

PRINCIPLES OF TAXATION AND VIEWS ON THEM

Sohbet VEKILOV,

Senior Lecturer, Turkmen State Institute of Economics and Management

Abstract

The tax system plays a crucial role in regulating the state's economy and serves as one of the main tools in the country's development. Regulation of the economy through taxes is carried out through the introduction of new taxes or amendments to the current tax legislation. By determining taxpayers, taxable bases, tax sources, rates, exemptions, and the procedure for calculating taxes, the tax system encourages entrepreneurship and investment activities, aligning with the national interests of the state. Currently, the tax system is being actively modernized in Turkmenistan in order to ensure sustainable economic growth. Improving the tax system will contribute to the growth of our country's economy and further enhance the living conditions of our citizens.

Keywords: taxation, tax system, tax policy, tax legislation, tax principle, tax legal relations, economic base.

Thanks to the successful implementation of the grandiose undertakings of Hero Arkadag, under the leadership of our Hero Serdar with Arkadag special attention is paid in our country to the effectiveness of taxation principles in the ongoing reforms, which are aimed at the scientifically based development of the state and society.

The concept of "taxation principles" is the result of the general development of financial science. Taxation principles should be considered as a set of several fundamental requirements. Any taxation system must meet the criteria of reliability (from the point of view of ensuring the functioning of the state), fairness (from the point of view of distributing the tax burden between taxpayers) and efficiency (from the point of view of saving resources, time and efforts of all participants in tax processes). Taxation principles were first defined as the requirements

of "accuracy", "efficiency" and "fairness" in the scientific works of the founders of classical political economy A.Smith and D.Ricardo. Our Hero Arkadag notes this in his fundamental scientific work "State Regulation of the Socio-Economic Development of Turkmenistan", where, in particular, he emphasizes: "A.Smith and D.Ricardo substantiated the slogan of "economic freedom" and spoke out in favour of limiting government intervention in economic life" [2].

Before A.Smith and D.Ricardo, economists mainly focused their attention on criticizing existing tax systems. For example, O.Mirabeau criticized the system of payments compensating taxes, and F.Quesnay focused on excessive expenses in collecting taxes. In their comments, they also put forward certain requirements that, in their opinion, should contribute to the creation of the fair and effective tax system. According to O.Mirabeau, the effectiveness of the tax system lies in the balance between the income received and taxes paid, in limiting the costs associated with collecting taxes, as well as in the mandatory consent of citizens to the introduction of new taxes.

F.Quesnay and other physiocrats were the first to propose moving from taxation of gross income to taxation of net income. Similar ideas were expressed by the German economist F.Justi, the Italian scientist P.Verri and others. However, in their classical form, the principles of taxation were first defined by A.Smith in his scientific work "An Inquiry into the Nature and Causes of the Wealth of Nations". A.Smith's four principles, which became known as the "maxims of taxation", include the following provisions [3]:

– firstly, equality between the size of the income received and the taxable base (all citizens of the state, according to their capabilities and abilities, must contribute to covering state expenses in proportion to their income, since they enjoy the protection and patronage of the state);

– secondly, each tax must be precisely defined in terms of its amount, payment terms and collection methods (the person obliged to pay the tax must be clearly defined, without any place for chance; the terms, methods of payment and amount of the tax must be clear and precise for taxpayers);

– thirdly, each tax must be collected in the most convenient way and at the most suitable time for taxpayers (tax payment should be made at the most convenient time and in the most convenient way for the taxpayer);

– fourthly, each tax must be organized with minimal additional costs associated with its collection (tax collection must be designed so that the burden on the population is minimal, and the funds coming into the state treasury are not reduced due to excessive costs of tax collection; taxes must be planned on the basis of the deep and reasonable approach, taking into account that reducing or completely eliminating additional costs of tax collection can facilitate the payment of taxes by citizens).

The requirement of “precision” added to the famous “principles of taxation” of A.Smith (in fact, this concept was known before him, but it was this scholar who first clearly and understandably defined it) was put forward in response to some inconvenient situations that occurred between the state and citizens in previous eras: the use of “distributed taxes” and compensation payments, the calculation of taxes in full-value coins (which could not always be found in free circulation), repeated collection of taxes, collection of taxes for the future in the form of advance payments, and so on.

The principle of “efficiency” of taxation for the taxpayer means ensuring minimal additional costs in the form of time, labour and money when fulfilling tax obligations. According to A.Smith’s interpretation, this applies to the third and fourth principles of taxation (convenience of paying taxes in time and place, as well as minimization of additional costs). The requirement of “efficiency” was put forward in response to violations by government bodies during the introduction of taxes, such as announcing changing conditions for taxation and setting restrictions on tax payment. These practices led to the worsening of the situation of taxpayers.

For example, the absence of clearly established terms and places for paying taxes, accelerated collection of taxes without due reasons, as well as the obligation to pay taxes through intermediaries and the increase in costs associated with this, which fell on the shoulders of taxpayers.

According to A.Smith, the principle of “justice” of taxation involves distributing the tax burden proportionally among all taxpayers. Before Smith, a similar distribution of taxes was often interpreted as arithmetic equality, where the tax was levied on each citizen on the basis of a simple division (for example, per capita). However, A.Smith put forward a more advanced idea of “tax justice”, which was that the amount of tax levied on each citizen should be proportional to his income (or property). In other words, he proposed a proportional tax system, in which “the higher the income, the higher the tax”. This was a significant step forward, since up to that point, wealthier citizens who spent their money on basic goods (salt, sugar, bread, etc.) did not bear such a heavy tax burden. On the contrary, citizens with lower incomes, due to their limited means, often paid a significant part of their income in taxes on these goods.

One of the conditions that should also be added to the principles of taxation is the stability of tax policy. The stability of tax policy is closely related to the tax system of each country. According to the world practice, four main principles are distinguished in taxation to create a positive tax system. These principles of taxation are set out in Figure.

The structure of tax relations covers the foundations of wealth distribution (total income of society or total financial resources), legality, regularity and other fundamental scientific principles of taxation. Here, the questions arise whether the principles of taxation in accordance with the aforementioned global experience are applied in Turkmenistan’s unified Tax Code and other legal acts regulating the tax system, and what conditions influence the structure of Turkmenistan’s current tax system”.

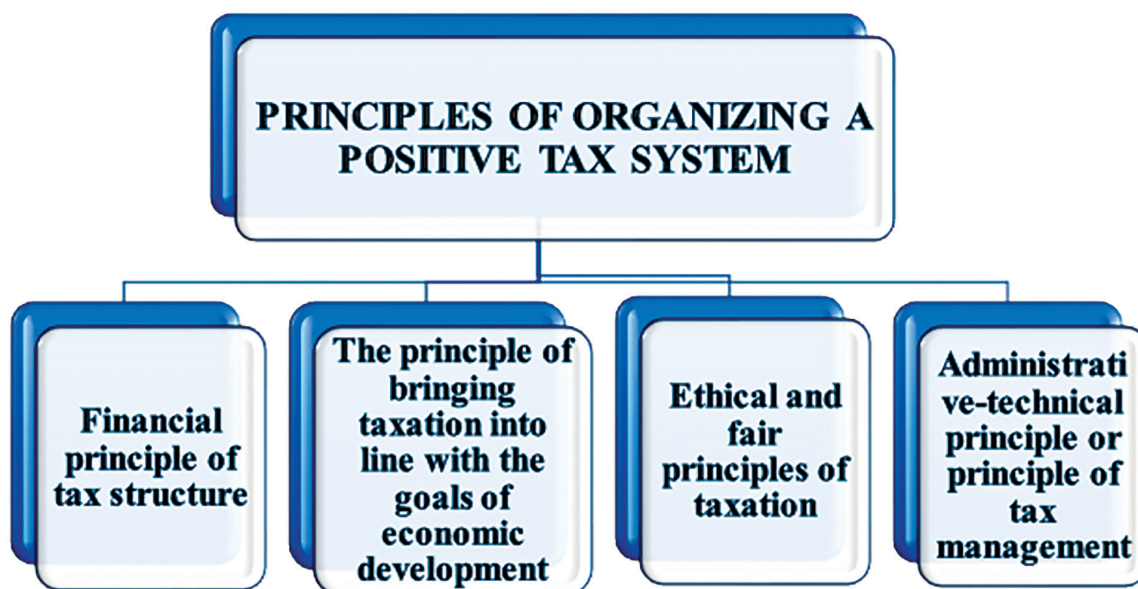


Figure 1. Principles of organizing a positive tax system [4]

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The first principle of taxation, namely the financial principle of the tax structure, is based on the theory of meeting the needs of society, or more precisely, is due to the sufficiency and flexibility of taxation. The tax legislation of Turkmenistan uses taxes to finance the areas envisaged by the financial plans of the state, providing the revenue side of the state budget with the necessary funds collected through taxation. In this context, the current taxes are fair for all taxpayers. This, in turn, characterizes the flexibility of the tax system of Turkmenistan from the positive side. The principle of bringing taxation in line with the goals of economic development (the second principle) is reflected in the short-term and long-term economic plans of Turkmenistan.

The third principle of taxation, namely the ethical and fair principles of taxation, is enshrined

in Articles 1, 49, 75, 78, 79 and other articles of the Tax Code of Turkmenistan. The tax legislation of Turkmenistan is based on the recognition of the universality and equality of taxation. If the amount of tax paid exceeds the established amount, the tax authority returns them. Officials and employees of tax authorities are obliged to observe tax secrecy and the rules for storing information about taxpayers (tax agents), respect the honour and dignity of taxpayers (tax agents) and other participants in tax legal relations. The bodies participating in tax legal relations and their officials and employees are obliged to maintain the secrecy of information about the taxpayer (tax agent), except for cases stipulated by the legislation of Turkmenistan. Disclosure of such information entails liability established by the legislation of Turkmenistan.

The administrative and technical principle of taxation or the principle of tax management (the fourth principle) follows from Articles 71-94 and other provisions of the Tax Code of Turkmenistan. They establish that tax management in Turkmenistan is carried out by tax authorities – the Tax Administration of the Ministry of Finance and Economy of Turkmenistan and its divisions in the velayats, cities and etraps. Tax authorities carry out their work in cooperation with other government

bodies, local executive authorities and local self-government bodies, as well as tax audits.

Thus, to ensure the Sustainable Development of any state, it is necessary to take into account and strictly adhere to the above-mentioned basic principles of taxation. These principles underlie the implementation of the state tax policy, the development and consistent improvement of legislative acts regulating the tax system, as well as the resolution of tax disputes in court. Even if these principles are not directly reflected in specific provisions of the law or other regulations, they do not lose their significance.

Esteemed President notes: “Everything is interconnected in life. Such concepts as peace, prosperity, a serene sky, a prosperous life are the key to the abundance and happy life. Because abundance requires well-being, and happy life requires peace and prosperity. Both of these aspects are present in our country. The international authority of our Motherland, which ensures a happy life for citizens and economic prosperity, and its place in the world, as well as the socio-economic reforms carried out in the country affect the size and age structure of the population” [1]. This indicates that all reforms carried out in politics, economics and culture of Turkmenistan are aimed at creating conditions for a decent life, well-being and comprehensive development of the personal capabilities of each citizen of our country.

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