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The Role of Tax Revenues in Ensuring Sustainable Economic Growth of the Republic of Kazakhstan

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Abstract

The purpose of the research is to substantiate the scientific concept of the role of tax revenues in ensuring sustainable economic growth of the Republic of Kazakhstan. In accordance with the set task, the following tasks were solved in the study: to study the theoretical aspects of tax revenues and its impact on economic growth; to analyze and give an objective assessment of tax revenues.

The methods of statistical, comparative, and factor analysis were used, and a historical, systematic, and comprehensive approach to the presentation of the material were applied.

In analysis of findings and results, certain provisions were used from the practice of the Department of State Revenue for the city of Almaty and the Public Association "Chambers of tax consultants of the Republic of Kazakhstan".

The scientific novelty of the research is that on the basis of a theoretical study of the current state of taxation, possible directions for increasing the degree of impact of the tax system on economic growth are justified. The following is the rationale for the place of taxes in the system of factors of economic growth. It is noted that taxes can play not only a negative, but also a positive, and even an active role in changing the dynamics of economic growth; the values and structure of tax revenues for regions and the country as a whole are analyzed.

Theoretical and practical significance of the study lies in the possibility of using the obtained scientific results in the activities of the Ministry of Finance of the Republic

of Kazakhstan and its structural subdivisions, the tax authorities at various levels, the Ministry of national economy of Kazakhstan. This research, being fundamental, can be used as a basis for training specialists in the field of Finance and taxation.

Keywords: gross domestic product (GDP), economic growth, taxes, corporate income tax (CIT), VAT, tax receipts.

Introduction

Taxation plays a crucial role in the economic policy of the state. On the one hand, tax revenues are usually the main source of funding for government spending. On the other hand, taxation is a factor in stimulating economic activity and competition in the private sector, as well as a tool for redistributing added value in the economy. Thus, taxation directly affects the implementation of priority economic and social tasks facing the state.

As a result of the changes, the tax system became attractive to businesses, and government spending was mainly financed by the resource sector.

The development strategy of the Republic of Kazakhstan until 2050 (Strategy "Kazakhstan-2050") sets the main goal of the state – the creation of a developed economy and opportunities for universal labor, as well as Kazakhstan's entry into the top thirty most developed countries in the world. The tasks of tax reform are also defined in the national Plan "100 concrete steps to implement five institutional reforms" (May 2015).

An effective tax system is one of the most important factors for the dynamic development of the national economy. Currently, there are a number of factors that actualize the importance of tax regulators. First, on the trajectory of economic growth, the sensitivity of the national economy to tax fluctuations increases in comparison with the previous period of the crisis. Secondly, the problem of rent payments is growing more and more.

The main goal of tax reform should be to create an effective system of tax relationships that ensure high-quality economic growth. This is what the development of the theory, study and analysis of taxation practice in the Republic of Kazakhstan should be aimed at. In the conditions of transformation of the market economy, there is no complete understanding of the most appropriate structure of the tax system, which allows creating an effective mechanism for interaction of socio-economic processes, including in the regions, with tax relations, which largely determines the level of efficiency of the tax system.

The socio-economic content of the nature of taxes and taxation should be considered as a specific form of financial relations. For stable developing countries, the motive for tax reforms is the desire to turn the tax system into a sphere of active influence on production, a kind of impulse for economic growth.

Based on the dualism of taxes, which is characterized, on the one hand, by their fiscal function, and on the other - by the function of regulating production in order to increase its efficiency, the transformation of the tax system in the Republic of Kazakhstan is objectively necessary.

Literature review

Analysis of works of domestic and foreign authors indicate that, to date, lack of consolidated and developed theoretical and macroeconomic implications of the role of tax revenue on economic growth, no build optimal and efficient tax system.

The impact of taxes on economic growth in varying degrees, were considered in the writings of Hume (2018).

Modern tax legislation and current Tax Codes in most countries of the world were drawn up on the basis of theoretical concepts and principles developed by the above-mentioned and other scientists, but such documents did not sufficiently take into account the possibilities of the influence that was discussed above.

These issues are covered in the works of the Russian scientists Romanovsky (2016).

In Kazakhstan the problems of the formation and reform of the tax system are reflected in the works of Tuseeva (2016) and Ermekbaeva (2017, 2018). Their works have made a significant contribution to the analysis of the theory, methodology and practice of the formation and development of the tax system and tax policy of the state in industrial and post-industrial society. At the same time, many theoretical, methodological and practical aspects of developing and justifying the modernization of the tax system and its impact on economic growth remain poorly understood. This is the question that this article will focus on.

Methods

The research methodology is based on General scientific methods of knowledge, principles and criteria of objectivity in their versatility and inconsistency, based on the totality of works of domestic and foreign scientists, statistical indicators that correspond to the truth and General laws of state and socio-political development at the historical stage under study.

Sample

The study provided the statistical sources of the statistics Agency, the Ministry of Finance, Ministry of national economy of Kazakhstan, legislative acts of Kazakhstan, normative-legal documents regulating the taxation of certain sectors of the economy, publications, monographs and Internet sources on this issue.

Data Collection

Information base of research made legislative and regulations of Kazakhstan; statistical materials statistics Committee of the Ministry of national economy of Kazakhstan; materials of scientific and scientific-research conferences and seminars; statistical information contained in scientific publications.

Findings and Discussion

One of the prerequisites for the normal functioning of the tax system is the stability of tax legislation. But the situation does not change. As before, tax legislation is periodically reviewed in connection with the development of related legislation, and various amendments, additions, and adjustments are made.

Taxes are a source of revenue generation for the state, so they are inextricably linked to the functioning of the state itself. Through taxes, the state collects and appropriates part of the national income produced, and therefore taxes and the tax system are directly dependent on the functioning of the state mechanism. The ultimate goal of applying tax regulators to the economy is to reduce the tax burden, stimulate business activity and related factors.

It is necessary to use tax regulation methods to influence the dynamics of tax revenues by applying various tax incentives so that investing long-term money in the real economy becomes profitable for both internal and external investors.

In accordance with the Budget code of the Republic of Kazakhstan, the budgets of local Executive bodies (villages, districts, cities, regions) and the Republican budget approved by the relevant law are approved, executed and are independent. The state and consolidated budgets are also formed as analytical information, which are not subject to approval.

The state budget includes the national and local budgets without taking into account the mutual operations between them.

The consolidated budget includes the state budget, as well as receipts and expenditures of the National Fund of the Republic of Kazakhstan (01.04.2020), excluding mutually repayable transactions between them. Note that all direct taxes from organizations in the oil sector go to the national Fund.

To determine the role and place of taxes in the state budget revenues, consider the revenue part of the state budget of the Republic of Kazakhstan. Let's consider the

main characteristics of the revenue part of the state budget of the Republic of Kazakhstan in 1999-2019 (figure 1).

Figure 1 shows that during the analyzed period, the state revenue increased by 9.3 trillion tenge. This was influenced by the growth of tax revenues and proceeds from the sale of fixed assets. As the main source of state budget revenue, tax revenues continue to grow.
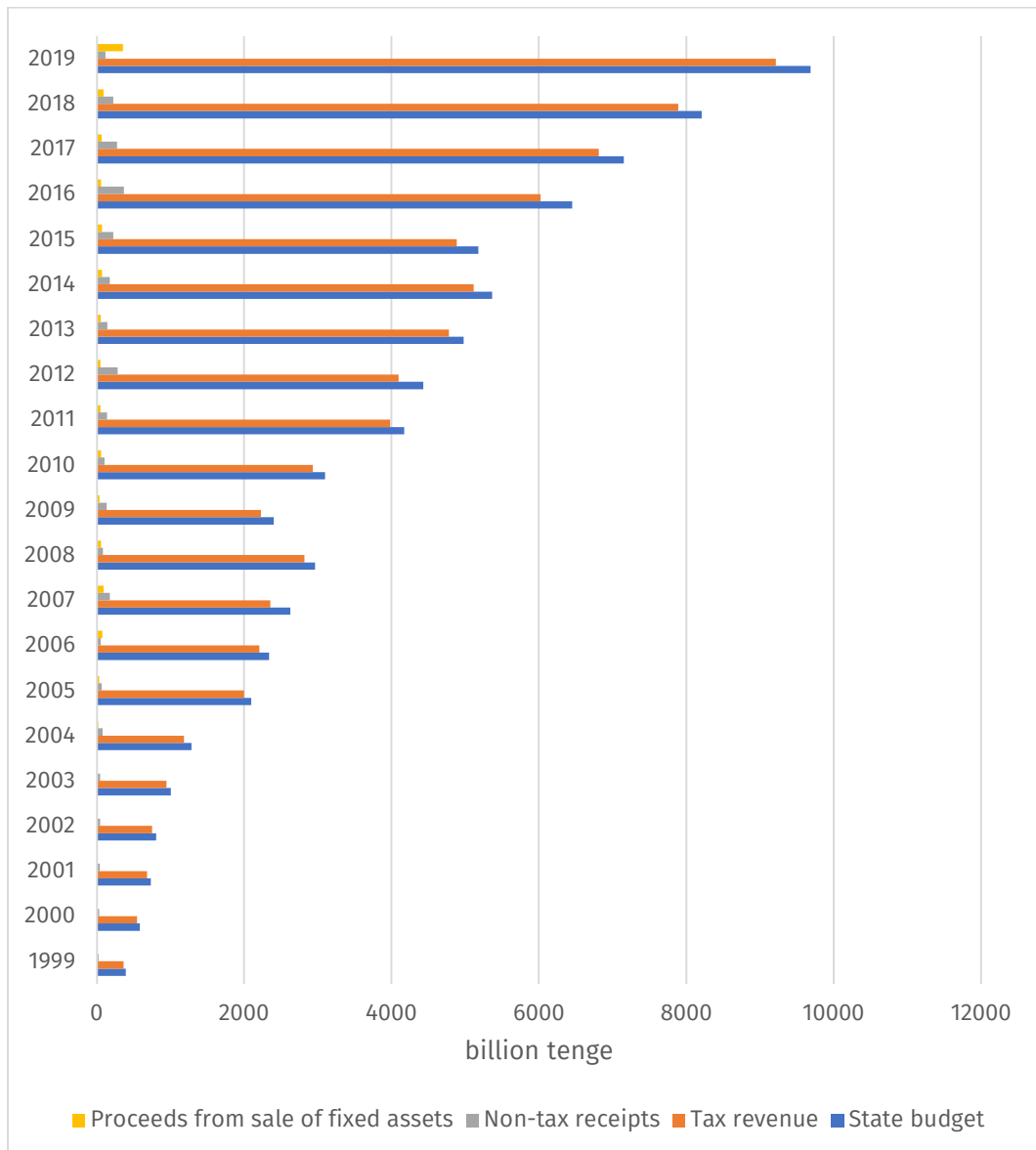

Figure 1. Dynamics of the revenue part of the state budget of the Republic of Kazakhstan for 1999-2019, billion tenge (Statistics Committee of the MNE of the RK, 2020, 9 April)

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Let's look at the structure of state budget revenues for 2016-2019 (figure 2).

Figure 2 shows that the main share in the structure of GB revenues is traditionally occupied by tax revenues: 95.1% (a year earlier - 96.1%). The share of non-tax revenues was 1.2%, while proceeds from the sale of fixed assets accounted for 3.7%.
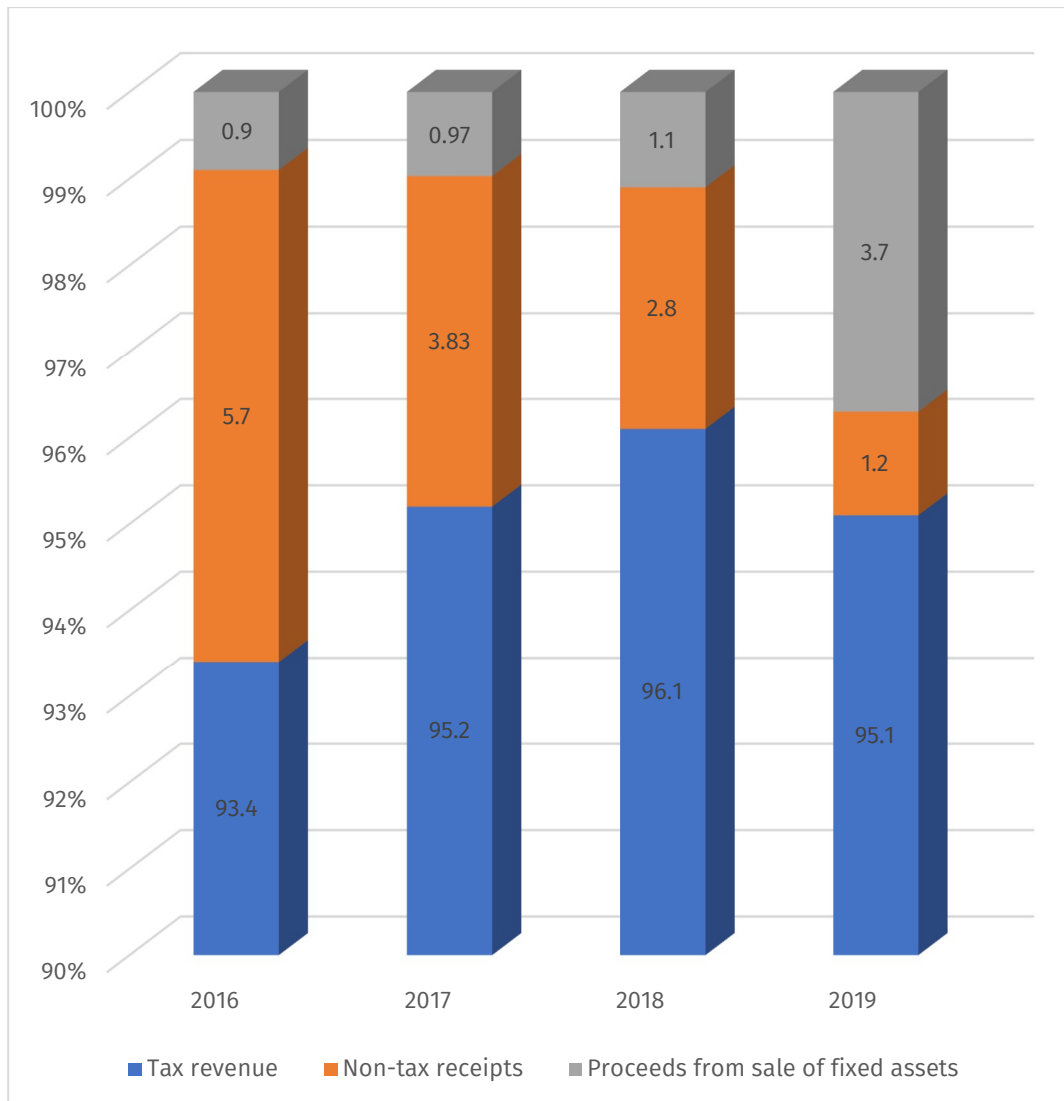

Figure 2. Structure of state budget revenues for 2016-2019
(Statistics Committee of the MNE of the RK, 2020, 9 Apri)

Let's consider the structure of tax revenues by type of taxes and payments in the Republic of Kazakhstan for 2017-2019 (figure 3).

Figure 3 shows that the largest share of tax revenues for 2019 is taken by VAT (29.3%), and the smallest land tax (0.2%).

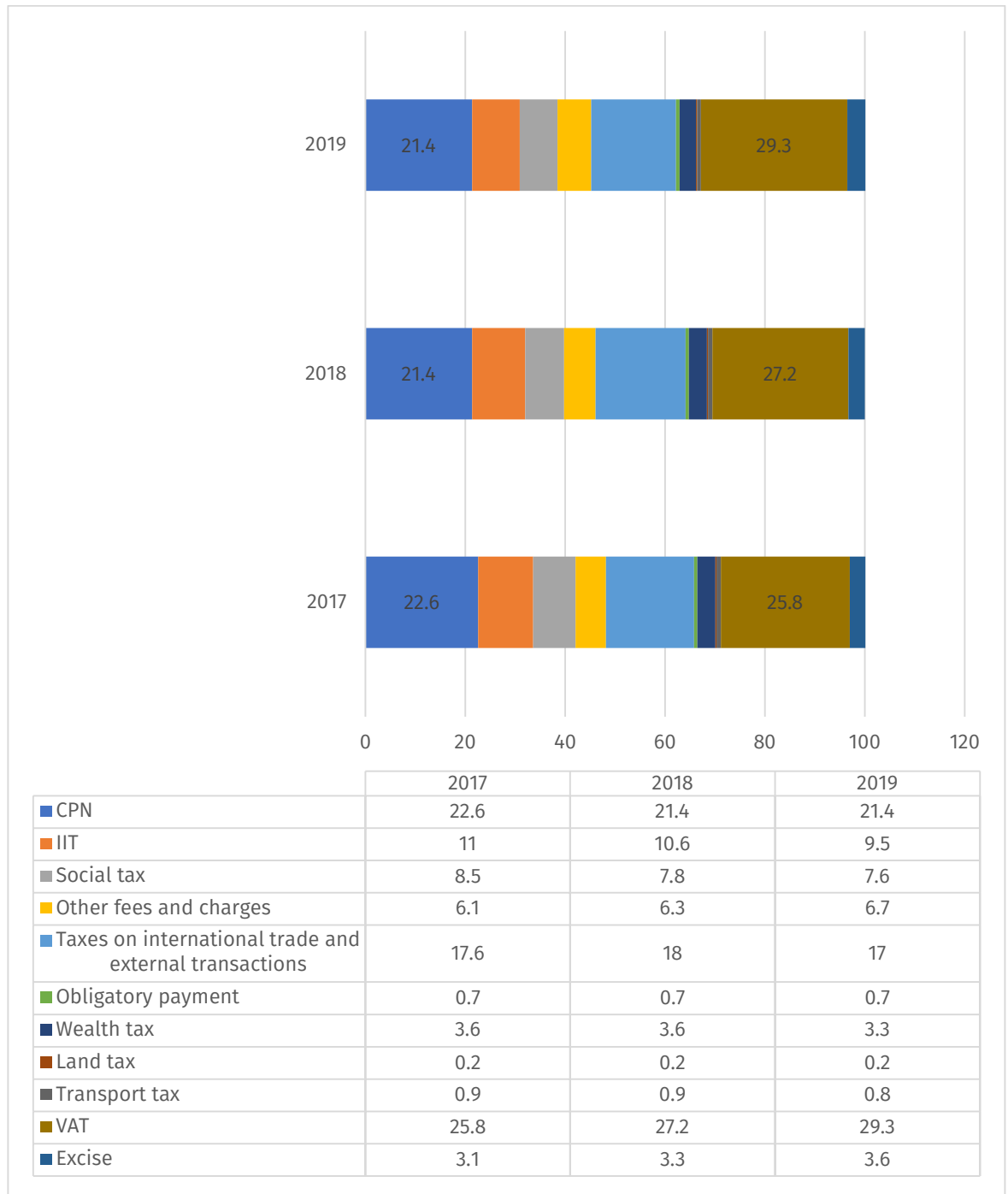|	2017	2018	2019
■ CPN	22.6	21.4	21.4
■ IIT	11	10.6	9.5
■ Social tax	8.5	7.8	7.6
■ Other fees and charges	6.1	6.3	6.7
■ Taxes on international trade and external transactions	17.6	18	17
■ Obligatory payment	0.7	0.7	0.7
■ Wealth tax	3.6	3.6	3.3
■ Land tax	0.2	0.2	0.2
■ Transport tax	0.9	0.9	0.8
■ VAT	25.8	27.2	29.3
■ Excise	3.1	3.3	3.6

Figure 3. Structure of tax revenues by type of taxes and payments in the Republic of Kazakhstan for 2017-2019 (Statistics Committee of the MNE of the RK, 2020, 9 April)

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B as a result, we can say that the main revenues to the state budget of the country are tax revenues, which occupy more than 95% of the share. The analysis of the main tax revenues to the state budget of the Republic of Kazakhstan showed that VAT and CPN account for more than half (more than 50%) of all tax revenues.

The shift of the tax burden from indirect taxes to direct ones gives reason to think that the tax system in the Republic of Kazakhstan will be fairer taking into account the ethical principles of taxation and, accordingly, in the future will not have a disincentive effect on the real sector of the region's economy, which acts as the tax base for the formed tax model.

The main principle of building financial relations, including tax relations, in the regions should be reduced to the implementation of an organic link with the development of production (works, services), with the activity of business activity, that is, indirect tax impact on the behavior of business entities.

The formation of the financial base of regions is negatively affected by the processes taking place in the country's economy: a decrease in production rates, low profitability of many industries and productions, a significant share of unprofitable enterprises, non-payment of enterprises, accounts receivable, which leads to tax arrears. The dynamics of tax debt also characterizes the effectiveness of the tax model, that is, the greater the debt, the more problems in this area and it needs to be reformed.

Receipts to the national Fund in 2019 decreased by 10.9% to 2.8 trillion tenge

As noted In the Department of state revenue, the most non-Executive in paying property taxes were police officers and military personnel.

Hundreds of billions of tenge of tax revenues will not be received by the Republican budget due to the coronavirus and the subsequent emergency regime.

First of all, the State revenue Committee raised the issue of closed Nur-Sultan and Almaty for quarantine. According to forecasts, in 2020, 639.5 billion tenge was to be

received from Nur-Sultan, and 1.7 trillion tenge from Almaty. However, according to preliminary data, funding from the two megacities will decrease by 230.2 billion tenge. Including from Nur-Sultan – 118.9 billion tenge, from Almaty-111.3 billion tenge.

Corporate tax evasion and cash flow tax implementation recommendations are addressed by scholars such as Rodney Brown, Youngdock Lim and Chris Evans (2020).

Summing up the current situation, it should be noted that during the analyzed period, problems with tax receipts were and still remain. This is evidenced by the presence of debt, arrears, accrued penalties and other factors. Therefore, it is too early to say that Kazakhstan's tax system is absolutely effective, since it does not fully fulfill its fiscal and regulatory purpose.

The tax system can act as a factor that has a positive impact on business activity, investment, production facilities, and financial results.

When considering tax receipts, you should pay attention to the amount of tax arrears. Let's look at the dynamics of the tax system in the Republic of Kazakhstan for 2014-2019 (figure 4).
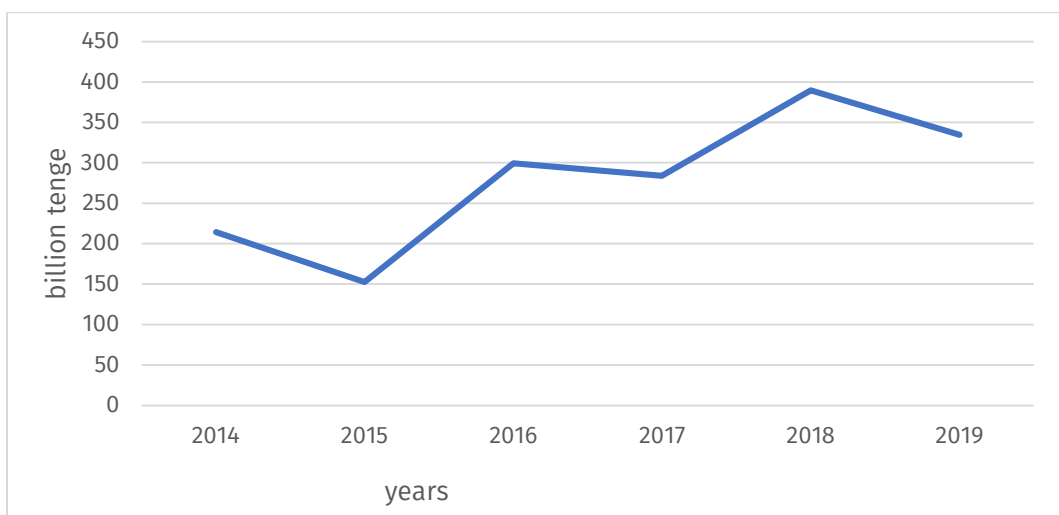

Figure 4. Dynamics of tax debt in the Republic of Kazakhstan for 2014-2019
(Statistics Committee of the MNE of the RK (2020, 9 April)

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Figure 4 shows that in General, over the past six years, the tax debt has increased by 120.1 billion tenge, or 56%. The lowest value for five years, the amount of tax arrears was in 2015, when the budget was short of 152.8 billion tenge. While in 2014, this figure was equal to 214.4 billion tenge.

However, there are also positive aspects. So on October 24, 2019, the world Bank published the next annual report on the ease of doing business "Doing Business-2020".

The overall position of Kazakhstan in the rating – 25th place rose by 3 points, 28th place in 2019.

I. According to the "Taxation" indicator, Kazakhstan is on the 64th place, a decrease of 8 positions, 56th place in 2019.

This indicator includes the following indicators:
- payments (quantity per year)
- time (hours per year)
- total tax and contribution rate
- index of post-reporting and tax payment procedures

Table 1. Kazakhstan in the world Bank's "Doing Business-2020" rating» (2020, 9 April)

Indicators	DB 2020	DB 2019	Deviation +/-
Number of payments per year	10	7	+ 3
Time (hours per year)	186	182	+ 4
Total tax and contribution rate (%of profit)	28,4	29,4	- 1
Index of procedures after filing and paying taxes (0-100)	48,9	48,85	No changes

Table 1 shows that the total tax and contribution rate (%of profit) for the analyzed period decreased by 1 point.

This indicator reflects the total number of taxes and deductions paid, the method of payment, the frequency of payment, and the frequency of reporting per year for basic taxes and mandatory social contributions from the payroll.

Time (hours per year).

The tax indicator measures the time required to prepare, submit, and pay the three main types of taxes and contributions in hours (CPN, VAT, Wages Fund taxes, and social payments). According to the survey, the time spent by taxpayers on preparing all the necessary information, filing and paying CPN, taxes and duties on labor and VAT is 55 hours for CPN, 78 hours for taxes on labor and contributions, and 53 hours for VAT.

Table 2. Number of payments per year

№	DB 2020	DB 2019
1	CPN	CPN
2	VAT	Social tax
3	Social tax	Social tax
4	Transport tax	Transport tax
5	Land tax	Land tax
6	Tax payments for emissions into the environment	Tax payments for emissions into the environment
7	Contribution to the National chamber of entrepreneurs «Atameken»	Contribution to the National chamber of entrepreneurs «Atameken»
8	Compulsory social health insurance	-
9	State social insurance fund	-
10	Pension contributions	-

The decrease in the position for this indicator was influenced by additional payments and mandatory contributions (compulsory social health insurance, pension contributions, State Social Insurance Fund JSC), which increased the time to fulfill obligations from 74 hours to 78 hours.

Total tax and contribution rate (% of profit)

Despite the deterioration in the rating, the overall tax burden for businesses decreased by 1%.

From January 1st, 2018 and reduced Social tax rate from 11% to 9.5% (article 485 of the Kazakhstan Tax code) and social security contributions from 5% to 3.5% (clause 1, article 14 of the Law «On compulsory social insurance» № 405 dated 25.04.2003.)

Index of procedures after reporting and payment of taxes (VAT refund)

From January 1, 2019, a new procedure for returning excess VAT was introduced for taxpayers who use a VAT control account on a voluntary basis (Article 433 of the Code of the Republic of Kazakhstan dated December 25, 2017 No. 120-VI «On taxes and other mandatory payments to the budget» (Tax code), where VAT refund is made within 15 instead of 55 days, without checking and applying a risk management system.

Thus, during the pilot project, the state revenue authorities (including the Astana-1 Information system, the tax reporting processing Information system, the Unified data storage Information system, the Centralized unified personal accounts Information system, the Electronic invoice Information system, and the blockchain VAT Information system) refunded VAT to 6 experimental taxpayers applying the VAT code based on data available in the information systems of tax authorities within 15 days without conducting an audit.

Increasing the position of Kazakhstan in the "Doing Business" (2020, 9 April) rating became possible due to the ongoing systematic work of the Government to reform the current legislation, improve the licensing system, simplify business creation

procedures, optimize state control and supervision activities and improve the business climate.

The world Bank annually publishes a rating of 190 countries for favorable business conditions. The analysis is based on 10 indicators, including time and money spent on creating a new business, obtaining construction permits, access to electricity infrastructure, registering property rights, obtaining loans, protecting the rights of minority investors, taxation, international trade, etc.

The leaders of the "Doing Business" rating are New Zealand, Singapore, and Hong Kong.

The tax system can act as a factor that has a positive impact on business activity, investment, production facilities, and financial results.

To improve the tax system, it is necessary:
- exclude the slightest possibility of discrimination of taxpayers depending on the legal form of the enterprise, the authorized capital or financial resources of taxpayers;
- counteract unjustified price increases, inflation, cost swell, and the desire of commodity producers to work without profit;
- contribute to the formation and strengthening of incentives for economic activity, including through the use of tax regulators;
- to stimulate investment and the accumulation of funds from taxpayers to carry out investment activities;
- reduce the tax burden (at the expense of regional and local taxes), since both regions and entrepreneurs should first of all be stimulated by taxes to activate their activities, and the state of revenues of regional (local) budgets directly depends on the results of the life of business entities;
- have a scientifically based regulation of all types of checks and work with legal entities, entrepreneurs without a legal entity and declarations that are subject to electronic processing;

- be socially significant for these territories, understandable to taxpayers, and not cause them to actively resist.

Conclusions

As recommendations for the successful functioning of the tax system of taxation, it should be recommended to the authorities and management:

- instead of providing tax breaks (reducing regional and local tax rates; using incentives; applying investment tax credits), use a broader tax base with lower rates.
- the feasibility of concentrating all tax revenues from small businesses in local budgets in order to stimulate and support small businesses;
- use of tax incentives in the framework of regional tax policy for organizations that invest in the implementation of regional development programs, including the creation of special economic zones of local significance.

All these measures together will help to improve the tax system and achieve a stimulating effect in the investment and production sectors of the economy of Kazakhstan.

In the context of the ongoing reform, it is still important to determine the effective tax burden, which largely depends on the performance of business entities.

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