of an economic nature. Thus, Wyrok Trybunału Konstytucyjnegoz of 7 November 2007 (K 18/06) explained the application of such a principle as the "principle of justice" ("Zasada sprawiedliwości") in the taxation of income and property of a Polish citizen and in fact, similar decisions have become the norm [5].

A similar situation with other interpretations of Trybunału Konstytucyjnego and judges actually draw attention to the practical application of traditional or classical principles of taxation, starting with those defined by Adam Smith. There is in fact a comparison of the economic and legal basis of modern obligatory payments, with both countries

Thus, the definition and observance of both legal and objective economic principles of taxation are the key to preventing and resolving problematic situations in the tax spheres of Ukraine and Poland, form the institutional basis of tax systems, determine the choice of appropriate fiscal policy instruments constitutionally enshrined in both countries.

In general, taxes have become a very effective flexible means of influence in the economies of countries and are constantly undergoing transformations. The most radical changes in the taxation of Ukraine and Poland took place in the late 90's and the general common features include [8]:

- division of taxes into national and local;
- gradual reduction of the value of direct taxes, in particular income tax and differentiation of personal income tax rates;
- widespread introduction of indirect taxes, in particular VAT (VAT in Poland).
- highlighting the features of small business taxation.

The proximity of the level of development of the tax systems of the two countries illustrates the annual rating of PwC company , in particular in 2020 in terms of the main six parameters of comparison the countries occupy 65 and 77 places, respectively (see table 1) [9].

Table 1

Rating of tax systems of Ukraine and Poland in 2020*

Country	Overall ranking	Ease of paying taxes score	Total Tax and Contribution Rate (TTCR) %	Time to comply (hours)	Number of payments	Post-filing index
Ukraine	65	78,1	45,2	327,5	5	86
Poland	77	76,4	40,8	334	7	77,4

*According to PwC

A common feature in the formation of both tax systems is the use of such obligatory, socially significant tax payments as social contributions. Thus, the social insurance system in Poland was actively formed after the collapse of the CMEA system, and the types of social insurance and the principles of insurance coverage are regulated by the relevant Law of 13 October 1998 "On Social Insurance System", and the social insurance system itself includes:

- old-age pension insurance;
- disability and survivor's pension;
- sickness insurance;
- industrial accident insurance.

An equally problematic aspect of the development of the Polish social insurance system is the underdeveloped market infrastructure, in particular the short practice of paying pension contributions to non-governmental organizations, mainly commercial banks, which requires Polish governments to take further steps to reform social contributions, their structure and trust between payers and specialized state and non-state structures. In Ukraine, on the other hand, the accumulative system of pension contributions to public and private structures is just beginning to develop, and the infrastructure of non-state pension funds is actually absent [10].

In Ukraine, on the other hand, there has been a radical change in approaches to social gatherings, but new government policies have not only reduced the pressure of social security contributions on the payroll, but also pushed the motivations and legal obligations of employers and employees to pay a single social contribution, there was an artificial replacement of the basic social gatherings with a single social contribution at the rate of 22 %, and employees do not pay salaries to social insurance funds.

Conclusions and prospects for further research. The functioning of the tax system depends on many factors, but the starting point in the policy of forming and improving both formal and informal institutions in the field of taxation, in particular tax trust, are the principles of functioning of tax systems. If the practice of Poland actually demonstrates the free use of classical principles primarily of an economic nature without their clear regulation, in Ukraine, during the years of independence, the change of "tax principles" occurred twice with their transformation into principles of tax law and the dominance of the legal component over the economic one.

The choice of principles and their justification is the institutional basis that provides a choice of primarily economic tax instruments to influence individuals and legal entities, non-residents, which are further reflected in the law in particular in the elements of the legal mechanism of each tax. Reforming the principles of the tax systems of both countries should be based on a clear division into economic and legal principles, which will ensure both the optimal choice of economic tax instruments and protect the rights, establish responsibilities for all parties to the tax relationship.

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Наукові інтереси:

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Наукові інтереси:

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- бухгалтерський облік.

The article was sent to the editorial board on 09.08.2021.