

## **THE ESSENCE AND CAUSES OF TAXATION**

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Taxes are one of the main elements that determine the activity of the socio-economic structure of modern society. Taxes allow the state to provide for all the needs of the population and social needs, such as the salaries of the administration and law enforcement agencies, scholarships for military personnel, and so on., and exercises targeted control over the production and economic activities of enterprises and individuals. In modern states, from 30 to 50 percent of GDP is mobilized into the treasury and redistributed through taxes [1].

The need to cover the state's needs for resources forces the establishment of a number of tax penalties. They must necessarily be charged according to the same rules and on equal principles. Adam Smith, author of "Inquiries into the Nature and Causes of the Wealth of Nations" published in 1776, spoke in detail about these principles and their essence. From the main one from there, I can highlight several main principles of taxation:

1. The principle of equality and justice. It lies in the fact that taxes are levied on everyone based on their income. No more will be taken from one person than he can give.

2. The principle of certainty. This principle says that all information regarding the tax and its collection should be specified. The essence of the tax, its size, the time for which it must be covered, the options for its repayment – this should be known and understandable to everyone who is somehow concerned with this.

3. The principle of economy. Of course, the withdrawn taxes should be used as efficiently as possible. All resources used to maintain the tax system should be reduced to the lowest possible level.

4. The principle of convenience: when withdrawing a tax, first of all, it is important to take care of the right conditions for the taxpayer, especially the time and method of withdrawing the tax. It is necessary to simplify this process for people as much as possible. The main task of taxes is to form the state's monetary fund in order to improve the financial situation of people and the country through the withdrawal of part of the income of organizations and businesses. Only thanks to the fiscal function of taxes, there are opportunities for intervention in economic relations by the state, and it is the fiscal function that determines other tax functions. If tax rates exceed a certain level, business activity and motivation are reduced, due to the occurrence of a strong tax burden, further business becomes unprofitable, and some businesses lead to losses. While the relatively low tax rate motivates people to work, save, invest, take risks, and look for ways to increase their profits. As a result, the tax base expands, thereby keeping and increasing revenues at a high level, even taking into account the small amount of taxes imposed. According to the theory of the American economist A. Laffer, in order to maintain the optimal level of tax withdrawal, it is necessary not to go beyond 30-50% of the taxpayer's income.

### **References**

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