THE ECONOMIC ESSENCE OF THE CORPORATE INCOME TAX AND ITS ROLE IN BUDGET REVENUES

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Abstract: This article is devoted to the analysis of the economic essence of the corporate income tax and its significant role in the formation of budget revenues. We conducted a study of the essence of income tax, its impact on the activities of enterprises and macroeconomic indicators. The article also considers the basic mechanisms and principles of taxation of profits of legal entities, as well as the impact of changes in tax policy on the financial condition of enterprises and budget revenues.

Key words: profit tax, legal entities, taxation, budget revenues, economic essence, tax policy, macroeconomic indicators, financial condition.

Аннотация: Данная статья посвящена анализу экономической сущности налога на прибыль юридических лиц и его значимой роли в формировании доходов бюджета. Мы проводили исследование сущности налога на прибыль, его влияния на деятельность предприятий и на макроэкономические показатели. В статье также рассматриваем основные механизмы и принципы налогообложения прибыли юридических лиц, а также влияние изменений налоговой политики на финансовое состояние предприятий и бюджетные доходы.

Ключевые слова: налог на прибыль, юридические лица, налогообложение, бюджетные доходы, экономическая сущность, налоговая политика, макроэкономические показатели, финансовое состояние.

Introduction. Corporate income tax is one of the most important instruments of the tax system of any state. It not only provides a significant portion of budget revenues, but also has a significant impact on the economic activities of enterprises and macroeconomic indicators. In this introduction, we will discuss the economic essence of corporate income tax and its role in generating budget revenues.

Income tax is a tax rate that is levied on the profits earned by a business over a specified period of time. This tax is one of the main sources of state budget revenue

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and is aimed at ensuring the financial stability of the state and the implementation of social programs.

Corporate income tax plays a key role in generating budget revenues. The revenue from this tax is used by the government to finance various public needs such as education, health care, infrastructure and social protection.

Income tax has a significant impact on enterprise decisions regarding investment, production and profit distribution. High tax rates can encourage businesses to reduce investment and reduce production, while lower tax rates can encourage business development and economic growth.

The purposes of income taxation include raising funds to finance government needs, stimulating economic growth, and equitably distributing the burden of the tax burden. Income tax principles vary from country to country and may include progressive or proportional rates, as well as various tax breaks and incentives for businesses.

Main part. Corporate income tax is a key element of the tax system and one of the main sources of state budget revenue. Its economic essence lies in the fact that it represents taxation of profits received by enterprises as a result of their activities. A similar tax mechanism is used by the state to ensure financial stability and ensure socio-economic development.

The role of income tax in budget revenues can hardly be overestimated. Revenues collected by the government from this tax are used to finance a wide range of government programs and projects. These funds are used to develop infrastructure, education, healthcare, social protection and other socially important areas, helping to ensure the well-being of citizens and economic stability.

Income tax has a significant impact on the strategic decisions of enterprises regarding investment, production and profit distribution. High tax rates can encourage companies to disinvest and go dark, while lower tax rates promote business growth, stimulate investment and promote economic growth.

The goals and principles of income taxation vary depending on the specific conditions and objectives of each state. In general, they include raising funds to meet government needs, stimulating investment and economic growth, and equitably distributing the tax burden based on the income and capabilities of businesses.

Corporate income tax is interconnected with other elements of the tax system, such as value added tax, personal income tax and others. The interaction of these tax mechanisms forms the overall tax balance and determines the efficiency and fairness of taxation in the country.

While researching the topic, we identified the following problems and expressed our scientific proposals to them, which include:

- Lack of transparency and complexity of tax legislation:

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Issue: Complex and ambiguous income tax rules can create uncertainty for businesses and make it difficult for them to plan and manage their tax obligations.

Scientific solution: Development and implementation of simpler and clearer tax rules, as well as improved tax administration mechanisms to ensure transparency and predictability.

- Insufficient application of tax benefits and incentives:

Problem: The tax system may not always effectively use tax breaks and incentives to stimulate investment and economic growth.

Scientific solution: Research and analysis of the effectiveness of existing tax incentives and benefits, as well as the development of new mechanisms based on scientific research to achieve the desired goals of stimulating economic activity.

- Problems of tax evasion and tax avoidance:

Problem: Businesses may employ a variety of strategies, including tax evasion and tax avoidance, to minimize their tax liability.

Scientific solution: Development and implementation of measures to prevent tax evasion and avoidance, including improved control and supervision of tax compliance, development of effective methods for analyzing the tax base and cooperation between states to combat international tax evasion.

- Negative impact on investment and economic growth:

Problem: High income tax rates can discourage businesses from investing and innovating, which has a negative impact on economic growth.

Scientific solution: Researching optimal income tax levels, taking into account the balance between the need for budget revenues and stimulating economic growth, as well as developing flexible tax policies that can adapt to changing economic conditions.

Conclusions and offers. In conclusion, the corporate income tax represents a fundamental component of the fiscal landscape in modern economies, serving as a significant source of revenue for government budgets. Its economic essence lies in its role as a levy imposed on the profits generated by corporations, reflecting a portion of their economic activity contributed to the public sector. The corporate income tax plays a vital role in financing public expenditures, funding essential government services, infrastructure development, social welfare programs, and other initiatives crucial for socioeconomic development.

Furthermore, the corporate income tax serves broader economic objectives, including promoting fiscal sustainability, achieving income redistribution, and ensuring a fair distribution of the tax burden among different segments of society. By taxing corporate profits, governments can mitigate income inequality and contribute to social cohesion by funding public goods and services that benefit the entire population.

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Despite its importance, the corporate income tax faces various challenges and criticisms, including concerns about its complexity, distortive effects on economic behavior, and vulnerability to tax avoidance and evasion. Additionally, globalization and advancements in digital technologies have posed new challenges for corporate taxation, such as base erosion and profit shifting (BEPS), requiring coordinated international efforts to address these issues effectively.

In light of these challenges, policymakers, tax authorities, and stakeholders must continuously review and refine corporate tax policies to ensure their effectiveness, fairness, and efficiency. This may involve simplifying tax codes, enhancing compliance and enforcement measures, and promoting international cooperation to combat tax avoidance and evasion. Moreover, exploring alternative revenue sources and tax instruments could help diversify government revenue streams and reduce reliance on corporate income tax revenue.

Overall, the corporate income tax remains a critical tool for financing public expenditures and promoting socioeconomic development. However, its design and administration require careful consideration to strike a balance between revenue generation, economic efficiency, and equity considerations.

Offers:

1. Simplify tax codes: Streamline and simplify corporate tax codes to enhance transparency, compliance, and administrative efficiency.
2. Strengthen enforcement: Implement robust enforcement measures, including enhanced auditing, monitoring, and penalties for non-compliance, to deter tax evasion and avoidance.
3. Enhance international cooperation: Foster international cooperation and coordination to address challenges related to base erosion and profit shifting (BEPS) and combat tax evasion and avoidance effectively.
4. Promote tax transparency: Enhance transparency and disclosure requirements to ensure greater accountability and public scrutiny of corporate tax practices.

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