

## THE IMPACT OF TAX INCENTIVES ON THE REGULATION OF TAX RELATIONS

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**Abstract:** the article describes the essence of tax benefits, the organization of tax services in providing them, the priority areas of tax services. Proposals and recommendations for improvement in the direction of modernization of production of tax benefits, technical renewal and diversification, wide introduction of innovative technologies have been developed.

**Key words:** tax, tax policy, tax credit, tax service, tax base, investment tax credit.

### Introduction

Currently, the further liberalization of the tax policy and the reduction of the tax burden are mainly reflected in the improvement of tax administration by reducing taxes on the income of economic entities, identifying inefficient types of taxes, systematically abolishing them, and simplifying taxes with the same tax base. In general, the occurrence of major changes in the structure of the tax policy in this regard is ensured by the provision of consistent tax benefits. The main idea of the new tax concept, which will be introduced starting from 2019, is to reduce the tax burden and apply a simple and stable tax system. In this way, it is possible to increase the competitiveness of our economy, create an all-round favorable environment for entrepreneurs and investors [1].

Decreasing the tax burden has a positive effect on increasing the real income of economic entities, expanding their production potential and encouraging them.

### **Main part**

It should be said that until now in the economic literature, words or ideas such as "current tax incentives", "introduction of tax incentives", "creating opportunities to use tax incentives", "optimization of tax incentives", "cancellation of inefficient tax incentives" are encountered [2 -6]. Each of them is covered in its own way without controversy. The existence of such cases seems to exclude the role of the state in the use of tax incentives. In practice, the role of the state in this regard is huge.

The role of the state in the application of tax benefits is primarily manifested in services related to the provision of tax benefits. Thus, the essence of the above-mentioned words is reflected in "services for providing tax benefits". The delivery service is carried out by state bodies.

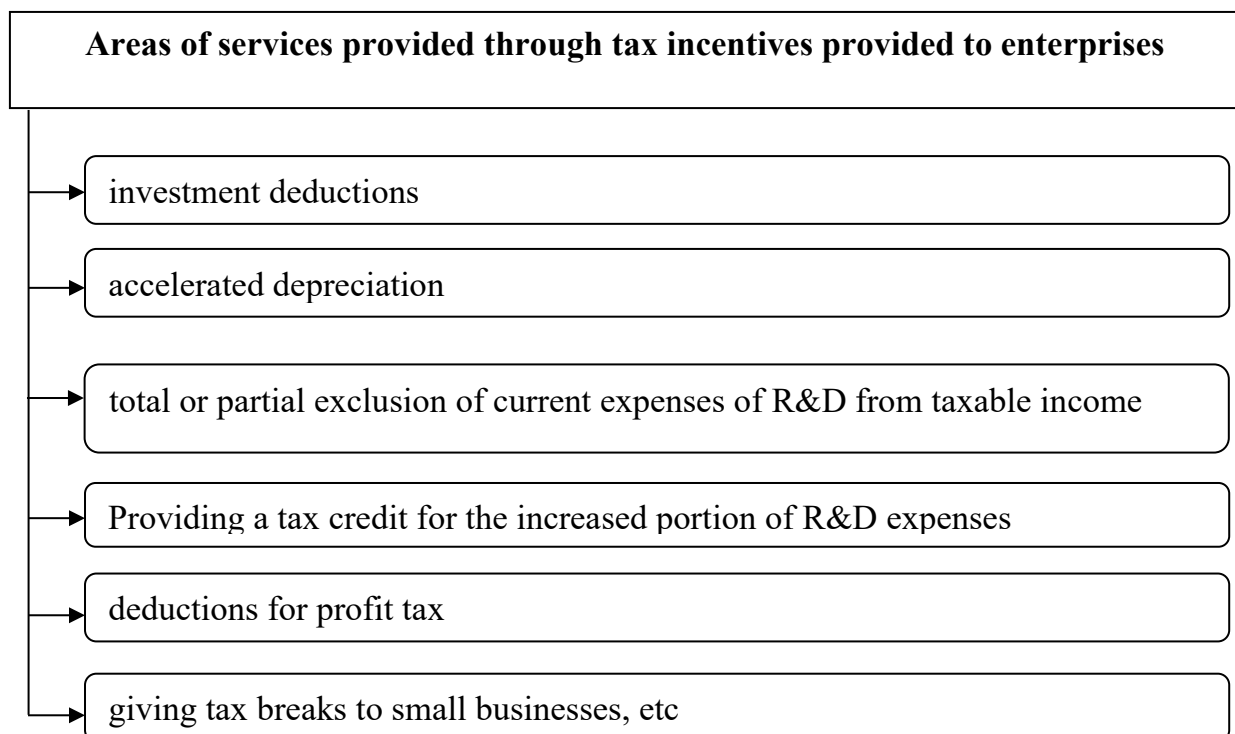
Based on the above, there is a need to focus on tax benefits and the cases of their provision by the state.

Nowadays, it is important to consider the improvement of the quality of services provided for the provision of tax benefits as a reliable way to ensure the wide introduction of innovative technologies and to reach new heights in this regard. In other words, the provision of tax benefits should serve the purposes of modernization of production, technical renewal and diversification, as well as wide introduction of innovative technologies, based on the requirements of the day.

It is necessary to carry out such a task not only without R&D, but also to provide priority and stable state support for innovation in our country. It is undoubtedly important to support them based on financial and economic methods, that is, through taxation and tax incentives. World practice shows that modernization of production, technical renewal and diversification should be carried out with the help of direct and indirect means of providing services for the wide introduction of innovative technologies by the state. If the above processes are carried out by allocating resources through the financing of relevant

organizations and programs, this represents the provision of direct (indirect) incentive services. They include direct budget financing and the provision of services related to the provision of budget subsidies.

Tax services provided for indirect (indirect) stimulation of production modernization, technical renewal and diversification, wide introduction of innovative technologies in enterprises are mainly implemented through tax credits (Fig. 1).



**Fig 1. Services provided through tax incentives provided to businesses**

It is necessary to take into account the following when determining the mechanisms for providing concrete types of tax incentives for the promotion of enterprise activity through taxes:

— specific types of R&D services that give the right to receive tax benefits and the minimum amount of expenses incurred for them;

— the size of the enterprise, region, sector, type of production, production technology, level of tax credit interest rate, upper limit of tax benefits (interest rate

level or absolute size).

In our country, the following tax benefits have been provided by the state for taxation of enterprises operating in the field of R&D.

Depending on the activity of enterprises, tax incentives have been showing their positive effect on the development of science to a certain extent. However, in the current conditions, they cannot be considered sufficient. Based on the above considerations, it is appropriate to implement the following:

1. Taking into account the level of innovative activity, it is necessary to provide incentives for indirect (indirect) stimulation of R&D by reducing the tax payment on profits. The higher the level of innovative activity, the more tax benefits should be provided to the relevant enterprises. There should be a stable demand for the products produced by these enterprises, and the results of R&D should be worthy of providing tax benefits by the state.

2. When calculating the amount of the tax base, the state should legally and practically (in reality) provide tax relief services for the accelerated depreciation that can be used for the transfer of the R&D. It is worth mentioning that the provision of tax benefits for investments, in most cases in the form of investment tax deductions (investment tax credit), can be of particular importance. Such deduction is excluded from the amount of calculated profit tax. Such a form of providing tax incentives in enterprises creates services related to the provision of incentives for the expansion of capital investments at the expense of own funds for computing techniques, scientific equipment, new machines and equipment. Therefore, it is important that tax authorities provide consulting services on classification of the level (scope, size) of deductions, taking into account the types of equipment and their service life. In this case, granting the right to receive a discount on new equipment not for the year of purchase, but for the year of their introduction into production creates opportunities to encourage the faster adoption of the above.

It is necessary to ensure that the investment tax deduction becomes one of

the main channels of state subsidization of enterprises (organizations and institutions) implementing R&D in our country. In particular, the implementation of such a procedure for the purpose of saving energy resources has a unique meaning of providing a service. Because modernization of the economy, strengthening of competitiveness, improvement of the population's well-being is largely related to the efficient use of available resources, that is, electricity and energy resources. Therefore, it is necessary to provide incentives for the use of alternative types of energy, the use of new technologies in the energy sector. It may also be beneficial to provide services for setting the levels of such discounts based on the location of organizations.

3. It is also necessary to encourage enterprises carrying out technical rearmament of production to be equipped with equipment and machinery by providing tax incentives. Such economic entities should be given the right to choose one of the following tax relief services: using the accelerated depreciation method or providing the opportunity to use investment deductions. In the current conditions, it is also appropriate to give such enterprises (organizations) the right to reduce the amount of tax payable in the amount of a certain percentage from the total value of modern equipment and machines purchased this year.

4. It should be said that it is appropriate to consider the possibility of introducing mechanisms for providing special incentive tax deductions. When determining such a deduction, it is important to pay attention to the following: first, to determine the part of the additional expenses spent by the enterprise on R&D in the current year, which has increased from the level of the previous year or the current year, and then to determine a certain part of this increased amount and to deduct it from the total amount of tax on the profit of the enterprise, and to calculate such a deduction the amount (amount) may change under the influence of certain factors.

The discount in the form of a tax credit, provided in the above proposed manner, depending on the increased volume of R&D, is considered effective for

the state budget compared to other forms of scientific research promotion. In practice, this procedure does not lead to a decrease in tax revenues on budget income. Therefore, it is possible to provide additional tax benefits to such enterprises (organizations) that are spending additional funds and have not previously used the loan provided for research.

5. It is necessary to provide incentives to stimulate the funding of research in research institutes and higher education institutions. In order to achieve this, to provide incentives for the application of a discount on the tax on the profits of economic entities that have concluded an agreement with such performers on the implementation of R&D. If such entities provide grants for scientific equipment to scientific research institutes and higher educational institutions, it is important to expand the range of tax benefits that should be given to them.

6. In order to encourage venture companies [7] that carry out research and development activities, it is necessary to provide them with incentives to reduce the tax rate on the increased part of the capital. The provision of such benefits in relation to the incomes received by the enterprises may bear fruit in the future.

7. When stimulating the science sector by providing tax incentives, it is necessary to pay special attention to the following:

a) It is important to provide services to ensure financing of science from various sources, including budget funds, and the contribution of financing services based on business contracts should be high;

b) Despite the fact that financing at the expense of innovative processes is of crucial importance, the funds spent for this purpose make up only 0.5-0.7% of the state budget expenses in the Russian Federation - 5.5 thousand US dollars, in the USA - 189 4 thousand dollars, in Japan - 148.5 thousand US dollars, in Great Britain - 150.6 thousand US dollars, in Germany - 154.8 thousand US dollars and in France - 177.1 thousand US dollars [8].

It is worth saying that in the current conditions, it is considered an important factor that restores and ensures the development of the science industry, therefore,

the transition to the principle of equal distribution in relation to it today will lead to the closure of many promising scientific directions, as a result of which the important directions and branches of the development of science will be weakened and the provision of financial services will become necessary. .

8. In practice, the improvement of the provision of tax benefits services in the direction of stimulating the development of the innovative sector should be considered as an important direction of their optimization. It should be noted that, taking into account that innovative processes are associated with high level of uncertainty, it is important to improve the R&D incentive system by providing tax benefits in specific directions.

### **Conclusion**

Considering that modernization of production of tax benefits, technical renewal and diversification, improvement in the direction of wide introduction of innovative technologies is the main modern direction of their optimization, the scientific proposal and practical recommendations developed above in this regard are technical and technological renewal of production in order to ensure competitiveness in our country. Searching for large and small projects, finding the necessary funds and sources for this is of urgent importance. Therefore, the improvement of the state regulation of the provision of tax benefits services in this direction should be recognized as one of the important measures in determining the main directions of the socio-economic development strategy facing the countries of the world, including our country.

First, enterprises (organizations) use measures aimed at increasing the volume of self-financing and increasing incentives for innovation and investment (in particular, reducing tax amounts, introducing tax deductions, applying depreciation benefits, etc.);

Second, facilitating the provision of external sources of financing for economic entities. This includes state guarantees, credit insurance, preferential

subsidization, etc. ensure state support for the provision of services;

Thirdly, to introduce methods of using new financial instruments and increase the role of the state in this regard;

Fourthly, to promote the use of non-traditional sources of financing, as well as the funds of private individuals, and to ensure that risks in such processes are protected by the state;

Fifth, attracting preferential foreign capital, etc.

Currently, the changes introduced to the Tax Code will ensure the stable and balanced development of our country's economy, further improvement of the standard of living and well-being, and further improvement of the services provided by state bodies within the framework of tax incentives for various innovative economic entities.

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