



Agenda Publishing House

**INSTITUTIONAL BASIS OF
NATIONAL SECURITY
PROVIDING SECTORS
INNOVATION DEVELOPMENT**

Monograph

**Edited by
Olha Prokopenko
Vitaliy Omelyanenko**



**INSTITUTIONAL BASIS OF
NATIONAL SECURITY
PROVIDING SECTORS
INNOVATION DEVELOPMENT**

Monograph

**Edited by
Olha Prokopenko
Vitaliy Omelyanenko**

**Agenda Publishing House
United Kingdom
2018**

UDK 005.342:351.863

I 68

Reviewers:

Janusz Klisinski, D.Sc. (Econ), Head of International Management Department, University of Bielsko-Biala (Republic of Poland)

Milena Filipova, PhD (Econ), Head of Management and Marketing Department, Southwest University «N. Rilski» (Bulgaria)

I 68 **Institutional Basis of National Security Providing Sectors**

Innovation Development: monograph / edited by Dr. of Economics, Prof. O. Prokopenko, PhD in Economics V. Omelyanenko. – Agenda Publishing House, Coventry, United Kingdom, 2018. – 263 p.

ISBN 978-0-9955865-7-1

Monograph is devoted to the research of theoretical and practical aspects of institutional basis of national security providing sectors innovation development. Different institutional methodic approaches and economic mechanisms to provide innovation security at the regional, national and international levels are considered. Scientifically grounded recommendations to achieve economic, financial, social and ecological aims of the national security through the institutional mechanisms are given.

Keywords: institutions, national security, innovation activities, innovation security, international economic relations, innovation policy, technology transfer, investment, policy, management, economic mechanisms.

UDK 005.342:351.863
ISBN 978-0-9955865-7-1

© 2018 Copyright by Agenda Publishing House
© 2018 Copyright by authors

8 GENERAL THEORETICAL BASES OF TAX TRANSACTION COSTS PLANNING

8.1 Transaction costs of industrial enterprises: concept, essence and content

The effectiveness of the institutional framework of society largely determines the economic decision-making effectiveness of economic development. The availability and efficiency of a certain institutional base of the state – a combination of economic, political and social institutes and institutions – is an avant-garde prerequisite for the existence of a market environment. In a neo-institutional economy, institutes or institutions are the constraints created by humanity, that structure social, political and economic interaction.

Institutionalism originated in the classical economic theory. The terms "institute" and "institutions" were introduced by V. Hamilton, a representative of the classical institutionalism, who considered them to be a pivotal core and stabilizer. Translated from the Latin term means established traditions or fixed customs, orders in the form of established rules, social norms or laws.

Institutional economic theory believes that "economic agents operate in the world of large transaction costs, poorly defined or deficient ownership rights, full risk and uncertainty". Classical, or "old," institutionalism is represented by the scientific works of such economists as T. B. Veblen, J. R. Commons, V. Hamilton, J. A. Hobson, R. Aron. They called the institutes a competition, trade unions, taxes, state, monopolies, a stable way of thinking, legal norms, etc. Representatives of the later period of its development (D. North, O. Williamson, M. Olson, R. Posner, G. Demsetz, R. Nelson, S. Winter) – neo-institutionalism – institutions are considered not as cultural or psychological phenomenon, but as a set of legal norms, informal rules that rigidly direct the economic behavior of the individual and the organization.

Institutions are rules of the game in society or, more precisely, human conceived limitations that direct interactions on a particular line (Arkhiereiev, 2003). As a result, they structure incentives in the process of human exchange – political, social or economic. Institutes or institutions include customs, codes, rules of conduct, statutory and general law, contracts between individuals, etc. As D. North pointed out, institutes are a structure that people impose on their relationships, thus identifying incentives that, along with other

organizations (budget, technological, etc.) outline the boundaries of choice. And they, in turn, determine the limits of the functioning of the economy and society in a given time period. Institutions reduce uncertainty through the structuring of everyday life, define and limit the set of choices for individuals. They serve as a guide for human interaction (Ped, 2007). However, D. North observes that the structure of human interaction is not necessarily effective. A. Shastitko points to the artificial nature of the institutes. She believes that institutions are formal and informal rules created by people, as well as mechanisms that ensure their compliance. According to J. Hicks, the activity of institutes is the basis of an institutional approach, according to which institutions as the conditions for market existence and reproduction should be the subject of a thorough study. Institutes are understood as an existing set of socio-economic rules over which individuals and groups of individuals are powerless in both short-term and medium-term plans. From an economic point of view, these rules are intended to determine the conditions under which individual or collective choices can be made for the deployment and use of resources. Unlike markets, institutions are not a coordination mechanism, although there is such a radical view that economic institutions are mechanisms – economic functions regulators. However, most scholars recognize that institutions contribute to the definition of socio-historical contexts in which these mechanisms can be formed. According to the estimates of domestic economists, corporations, trade unions, ethical, legal, technical and other social phenomena should be included in the institutes, which in some cases are the institution's work essence and content.

Institutions play an important role in the formation and functioning of the market. The existence of fair principles and rules of interaction between market actors, forming a holistic system that minimizes the transaction losses of its participants, is the first, most important criterion for the formation of the market. Relationships of property determine the primary forms of institutions that actively influence production relations, facilitate or inhibit production, create conflict situations and constrain development (Kudrina, 2008).

Understanding the importance of the institutional foundations in the social economic life as a consequence of the real problems of economic life has led to the emergence of a new approach to economic science based on institutional relations in society in the 1960s. Representatives of this approach are R. Coase, D. North, O. Williamson, J. Wallis. Their research was aimed at the theory of property rights, the theory of contracts, the theory

of firms. The fundamental concept of property theory is the category of transaction costs. Investigating transactional costs from the standpoint of neo-institutionalism can reveal important features of the mechanism of functioning of a market economy. R. Kapelyushnikov believes that the introduction of the idea of positive transaction costs in a scientific circle is one of the main achievements of a new neo-institutional approach.

Traditional economic theory did not use the term of transaction costs, since it was believed that any interaction between economic agents occurs by itself, meaning without any controversies, losses and expenditures. The orthodox neoclassical theory considered the market as a perfect mechanism, where it is not necessary to take into account the expenditure of servicing transactions. However, the exchange of products and services between producers and consumers, arising as a consequence of the development of specialization of production, requires some funds. Representatives of the neoclassical school of economics believed that this issue was not worthy of attention, since in a free market, exchange processes take place without any obstacles, and property rights are determined completely and free of charge, and obtaining information for both sides of the exchange is also free. This assumption makes no sense, because, firstly, market exchanges require additional resources, and secondly, some exchanges take place not through the market, but in another way.

The category of transactions is widely understood and used for the designation and exchange of goods, and the exchange of various types of activities and legal obligations, agreements of both long-term and short-term nature, requiring detailed documentary designation or providing for a simple mutual understanding between the parties.

According to O. Williamson, transactions differ in three main features – the degrees of their specificity, repeatability and uncertainty. The more general, short-term and unambiguous nature of the transaction, the more reason to do without its legal formulation or to restrict itself to the conclusion of the simplest contracts. Conversely, the special, recurring and uncertain nature of transactions leads to higher transaction costs and stronger incentives for establishing long-term relationships between participants.

S. Arhiyereyev referred to transaction features as transaction attributes, and R. Kapelyushnikov identifies the following features, or attributes, of transactions: general or specific (relating to standard or unique resources), short or long, which is weak or highly dependent on unpredictable future

events, easy or difficult are measured by end results (such as allowing more or less effective control over the fulfillment by participants of their obligations, autonomously or closely related to other agreements).

S. Arhiyereyev and R. Kapelyushnikov gave a full analysis of these attributes of transactions. However, these authors describe the characteristics of attributes of the transactions that are different. S. Arhiyereyev characterizes the following attributes of transactions as the specificity of assets, the frequency of transactions with the same parties, the complexity of measuring the results of transactions. R. Kapelyushnikov gives a description of a greater number of features of transactions. He considers the degree of specificity of resources, the degree of regularity and duration of transactions, the degree of uncertainty, the degree of measurability of the characteristics of the transaction, the degree of interdependence of transactions.

"The specific expenditures of setting up and implementing such external exchange agreements, or transactions, and losses that may accompany them, are called transaction costs. The size of such expenditures depends on the type of services received and the chosen form of coordination. Transaction costs are all expenditures over and beyond, in fact, the cost of production. These are related to the transfer of property rights in accordance with the requirements of institutes and institutions that have developed in a particular economic system. Transaction costs makes certain types of transactions more or less economical, depending on the circumstances of time and place. Therefore, the same operation can be mediated by different types of transactions according to the rules they organize" (Zahorodnii, 2003).

The concept of transaction costs was introduced in 1937 by R. Coase in his article "The Nature of the Firm" to explain the existence of hierarchical structures as firms, opposite to markets. R. Coase's work has begun a completely new field of economic research. On the basis of his proposed theoretical fundamentals, a number of concepts emerged that develop the ideas of the transactional approach and aim at a more complete and deeper understanding of the firm's phenomenon.

Initially, transaction costs were identified by R. Coase as "the costs of using the market mechanism". He showed that each deal involves holding negotiations, supervising, establishing interrelationships, and resolving disagreements. Later, in the 1960's, R. Coase published an article entitled "The Problem of Social Cost". It was R. Coase and J. Commons who focused on transactions. The theory of transaction costs is a component of a new

direction in modern economic science – neo-institutionalism. Free-of-charge information is the key to understanding transactional costs. The precariousness of economic exchange points to the difference between the approach to using transaction costs and the traditional economic theory, inherited from Adam Smith.

In modern economic literature, the understanding of transaction costs varies from narrow definitions to broad. The concept of transaction costs given by R. Coase has a broad meaning. Any type of costs that accompany the interaction of economic agents was called transaction costs, regardless of where it occurs, either in the market or within organizations, since business cooperation within hierarchical structures (such as firms) is also not free from disputes and losses.

Broad definition of transaction costs focuses on the institutional nature of this phenomenon, its dominance in world economic literature. Thus, K. Arrow identifies transaction costs as the cost of exploiting the economic system. C. Chang understands, under transaction costs, any institutional costs that arise in "any economy, that is not organized by Walras". L. Walras and A. Marshall in the neoclassical model of general equilibrium believe that all products are the same, the market is concentrated in one spatial point, the exchange is carried out quickly, the market actors have full information about the goods exchanging, the terms of trade are known to both parties, and prices are a sufficient way to make best use of values. S. Chung is the most radical definition of transaction costs: "In the broadest sense," transaction costs "consist of those costs, the existence of which cannot be imagined in the economy of Robinson Crusoe". According to S. Chang, in an economy with two or more participants in transaction costs, it would be worthwhile to include all the costs over and beyond, in fact, the cost of production. K. Menard understands transaction costs as "the costs of functioning of the exchange system, or more precisely, within a market economy, what is the cost of the market usage to ensure the allocation of resources and transfer of ownership". K. Menard believes that such costs are inevitable, because they are generated by the very existence of exchange.

S. Arhiyereyev gives the following definition of transaction costs: transaction costs are losses or expenses from the exchange of rights within the limits of commodity and institutional expenses.

Scientist-neo-institutionalist A. Alcian believes that transaction costs arise because there are problems of communication, information processing,

compliance with the terms of the contract, fuzzy definition of rights, etc. J. Jones and S. Hill define transaction costs as negotiation costs, monitoring and execution of agreements that enable the parties to reach agreement. B. Nicholson, author of the well-known textbook on microeconomics, distinguishes explicit and implicit transaction costs. The first kind of transaction costs, according to V. Nicholson, has the form of payment for intermediary services, the second type – the form of costs for the search, collection and processing of information.

A special place among the narrow definitions of transaction costs is J. Stigler's statement, which emphasized information costs as a component of transaction costs. However, according to some economists, the combination of transaction costs with information is incorrect. Since the publication of J. Stigler's scientific works (60th years of the XX century), the situation has changed, since the business sector imposes higher requirements for the availability of information capital or knowledge. The ability to receive reliable information in a timely manner, to recycle and effectively use it, and the emergence and active development of information technology in the most significant way affect the level of transaction costs.

J. Barzel gave a decisive place to measuring costs in his theory. It notes that in the production of many goods and services evaluation of changes, that occur with them at intermediate stages, is complicated. Often, measuring is cheaper, when it is done not directly – on release, but indirectly – on costs. In the view of J. Barzel, the firm is an association of several successive stages of the production cycle, in which cost estimation is a less costly way of measuring. Market agreements, on the contrary, concentrate at the points where the buyer can relatively easily verify the quantity and quality of the products being purchased. The less the product is manipulated, the easier it is to evaluate the changes that occur with it, and more often in the course of manufacturing, it will move from one firm to the other. Where the marginal cost of measurement by expenses equals the marginal cost of measurement by output, lie the boundaries of the firm.

D. Wallis and D. North formulate the term of transaction costs as a means of exchange transactions, for operational purposes. This view is also followed by several Ukrainian and Russian scholars of our time who consider transaction costs as expenses for the establishment, protection and exchange of property rights.

There are a few Ukrainian scholars, who systematically studied or

continue studying the problem of transaction costs (S. Arhiyereyev, I. Buleyev, N. Bryukhovetska). The attention paid to transactions in the Ukrainian economy is extremely inadequate, and this fact can be considered one of the reasons for the noncompetitiveness of the country inherited from the Soviet system. The insignificant development of the transactional sector, a small share of private property, inadequate development of the consumer goods and services production sector, the qualifications of managers of private enterprises and state economic bodies that do not correspond to the market system led to low efficiency of the Ukrainian economy and, consequently, low welfare of the population. Radical structural changes in these areas are an indispensable prerequisite for the reconstruction of the whole Ukrainian economy and its integration into the world market (Kholden, 1996). However, now, in the process of reforming the Ukrainian economy, the development of transactions must take the right place. The economic transformations that took place in Ukraine in recent years have been designed to move to a new economic system through the simple introduction of market relations with giving them greater freedom of action. It was supposed that market forces, gaining freedom of action, will direct their efforts to create an acceptable state economic mechanism adapted to market conditions.

Recognition of transaction costs of an enterprise as a component of its total costs requires otherwise to look at the structure of the company's costs. Traditionally in Ukrainian science, in the structure of enterprise's expenses industrial and nonproductive costs are distinguished. Production costs consist of direct costs of materials, salaries and production overhead, and nonproductive costs include expenses of the period – costs of sales and management costs. Consequently, the structure of costs in a market economy in Ukrainian science is treated in the same way as in an administratively centralized economy.

D. North imagined the structure of production costs differently. He believed that the total production costs consisted of the costs of production factors (land, labor, capital) involved in the transformation of the physical attributes of the product (size, weight, color, location, chemical composition), and the transaction costs of defining, protecting and supervising compliance property rights to goods (the right to use goods, to receive profit from their use, the right to withdraw and exchange goods).

D. North substantiated the division of total production costs for transaction and transformation. Transaction costs, according to D. North,

consist of the cost of measuring the valuable attributes of the exchange, the cost of protecting rights, supervising compliance with the agreements and ensuring their implementation. Transformation costs are the costs associated with the transformation of physical qualities or attributes of various goods (their color, chemical composition, location, etc.). J. Wallis and D. North identified transformation costs as "costs of converting costs into finished products, costs of implementing a transformation function". According to D. North, the level of transformation costs is determined by technological factors. The level of transaction costs is determined by institutional factors. K. Arrow noted that transaction costs constitute costs to support the movement of economic systems on the move. D. North interprets transaction costs in terms of the theory of added value. He believes that the cost of production – is the cost, conditioned by the state of productive forces, and transaction costs – by the nature of production relations.

Transactional and transformational costs are interrelated. High transaction costs can lead to a rejection of one or another mode of production. For example, the false status of ownership can lead to a refusal to invest in long-term assets and use of labor-intensive technologies (Kholden, 1996).

G. Kleiner divides all the costs of the enterprise into three types – internal, external and transactional and gives an example for their explanation: the firm's business is that it buys the product A, transforms it into product B and then sells it. A.G. Kleiner considers costs for the purchase of the product as external, the cost of processing A to B – as internal. It is impossible not to understand that internal costs coincide with production or transformation costs. If the seller of product A and the buyer of product B have already been found, then the whole scheme is implemented at fixed prices and volumes and does not require any expenses for the protection of the parties' interests in the implementation of the transaction. Accordingly, transaction costs are zero. However, in reality the buyer or seller still needs to find, prices and volumes of offers are constantly changing – they need to be determined for each specific transaction. In addition, sometimes the necessary expenses for the provision of related rights (redistribution) transactions are required. All of this requires some expenses, which the firm is forced to go to make transactions themselves possible. These costs G. Kleiner calls transactional.

V. Volchik, the enterprise's costs in a market economy are divided into three groups: transformational, organizational and transaction. Transformation costs are defined as the cost of transforming the physical properties of

products in the process of using factors of production. It provides organizational expenses as an expense to ensure control and distribution of resources within the organization, as well as the costs of minimizing opportunistic behavior within the organization. Transaction and organizational costs are considered as interdependent concepts: an increase in some leads to a decrease in others and vice versa. In today's economic analysis transaction costs have been operationalized. Thus, in some studies, the impact of transaction costs on the study of supply and demand is similar to the introduction of taxes.

Thus, in modern economic literature, transaction costs are considered as a component of enterprise costs. Separating in the cost structure of the transaction costs company allows to look at the available methods for planning, recording and analyzing costs from different perspective. As any share of the company's costs, transaction costs need to be studied, which implies putting forward fundamentally new issues: how to consider transaction costs? what are their main types? What is the level of transaction costs and which factors it depends on? how transaction costs are related to production costs or sales costs? There are many questions and the list below is not exhaustive.

Two components of enterprise's transaction costs are distinguished – costs and losses. The sources of their coverage are the costs of the enterprise and its profit. Transaction costs of the enterprise, from the standpoint of neo-institutionalism, is a special type of costs that are different from other types – production costs, management costs and sales.

Thus, taking transaction costs into account allows a different look at the structure of the costs of an industrial enterprise, and this type of costs serves as an object of management, with the purpose of costs reduction, knowledge of origin's sources, forecasting and taking into account in the adoption of a range of management decisions.

The classification of enterprise's transaction costs can be based on already known approaches to their ordering, therefore it is expedient to analyze the existing thoughts on the selection of certain groups of transaction costs. However, before considering the types of transaction costs, which is to study their classification, one should mention the very important remark of S. Arkhiyereyev that the classification of transaction costs belongs to the transaction – the exchange of rights, and not the exchange of goods in the usual sense of the word. The only exception is the case where the conclusion of the transaction is the same as the exchange. The concept of exchange is

based on the categories of public division of labor, and transactions, such as obtaining the right to a product, contain many aspects and are associated with the creation of conditions for exchange. Thoughts on the delimitation of transactions and exchanges are observed by A. Shastitko.

Due to the diversity of the concept of transaction costs, there are several classifications. For the most part, researchers present the classification of transaction costs based on the fact that transaction costs are considered as costs associated with the conclusion and maintenance of exchange transactions. However, despite the unity of the initial postulate, there are some differences in the structure of transaction costs (Bazaliieva, 2003).

Arranging transactional costs in the sequence in which they arise when concluding transactions with an entity, makes it possible to identify such transaction costs (Kudrina, 2008):

- the cost of finding information;
- negotiation costs;
- measurement costs;
- costs of specification and protection of property rights;
- costs of opportunistic behavior;
- costs of politicization;
- costs for collective decision-making.

A brief description of each of the types of transaction costs presented is given in Table 8.1. Based on the data of the table 8.1, G. A. Makukhin states: "... in general terms, transaction costs consist of two parts: the actual costs that can eventually be presented in monetary terms and losses. Transaction costs include any losses resulting from the ineffectiveness of joint decisions, plans, contracts, inefficient protection of transactions, that is, they include everything that in one way or another affects the comparative capacity of the various means of resource allocation and organization of work activities ".

This is the opinion of S. Arkhiyereyev, suggesting a classification of costs. It defines transactional costs as a set of losses arising in the exchange of property rights, and expenses intended to reduce these losses. Losses and expenses are the most significant taxonomic units – types of transaction costs. Losses arise as a result of the difference between the expected results of the transaction and the real. Therefore, the loss of one side is accompanied by a transaction gain for the other party. The parties incur transaction costs individually so that everyone can secure their interests. The distribution of the burden of costs depends on the characteristics of supply and demand for

transaction objects. In the end, the costs lead to the implementation of the agreement, and therefore contribute to the realization of the interests of both parties, although they can be distributed very unevenly. However, some types of transaction costs consist only of losses. These types of transaction costs include, for example, the costs of opportunistic behavior.

The classifications of transaction costs that are existing are essentially the same, and the differences generally are not of a fundamental nature. In this regard, I. Buleev notes that "in the presence of unity of general approaches to transaction costs among specialists there is no unanimity in determining their content and structure, yet there is not yet a single classification of transaction costs".

Table 8.1

Characteristics of transaction costs’ types depending on the stage of an agreement conclusion

| Types of transaction costs | Characteristics of transaction costs |
|--|---|
| The cost of finding information | Transaction costs consist of time and resources needed to find potential buyers (or sellers), items of consumption or products of industrial and technical purpose; to identify current prices, as well as losses associated with incompleteness and imperfect information received |
| Negotiations costs | Transaction costs consist of the time and resources needed to negotiate the terms of exchange, for the conclusion and execution of contracts. Possible additional losses due to unsuccessfully concluded, poorly executed and unsecured agreements |
| Measurement costs | Transaction costs consist of the costs of the corresponding measuring equipment, the actual measurement, measures to prevent measurement errors, as well as the losses from these errors. Transaction costs increase with increasing requirements for accuracy |
| Costs of specification and protection of property rights | Transaction costs consist of the costs of appealing to courts, arbitrations and state bodies; of the time and resources needed to reinstate the infringed rights, as well as losses from their poor specification and unreliable protection |
| Costs of opportunistic behavior | Transaction costs consist of losses due to direct violation of contract terms |

Source: composed by author

Almost all classifications of transaction costs have a theoretical orientation and are drawn up in relation to transaction costs in general, that is, the level of management hierarchy in respect of which most classifications

have been executed, expressed uncertainly. Since transaction costs are considered as a complex economic category in modern economic theory, further development of their classification is necessary, the purpose of which is to clearly distinguish transaction costs at the level of society, industry, region, enterprises (Kudrina, 2008).

In his research on the typology of transaction costs G.A. Makukhin states: "The classification of transaction costs of an enterprise was based on the fact that transaction costs are understood as any expenses of the enterprise aimed at the coordination and interaction of the enterprise with the actors of the environment for the exchange of ownership rights to products or services of the enterprise. This classification is built primarily based on the possibility of localizing transaction costs and determining their value based on operational and accounting data. In the given classification, the background is presented. the types of transaction costs to the exhaustive list of elementary expenses, representing the total value of transaction costs of each type". Classification of transactional costs of the enterprise for G.A. Makukhin is shown in the table. 8.2.

Table 8.2

Classification of the enterprise’s transaction costs

| Types of the enterprise’s transaction costs | Components of the transaction costs’ type |
|--|---|
| Costs of receiving and creating economic and commercial information | Expenditures on researches of the sales market, markets of raw materials and materials, price policy of competitors. Costs of product promotion on the market |
| Expenses on the conclusion and maintenance of contracts implementation | Costs of negotiation, conclusion and legal clearance of agreements. Costs of control and compliance with the terms of the agreement |
| Measurement costs | Costs of product quality assurance |
| Costs of ownership specification | Costs of the protection of property rights |
| "The price of subordination of the law" | Costs to ensure legitimacy. Costs of activities within the law |
| "The price of extra-legality" | Payment for services of representatives of state authorities. Expenses related to evasion from legal sanctions. Expenses related to the transfer of income Expenses related to tax evasion and payroll taxes. Expenses related to the absence of legal fixed ownership rights. Costs for maintenance of other organizations |

Source: composed by author

Traditionally, to increase the cost-effectiveness of analyzing explicit costs. But in a market economy, the study of determining the impact of transaction costs on the performance of the enterprise requires an exceptional attention.

As already noted, in the domestic economic science there is almost no mechanism for taking into account transaction costs. However, transaction costs in a market economy are objective and permeate the entire structure of economic relations, as all transactions with goods are accompanied by the exchange of property rights. That is why the impact of transaction costs on economic efficiency cannot be discounted. However, the definition of such an impact on the economic efficiency is faced with numerous difficulties associated with the complexity of measuring transaction costs and that the recommendations for efficiency should be significantly different from those available for other types of costs (Voichuk, 2008).

The standard method recommended by the classics of the theory of transaction costs R. Coase, D. North, J. Wallis – is to increase the economic efficiency by minimizing average transaction costs. But such path is closely linked with minimizing production costs and maximizing profits. Conditions for increasing the cost-effectiveness of this way in practice occur rarely. Given this, it is necessary to approach improving cost efficiency by minimizing average transaction costs with caution and balance. By defining and giving preference to one or another way to determine the impact of transaction costs on economic efficiency, it is necessary to differentiate sources of their occurrence.

Specific attempts to measure transaction costs at the state, that is, at the macro level, were made, inter alia, by Prof. S. Arkhiyereyev, who showed growth trends and individual indicators of the size of the domestic transaction sector. He proved that the domestic sector is insufficiently developed and uncompetitive. Russian scientist A. Burkov in the scientific report "Transaction costs as a criterion for the effectiveness of the reformation of ownership forms" proved that the total volume of transaction costs can be used as a criterion for the effectiveness of the state's economic system. At the same time, the level of market orientation of the economic system increases directly in proportion to the increase in transaction costs.

Regarding the level of the industrial enterprise, taking into account the ambiguity of the sources of transaction costs that can be generated both in costs and in the company's profits, the assessment of the impact of transaction

costs on the efficiency is much more complicated. As the main thesis, it is logical to assume that the presence of transaction costs allows you to obtain additional profit or savings in production costs, more than the size of transaction costs themselves.

H. A. Makuhin points out: "... this requires adding complexity, and sometimes, the impossibility of a clear separation of transaction and transformation costs, when the decline in efficiency as a result of organizational decisions results in an increase in the transformational (production) costs. The use of a functional approach to costs leads to such complications. Using this approach, allocating costs to one or another type occurs depending on whether the decision in which sphere – industrial or nonproductive – gave birth to them. In fact, just as the decision in non-productive spheres can generate production costs, for example, antitrust law makes it impossible to use all the benefits of the scale, and production decisions lead to increased transaction costs, for example, the production of any product increases transaction costs during its implementation. These complexities can be avoided by classifying the transaction costs structurally rather than functionally. However, another problem arises – the complexity of the comparability of transformation and transaction costs. Given the strict separation of transaction and transformation costs, the main difficulties are shifted to another level of analysis. This is due to the fact that transaction costs are analyzed mainly within the institutional direction of economic science, while transformational (or production) costs traditionally involve representatives of the neoclassical direction".

In order for the aforementioned theories to work in practice, it is necessary to work out a real mechanism for comparing profits and transaction costs. But because transaction costs are mostly alternative or probabilistic, it is very difficult. The method of solving such complexities is to use the theory of marginal utility and to compare the usefulness of the analyzed variables. Transaction costs, as well as transformational ones, have utility, which is the same as that which can be obtained from alternative use of resources spent on them. But again, the complexity of determining the usefulness of profits can make such a way to reconcile theories too difficult or even false.

On the other hand, in our opinion, it would be useful to determine the impact of transaction costs on economic efficiency by comparing the growth rates of profit and transaction costs. On the basis of this, one can determine the marginal value of efficiency at a time when the growth rate of profit begins to

slow down compared with the growth rate of transaction costs. This way of calculating the impact of transaction costs on cost-effectiveness can be adapted to application both at the industry and enterprise level. The use of both general and partial indicators of measuring the impact of transaction costs on the efficiency of an enterprise can be achieved through a comparison of their growth rates.

Once again, we need to focus on the fact that the only approach to calculating the impact of transaction costs on the efficiency of the enterprise in the field of economic science and practice is still absent. Fragmentarily, there are only some hints, for example, which are about this. In order to assess the effectiveness of economic relations between the subjects of the consumer market, it is proposed to calculate the efficiency of market transactions, which is the ratio of the aggregate profit for this contract to the total transaction costs for its realization (Briukhovetskaia, 2002).

Consequently, given that the transaction costs of an industrial enterprise are branched out in the places of their occurrence and accounting, and in the absence of the possibility of accurate measurement, it should be noted that there is no single way of determining the impact of such costs on the efficiency of an enterprise with a certain degree of probability.

Therefore, a large number of scientists recommends to assess the impact of transaction costs on the efficiency of the enterprise to use several possible methods, with subsequent comparison of the results. Such possible ways to determine the impact of transaction costs on the efficiency of the enterprise should be a pyramid analysis, analysis of break-even and the determination of marginal transaction costs (Koropetskyi, 1997).

Thus, the interim conclusion can be considered the fact that no enterprise cannot avoid transaction costs in general, nor, more so, institutional transaction costs. Therefore, the important task of enterprise management is to optimize the absolute and relative size of transaction costs by increasing their manageability. And, according to the law of induction, this also applies to taxes that, as will be shown below, relate to the institutional transaction costs of an industrial enterprise. In turn, increasing the manageability of transaction costs means, above all, increasing the economic efficiency of an industrial enterprise due to the positive impact of transaction costs, including taxes.

8.2 Category «taxes» as a kind of transaction costs of industrial enterprises

In the institutional analysis, the main category is the act of economic interaction, agreement or transaction. As noted earlier, the category of transactions is understood very widely and is used for the designation and exchange of goods, and the exchange of various types of activities and legal obligations, agreements of both long-term and short-term nature, requiring detailed documentary designation or providing for a simple mutual understanding between the parties. Transaction is considered as an agreement, the interaction of two or more economic partners on the market. Transaction costs are generally defined as the costs of economic interaction, in whatever form it took place (Zahorodnii, 2003).

In most cases, scientists and researchers agree with the availability of only one type – the commodity transaction. However, by definition of S. Arhiyereyev: "... any transaction exists under the influence of the prevailing institutions of the society, therefore, the institutions precede the implementation of transactions that represent actions within the framework of the rules that have been worked out, and these rules are reproduced and enforced through transactions. If the market participants refuse to carry out commodity transactions according to the given rules, the restoration of the institutional structure, more precisely, the extensive reproduction of the existing structure, will cease. Intensive reproduction of the institutional structure can only be accomplished with the help of outsourced transactions that reproduce the operating structure, namely, through institutional transactions".

If a commodity transaction is an exchange of rights for goods, an institutional transaction is an exchange of rights for the implementation of commodity transactions, an exchange of rules that they take place.

Outstanding scientist in the field of transaction costs, S. Arhiyereyev, explains the essence of institutional transactions: "Transaction costs serve the reproduction of public institutions, that is, the reproduction of the society itself, which exists on the basis of these institutes ... therefore, we must mention the existence of transaction costs in the form of taxes. Taxes considered as the result of interaction between the state and a market entity have a transfer nature, but the taxes levied in the transaction process, more precisely, which is a prerequisite for a legitimate transaction, such as a tax on turnover, should also be considered as transaction costs. The taxes from the point of view of the

parties to the transaction represent direct transaction costs, although they are indirect taxes. On the contrary, taxes levied on end-of-transaction results, such as income tax, are direct but, at the same time, there is every reason to consider them as indirect transaction costs. Tax revenues are spent, in particular, on the existence of public institutes and the monitoring of the implementation of the rules of the organizations, and thus the linkage of transaction costs to the existing institutional structure on this is undeniable, though, more mechanistic ... In any case, the conclusion is the same: the transaction costs serve not only the exchange needs, but also the reproduction of institutional structure. The latter fact confirms the existence of institutional transactions".

Individuals and entities, who evade taxes, are at best institutional cheats, because they try to exchange transactions without participating in institutional transactions, that is, they do not reproduce public institutions. In the worst case, they create extra-legal exchange institutes. The consequences of such a situation are easy to predict: if institutional transactions do not occur, then the decline, due to lack of effective institutions in the society for the implementation of commodity transactions, is inevitable.

Thus, industrial enterprises enter into relations not only with specific partners in the market (consumers, suppliers), but also with the state, which has a specific social product, which is needed for industrial enterprises, – an administrative resource, formed by institutions. The form of payment for this specific product are taxes (national and local), mandatory fees. This gives ground for an attempt to classify taxes as a kind of transaction costs of an industrial enterprise.

Let's consider some historical aspects of the content load of the notion of "taxes". Without taxes, there is no society, therefore the notion of "tax" in the associative scientific consciousness is a socially significant phenomenon, an objectively necessary process in any society. It provides for the steady development and improvement, whether it be a generic or civilized society of the twenty-first century. Consequently, the notion of "tax" should be considered, first of all, from categorical positions. In particular, in the seventeenth century. in France there is a theory of taxes, the founder of which was S. Montesquieu. Its essence was that citizens should share their profits with the state, because it provides internal and external protection of life and property of subordinates, guarantees order, peace and freedom. In doing so, the proportionality between the part belonging to the citizen and the one taken away must be maintained in order to guarantee the citizens protection of their

part of the property.

A slightly different view of the theory of taxes was expressed by the English scientist J. Mill. He developed and introduced the tax theory of services. Its essence is that every citizen of the state must receive services from it in the form of help and support. J. Mill was the first to justify the introduction of a non-taxable minimum of citizens' incomes, the size of which, in his opinion, should be no less than the living wage. In addition, he expressed his opinion about progressive taxation. So he wrote: "To tax big revenues by a higher percentage than the small ones – means taxing hard work, thrifting, punishing a person for working diligently ... saving more than a neighbor ... A fair and wise legislation should not encourage the fruits of honest work to be wasted, not saved".

In the future, this theory has found distribution and development among economists from different countries. Such scientists as T. Hobbes¹, C. Wicksell⁴, E. Lindal⁵, P. Samuelson made their contribution to the improvement of the theory of taxes.

In the eighteenth century, the theory that the taxes belonged to the insurance premium was theoretically grounded by French economists A. Thier and E. de Girardan⁶. The essence of this theory was that some of the incomes of citizens, which they pay in the form of taxes to the state, is required as insurance against various types of risks and accidents. In this case, the amount of the insurance premium should be proportional to the income or property of a citizen insured by the state. However, it should also be noted that there is a significant difference between insurance payments and taxes. In essence, the insurance payment has a voluntary nature, its size, unlike the tax, is not limited. The tax is compulsory, has no equivalent, and of a binding character. In addition, it is virtually impossible to accurately determine the size and quality of these services. In addition, each country has its own approach and a scale for determining the quality of its services.

One of the most important directions of the development of the economic theory of finance and tax policy as a part of it – the neoclassical theory, which became the basis of neoclassical political economy. At the heart of this theory is the balance of the state budget and taxes, and the gradual reduction of state spending. That is, comparing and assessing the utility of government expenditures and tax burden, and based on this, the optimal size of the state budget is determined.

The main place in this theory is the restriction of state interference in the

economy, which should develop in accordance with objective economic laws. At the same time, there is a reduction in the cost of the state budget, and, accordingly, a reduction in the level of taxes. That is, money, which has a citizen, it is better to leave him, because it may be more profitable to distribute them than the state proposes. The founders of this direction of economic theory were W. Petty, A. Smith, D. Ricardo, A. Marshall, A. Pigou, R. Slow, and others.

In this direction, one of the first was the work of W. Petty "Treatise on taxes and fees" (1662). It considered state expenditures and found out the reasons for their growth in connection with the state's performance of its functions – economic, social, defense, police, and others. On the other hand, the growth of public expenditures requires an increase in revenues to the state budget, which generates a system of taxation. And this causes dissatisfaction with taxpayers. Petty first formulated the principles of taxation, which include the proportionality of taxation, the absence of tax discrimination, the effectiveness of the use of collected taxes, the application of various penalties for tax evasion, the prevention of double taxation, simplicity and transparency in taxing, the possibility of collection of taxes both in monetary terms and in kind, the ratio of tax revenues and public expenditure, the impossibility of applying a large amount of taxes to all citizens and the possibility of bringing temporary free funds of population, etc.

Further development of this theory was found in the scholarly works of A. Smith. In his "Studies on the Nature and Causes of the Wealth of Nations" (1776), issues of public spending, income, and tasks are considered. Considering all state revenues, sources of their receipt is divided by the proceeds from the capital of enterprises, state property and taxes. A. Smith was negatively affected by taxes, he believed that this was an extraction of popular resources that could be used to create new products and increase productivity. Receiving income from this source, in his opinion, ineffective, because it leads to a limitation of capital accumulation, growth of national income and the development of productive forces. He believes that indirect taxes increase not only the price of the product, but also the costs of an industrial enterprise, which can lead to a decrease in production and sales. The wage bill objectively reduces the consumer's ability, the demand for the goods and services market, the supply of producers and negatively affects the state of the economy.

The follower of A. Smith, D. Ricardo in his scientific paper "The

Beginning of Political Economy and Taxation" expressed the idea of the role and significance of taxes in the regulation of the economy and in the social sphere. He notes that taxes affect the capital or income that are the source of their payment. Thus, the taxation of capital leads to a reduction of the fund aimed at the development of labor productivity. Taxation of income leads to the accumulation of capital and income taxpayers. Indirect taxes, especially on commodities of everyday demand, lead to a decrease in the welfare of the population, labor productivity, gross product and tax revenues to the budget. In general, any taxes on goods or income affect the increase in wages, because there is an objective preservation of the need to increase labor productivity, demand and supply. In addition, class struggle also contributes to such an increase. And this leads to lower profits, rising labor costs and unemployment. Taxes are a disaster, which leads to a decrease in production and investment activity, consumption, demand. Therefore, the state should constantly reduce them and use them to improve the well-being of citizens.

Another is the theory of the Swiss economist J. Simonde de Sismondi, formulated in the work "New beginning of political economy" (1819). It is that citizens seek wealth and luxury. And the main goal of wealth is to receive benefits. Therefore, with the help of taxes, every citizen buys the good of the state. Consequently, taxes should be taken as a reward for the protection of citizens and property, which should be provided by the state. But taxes paid by a citizen must be fair and consistent with the benefits of society, as well as the costs that it has when it comes to drawing up. Therefore, each tax payer participates in the total costs incurred for him. Public education, purification of the environment and support of its state, public works, public order, protection of the person and its property, etc., can serve as a good. That is, taxes are the price paid by citizens for the benefits received, if these funds are really used to provide these benefits.

A special contribution to the general theory of taxation was made by A. Pigou. In his global scientific work, "The Economics of Welfare" (1924). A. Pigou considers the problems of taxation, as well as the state's policy towards the costs of macro and microeconomic levels. He first considered the relationship between the fiscal and economic nature of budget expenditures, when, at the expense of the state budget, the purchase of material and labor resources for production is being made. A. Pigou believed the principle of the lowest aggregate costs to be the main principle of taxation. He clarified the requirements for taxes, the main of which is that taxes cannot be too high and

should not restrain the expansion of work or create obstacles for it. Good welfare can only be achieved through state regulation and appropriate financial policies. Therefore, it is important to keep to justice in taxation: the size of the tax must correspond to the income of its payer.

This theory is evolving in the scientific research of such economists as I. Kaner, B. Milgauzen, J. Mill, M. Turgenev and others. But the theory of pleasure in practical implementation should be in line with the economic nature of the tax: the collection of taxes is of a forced nature, carried out primarily in the interests of the state, and not the payer, so it is very important to achieve the equivalence of the amount of tax and the amount of pleasure received.

A separate direction of the tax theory is the theory of negative consumption, which appeared in the XIX-XX centuries. Its authors were L. Stein, F. Nitti, E. Sachs, A. Wagner, A. Bukovytsky, A. Sokolov, P. Mikaladze and others. The essence of this theory is that, for the most part, the citizens of the country have collective needs, which should be satisfied at the expense of centralized and local budgets. Expenses for public services and reproduction of expenses for collective needs should be carried out at the expense of tax exemptions. This theory further became the basis for the development of the theory of J. M. Keynes.

The theory of J. M. Keynes covers a wide range of issues of regulation of public life in various areas, including taxes. This regulation is more of a fiscal nature. The essence of his theory is set out in the paper “The General Theory of Employment, Interest and Money”. According to this theory, a market economy is not able to maintain a stable equilibrium over a sufficiently long period of time, is not capable of automatic regulation, and therefore, in a society, the state's intervention in economic processes is necessary. Of particular importance in this theory is the analysis of the macroeconomic level and, on its basis, – state regulation of economic processes.

In this paper, for the first time, the specifics and dependence of the norm of aggregate personal demand within the reproductive cycle for a longer period were determined, as well as the mechanism of the influence of population expenditures on the implementation processes with incomplete capacity and stable unemployment.

In the theory, the important place in the regulation of incomes and its demand for consumer goods is given to taxes as the main source of the state budget, on the one hand, and to the factor of influence on the incomes of citizens – on the other. During a decline in production, when the economy is

characterized by crisis situations, tax payments are decreasing and the expenditures of the state budget are expanding. Conversely, when comes the stage of economic development, recovery, in order to reduce costs, tax rates and withdrawals increase (Petrenko, 2005).

A feature of the Keynesian theory is that it allows a deficit of the state budget, moreover, it is regarded as a stimulus to the economy. In the period of a recession, a fiscal policy is being implemented that regulates the budget deficit. Of particular importance in this case are taxes as "built-in stabilizers". They themselves cannot prevent crisis situations in the economy, but together with other stabilizers – unemployment insurance and savings – have the ability to mitigate the crisis of the economy. The definition of taxes as stabilizers is based on the relationship between national income and taxes, meaning the amount of tax revenues depends on the size of the newly formed property. The increase in tax payments occurs during the recovery period and the growth of national income, and vice versa, in the period of the economic crisis and the decrease of national income, there is a decrease in tax revenues to the budget. In this case, taxpayers will remain part of the funds that would have gone previously to taxes to the budget, and consumer capacity, population growth, and the size of the funds for investment activity are increasing. And this contributes to the mitigation of the crisis state of the economy, that is, the situation relatively stabilizes (Voichuk, 2008).

At the same time, an increase in household incomes leads to an increase in savings, so the tax policy should be aimed at removing unnecessary savings through the tax system and directing them through the state budget for investment.

According to E. Engel's theory, with the increase in incomes, the number of purchased goods is reduced. The decrease occurs due to the relatively constant quantity (in monetary terms) of the purchased goods of the first need, demand for other products and the desire to purchase goods for which there is a partial lack of funds or they have not yet been produced. Therefore, part of the funds performs the function of saving. But this requires the application of such a state tax policy that would affect the reduction of the part of income in savings and increase consumer demand. It depends, first of all, on the tax on incomes of citizens, which operates in the state. This tax should be deducted on a progressive scale (taking into account the social function of the tax). It is necessary to develop such a state tax policy, which, on the one hand, would interest citizens in investing their free funds in the economy, would promote

the development of entrepreneurship or certain branches of the economy, and on the other hand, would increase the income of the population from property.

Further development of the Keynesian theory was achieved in the middle of the XX century. Its developers in different countries of the world (for example, A. Hensen, A. Oukan, W. Heller, W. Schultz, R. Lincoln, O. Ekstine – in the USA, P. Herrst, A. Idersik, A. Pikon, J. Weisman – in the UK, K. Amy and H. Ito – in Japan, F. Neumann, W. Witman – in Germany, F. Perry – in France) believe that under conditions of an unstable market economy, the state must constantly interfere with reproduction processes not only during the crisis period, but also during the period of recovery and even during the period of recovery of the economy.

At the same time, economic theories are developing and opposite to the direction that can be grouped into a group of theories of "economic proposals". Their founders were G. Stein, M. Friedman, E. Peps, A. Phillips, R. Hall, M. Weidenbaum, G. Talok, I. Brouson, M. Rotbog, J. Howe, A. Walter and others. According to these economists, taxes have a negative impact on the economy. With rising public spending, the level of tax levy on the population increases, which reduces the development of entrepreneurship, reduces productivity. Therefore, the main thing in this theory is the reduction of state interference in the economy: the reduction of taxes, their rates, the abolition of their progressive nature, reducing public spending and the amount of money in circulation. According to the authors, these measures should stimulate private initiative and entrepreneurship, help overcome supply-side demand.

The authors of this theory proceed from the fact that not always reduction of tax rates can lead to a reduction of tax revenues, and their increase – to increase revenues. In some cases, lowering tax rates stimulates the expansion of production volumes, national income, which in turn contributes to an increase in tax revenues.

This is also based on the economic theory of taxes of the American economist A. Lafferda. The essence of his theory is that, in order to increase the demand of consumers, which leads to an increase in supply (primarily on domestic products), it is necessary to reduce the tax burden and, first of all, to the citizens of the country.

In his theory, A. Laffer determined the relationship between the size of the total amount of taxes received by the budget and the general tax rate for individuals and legal entities. Consequently, increasing the rates of taxation to a certain amount leads to an increase in tax rates in general, as well as to

increase the amount of taxes received by the state. This level is 33%. But in the event of exceeding the general rates of taxation, the revenues to the budget in the form of taxes are reduced, that is, the taxpayer is trying, by any means, to reduce the tax base and evade tax payments by any means.

Consequently, according to this theory, for the further development of the state economy, free enterprise, increasing the activity of producers, it is necessary to reduce the tax rates and the general tax burden for both legal and natural persons. But the reduction of tax rates should be accompanied by an expansion of the tax base. In the development of state tax policy, the greatest effect is achieved when applying these two approaches at the same time (Bazaliieva, 2003).

Further development of the Keynesian theory was achieved in the 70's of the XX century. Major crises in the economies of leading economies in the 30's and 40's and 70's and 80's have shown that the market system cannot regulate the reproduction process itself, does not contribute to investment expansion, does not create new jobs, does not increase the solvent demand of the population. Therefore, there is a need for constant state intervention in economic processes.

In this regard, the further development of the tax theory went the way of the so-called post-Keynesian theory. Its content is the indirect use of various financial levers, first of all it concerns taxes. Thus, American economist I. Fisher and English economist N. Kaldor proposed changes in some taxes. For example, instead of the income tax, enter the tax on consumption. They believed that this will promote the development of private business, increase investment in production and, thus, increase the efficiency of the economy as a whole. The introduction of this tax will help reduce inflation. The consumption tax will restrict the purchase of goods by the population, because it is charged before the price increases, and therefore, will contribute to saving money, which then can go for investment.

This tax can also be considered as an instrument for achieving social justice, because it contributes to equalization of incomes (Petrenko, 2005).

Recently, the proposal to introduce a single tax has become widespread. The idea of its use was born in the middle of the XX century. The efficiency of the introduction of a single tax was explained by the fact that the main object of taxation is income. He is also the main source of tax. It is therefore possible to introduce a single tax, which will combine several. It simplifies the tax system, makes it more equitable, and the mechanism for calculating and

collecting tax becomes more transparent. But he, according to some economists, has drawbacks. So, when a lot of taxes are in force in the state, the tax burden for each payer becomes less visible, the injustice and disadvantages of the tax system are aligned. This is especially noticeable when the tax rates are not very high (this occurs in the US, where many taxes, and their rates in most do not exceed 1-3%). With a single tax, the problem of the cessation of the principles of comprehensive, single, and fair taxation is acute. In addition, uneven taxation increases.

But in general, this tax has quite significant advantages, and it is already used in Ukraine. The scope of the single tax is gradually expanding (Koropetskyi, 1997).

Consequently, the development of the tax theory continues to be a response to the demands of the macro and microeconomic processes taking place in society. For the most part they went by improving the tax policy of the state and the existing tax systems. But their improvement was carried out taking into account the general principles of taxation and other requirements. In addition, the definition of a particular tax theoretical concept has a great influence on historical development and its features in each state, the mentality that has developed in the region.

Thus, the relationship of economic entities and citizens, on the one hand, and the state, on the other hand, with regard to the formation of public finances express the economic content of taxes. On the one hand, the amount of tax revenues is obliged to ensure the filling of the state treasury, and, on the other hand, the size of the tax burden on taxpayers should not deprive their incentives for further development. In this regard, the most important task of the tax system of any country in the world has always been to determine the optimal level of tax burden, which allows combining prospective interests of the state and the prospective interests of the taxpayer. The philosopher Montesquieu in his essay "On the Spirit of Laws" noted: "Nothing should be regulated so precisely by wisdom and reason as the correlation between the part taken from the subjects and the one left to them".

Conditionally, the state and the taxpayer are on different sides of the barricades. The state cares about the maximum filling of the state budget, and the taxpayer seeks to preserve his own. And as long as there are taxes themselves, taxpayers' attempts to reduce their burden continue. History shows that the introduction of new taxes or changes in the order of payment of current ones, immediately triggers a corresponding reaction of taxpayers

aimed at reducing the tax burden.

This desire is based on an objective basis. The smaller the amount of taxes, the more remains at the disposal of the amount of funds; the later taxes are paid into the treasury, the longer the money remains in circulation and bring income. Consequently, the decrease in the value of the tax burden affects the increase in net profit and financial resources of the taxpayer.

Exception from the formed stereotyped judgments about the tax only as a payment to the state treasury is the interpretation of O. Brizgalin, E. Yevstineyev, L. Okunyeva and some other scholars. Characteristic difference of their scientific contribution to the development of a special field of financial knowledge – "tax science" is that the tax is considered them complex, as a complex system education. By definition, that O. Brizgalin gives, "the tax is a complex category, it is a symbiosis of economics and law, so no branch of knowledge can receive here an unconditional priority ... a tax is an economic and legal category". This definition of tax undoubtedly more accurately reveals its essence, but it does not exhaust the true nature of the phenomenon, its philosophy.

The most complete reflection of the economic and theoretical content of taxes is possible only through the fulfillment of their main function, to which science was able to understand relatively recently, – the financing of the public good (Zahorodnii, 2003). It combines all the functions unanimously allocated in taxes by representatives of various economic schools – income-generating, regulating, stimulating, distributing and redistributing national income, etc. We consider it necessary to broaden the definition of the nature of taxes by establishing a connection "public good – external effects", which will determine the true economic efficiency of tax relations. In addition, the introduction of the theory of taxation of external effects will allow the most "cost-effective" of them and, accordingly, increase their funding through the mechanism of taxation.

Tax relations can be considered in the plane of interaction of such opposite in essence phenomena as economic separation and economic socialization, since "the in-depth content of the concept of "tax" has remained unchanged – to mediate the process of socialization of the part of individual incomes (wealth) necessary for society" (Ped, 2007). This is due to the fact that taxes are levied on subjects whose mandatory attribute is the existence of legal independence, primarily in terms of the implementation of economic activities. However, considering separation as a phenomenon of an economic

nature, it is impossible to confine itself to a legal definition. First, it is necessary to focus attention on the fact that, only being separate from each other in different aspects, economic entities can approach the achievement of the level of economic efficiency. This is due to the fact that the category of separation creates an extremely effective stimulus for economic activity in the broad sense of the word, as well as for work as its type, quite important, to be considered separately. Indeed, if the subject is the owner of the results of his activity, his interest in achieving the best results is increased (Koropetskyi, 1997).

At the same time, the target guidelines, which prevail in determining the directions of the cost of funds received as a result of tax collection, involve taking into account the interests of the entire national economy and society as a whole. This happens, first of all, because there is an extremely large number of tasks that require the uniting of the efforts of many, if not all, members of society, for which, in fact, a social institution as a state was created.

When establishing a tax system, it is necessary to reconcile the interests of taxpayers and the interests of the state, since "... the main thing should be that relations between the state and entrepreneurs and industrial enterprises are based on the principles of social partnership, taking into account the interests of both parties". As already noted, the possibility of reaching a compromise between the state and the subjects of taxation is laid down in determining the value of the tax burden indicator (at the micro level) and the share of taxes in GNP (at the macro level). However, this approach needs to be supplemented with the following remarks.

First of all, one should not forget that, on the one hand, the state provides direct financial assistance to certain economic entities (in the form of various subsidies, subventions, preferential loans, etc.), and, on the other hand, most of the funds, collected as taxes, goes to the financing of the public good, that is, to create numerous external positive effects that benefit all members of society.

Thus, it is right to point out the existence of a relationship, expressed in direct relation between the level of interest of the taxable person in paying taxes from the influence of external effects on the welfare of the subject, that is, on the "friendliness" of the economic space in relation to the subject of economic activity.

From here it is possible to draw the following conclusion: in the presence of a tax system of a particular country taxes that have a target orientation of the cost of funds collected to finance certain aspects of the public good and the

steady observance of this direction, the contradiction between the interests of the state and the subjects of taxation tends to a minimum value. That is, when collecting taxes of a targeted nature, the interests of the subjects of taxation and the state agree much more than when collecting taxes "neutral" type (do not have specific funding objectives).

This thesis can be transformed as follows: if the funds collected as a result of payment of taxes are spent on creating the public good required for most of this society, then the tax burden is close to the optimal value.

Based on the foregoing, one can state the fact that taxes are an element of the interaction of the subject of economic activity and the external economic and legal space, which the person represents the state. And this interaction is not limited to collecting funds in favor of the state. Due to the mechanism of payment of taxes, the entity decides for itself – to cooperate with the state and to use the benefits provided by it or to abandon this cooperation, the price of which is too high and "go into the shadow" (Kholden, 1996).

Thus, the essence of the category of "taxes" does not contradict the essence of the concept of "institutional transaction costs", which gives grounds for further research.

With increasing significance and stability of the role of the state, transaction costs are reduced. This can be explained by the fact that the rules of the game on the "economic field" are clearly defined, that is, the rights and obligations of each agent are understandable for him and his partners. Under such circumstances, the problems of cooperation are often solved without mediators in the person of courts, arbitration, state bodies, etc., which also leads to a reduction in transaction costs (Briukhovetskaia, 2002). In the XX century, the state, using its power and authority, began to collect, process and use in practice the most valuable economic information, ensuring its accessibility to other economic entities, which naturally reduced the level of economic uncertainty and, consequently, the level of transaction costs (Ped, 2007).

In the relations between the entity and the state, which can include taxes, there is always a limit to the appropriateness of complying with the law. Any entity will comply with the law not because it has an appropriate imperative, but because it expects to benefit from compliance with the law. There is a direct relationship between the high cost of subjugation of the law and the large size of the illegal economy (Bazaliieva, 2003). However, the implementation of exchanges in the illegal regime also involves costs. Those

working in the shadow economy can save on one type of expense, but are forced to pay "the price of extra-legality".

One cannot but mention another aspect of the formation of transaction costs at the level of the industrial enterprise. According to the available data, from 40 to 60% of the Ukrainian economy is in the shadow. Oddly enough, the illegal economy has positive aspects that, in the transition period, make it possible to equalize output cuts and keep employment during the crisis, to realize the entrepreneurial potential that remains unused because of high costs of access to the legal market (Arkhiereiev, 2003). However, in general, the existence of two sectors of the economy, legal and illegal, negatively affects the socio-economic development of the country through inhibition of innovation, insufficiency of investments that are unfavorable to the shadow economy. However, the greatest danger of the illegal sector lies in the formation of specific rules of conduct and the implementation of agreements that are significantly different from official institutions. The basis of such illegal rules are social mechanisms, whose actions are limited geographically and / or by a certain circle of persons. Lack of the norm of subordination of the law does not allow to extend the effect of such norms to all economic entities, regardless of their social affiliation.

Despite the efforts recently made by the government to reduce administrative and economic pressure on business entities, the administrative barrier in Ukraine remains very significant. Considering this, the author (Zahorodnii, 2003) notes, increases the risk of a situation in which the cost of creating structures, an alternative to market, for Ukrainian entrepreneurs will be much higher than the expected benefits of saving on the costs of market transactions. In this case, an economic agent, whose purpose is to minimize costs, is unlikely to start action on the creation of an industrial enterprise, and will operate according to informal rules and regulations. Socio-economic consequences of such a decision are the further departure of economic relations in the shadow sector and the criminalization of the economy, which causes the destruction of the legal consciousness of society, the crisis of legitimacy of power, etc. (Arkhiereiev, 2003).

The fact is that producers of goods and services on their own initiative include transaction costs in the cost of production and the price of their products, or, because of the fear of losing a large segment of buyers, finance transaction costs at the expense of profits. Accordingly, transaction costs are a kind of indirect taxes, the increase of which extremely negatively changes the

structure of personal and industrial consumption. Therefore, it is difficult to overestimate the role of the state in reducing transaction costs in the private sector of the economy.

In view of this, it is worthwhile to focus on such transaction costs as "the price of non-profitability" and "the price of subordination of the law". The magnitudes of these two types of transaction costs of an industrial enterprise are interdependent. If "the price of subordination of the law" is higher than the "price of extra-legality", then the industrial enterprise goes into the illegal sector of the economy. According to R. Nureyev, the shadow sector is a product of high transaction costs that arise from the activities of an industrial enterprise within the bounds of the law.

The structure of the "price of extra-legality" is formed on the basis of scientific works of H. De Soto, I. Buleev. Some part of the "price of non-profit" is the payment of services of representatives of state authorities. I. Buleyev notes that "the size of transaction costs associated with paying for services of representatives of state authorities varies from "modest" gifts (the value of which can be measured in hundreds of dollars) to 10% of the amount of the allocated subsidy or the value of the secured contract".

Researcher G. Makuhin notes: "The price of extra-legality" includes not only bribes and other unlawful payments and expenses for carrying out illegal activities, but also such transaction costs of an industrial enterprise, the details of which can be completely legally obtained from the documents of the enterprise. Thus, the "price of extra-legality" includes services of financial advisers, whose activities are aimed at reducing the taxes that must be paid by an industrial enterprise. For fairness, it should be noted that the activities of such consultants are often conditioned by the complexity of the mechanisms of tax payment, the number and the contradictory nature of the documents that are regulated. The "price of extra-legality" also includes losses in the form of unearned profits, such as unearned profits due to the inability to attract borrowed funds, because the industrial enterprises that conceal the profits from taxation, cannot substantiate their creditworthiness on the basis of a formal balance sheet, statement of income and expenses".

Recognition of the existence of the legal and illegal sectors of the economy (the other thing is that their proportion in different countries varies) led to the separation of economists from transaction costs in the legal and illegal sectors of the economy. In the legal sector, H. De Soto distinguishes "the price of subordination of the law" as a type of transaction costs. He

believes that the "price of subordination of the law" includes:

- expenses for legal legitimacy (expenses for registration of a legal entity, expenses for registration in supervisory and control bodies, expenses for obtaining a license, opening a bank account and other formalities);

- expenses for carrying out activities within the limits of the law (taxes, performance of social duties – payment of minimum wages, various payments, etc.);

- the loss of time and the cost of performing certain procedures carried out in the formal, informal and spontaneously selected limits.

By value similar to the "price of subordination of the law" by H. De Soto, is the cost of overcoming administrative barriers, which include the costs of access to resources and ownership rights to them, the cost of legal activities of the entity.

In the following classification, there are several types of transaction costs that are part of the "price of extra-legality":

- payment of services of representatives of state authorities (cost of gifts, payment of interest on the value of the contract, bribes);

- expenses related to evasion from legal sanctions (payment of services of financial and tax consultants, expenses for conducting "double" bookkeeping);

- expenses related to the transfer of income (loss from violation of property rights to money due to the impossibility of official protection, income not received as a result of non-receipt of loans due to the impossibility of showing the real state of credit);

- expenses related to tax evasion and payroll taxes;

- costs associated with the absence of legal fixed ownership rights (losses from the sale of capital not real, but at the "social" price);

- expenses for the maintenance of other organizations (the cost of maintaining higher institutions, voluntary contributions to the creation and improvement of the material and technical base of various organizations, voluntary donations to influential political parties).

An essential component of the price of subordination of the law in Ukraine is compliance with the requirements of the tax legislation. Thus, the amount of taxes and duties from the amount of income is from 21 to 35% (Arkhiereiev, 2003).

Based on the foregoing, it can be argued that each industrial enterprise is forced to balance between the legal and shadow sectors of the economy, and, in the end, it will operate in the sector where it will be cheaper. And given that

taxes occupy a prominent place in transaction costs, they are generally a decisive factor in where the industrial enterprise will operate. Therefore, the perception of taxes as part of transaction costs greatly enriches the theory and practice of managing transaction costs.

The conclusion of the research in this section can be a problematic thesis, as expressed by the authors of the textbook "Cost Management of Industrial Enterprise": "Taxes that are the cost of institutional transactions do not play a special role in the exchange of goods and, therefore, cannot be fully attributed to the cost of commodity transactions. This is the reason for the existence of opposing views on the question: can taxes be attributed to transaction costs? If a transaction is considered exclusively commodity – then, of course, no, if its consideration in The complexity of the problem lies in the implementation of commodity and institutional transactions in a single act, although in marginal situations one can imagine a random commodity transaction conducted on the verge of different socially isolated communities and does not fulfill the function of institutional reproduction, on the one hand , and a creative institutional transaction that occurs outside the commodity exchange, on the other. However, this does not mean that one aspect of the transaction may be the basis for determining the transaction costs. In practice, it is extremely difficult to discern that in the latter it belongs to a commodity transaction, and that – to an institutional one. Moreover, in determining the transaction costs the incoming costs associated with the institutional aspect of the transaction must also be taken into account" (Kholden, 1996).

Given this circumstance, the refined definition of S. Arhiyereyev will look like this: "transaction costs are losses or expenses from the exchange of rights within the framework of commodity and institutional transactions. In the first case, there is an exchange of rights to an object, so to speak, an objective rights, and in the second case, an exchange of rights as such in their original form of distribution of rights between subjects, that is, subjective rights. The latter characterize not the division of rights into objects, but only the principles on the basis of which these rights are allocated, whose bearer under certain conditions may become any subject. Thus, objectivity – the presence of a particular object also involves the subjectivity – the affiliation of the rights of the subject. The distribution of rights is impersonal and can relate to any subject or object that falls into a particular situation. It is determined by institutions – norms, rules ("rules of the game"), under which in the specific conditions subjects act".

Thus, it is justly to point out the existence of a relationship, expressed in direct relation to the level of interest of the taxpayer in paying taxes from the influence of external effects on the welfare of the subject, that is, from the "friendliness" of the economic space in relation to the subject of economic activity. From here, the following conclusion can be drawn: with the proper organization of the taxation system, the contradiction between the interests of the state and the subjects of taxation tends to a minimum value. This absolutely corresponds to the essence of transaction costs – the more institutionalized the environment, the less transactional costs arise from an industrial enterprise. From these positions, taxes can deservedly be included in the transaction costs of an industrial enterprise. Conceived management of taxes as a kind of transaction costs of the enterprise will reduce the "price of subordination of the law" to a value more acceptable than the "price of extra-legality".

8.3 Fundamental principles of tax planning at enterprises

In the conditions of the command and administrative system, the state, acting as the owner of enterprises, used, in the relationship with them, a system of deductions to the budget. The arbitrary setting of the tax on turnover and deductions from profit individually for each enterprise, depending on its national value and the activity of the management, had a negative impact on the theory and practice of taxation of that period. The erosion of the boundaries between public finances and the finances of enterprises led to the absence of an objective need for a theoretical understanding of the essence of tax planning, and therefore the problems of the Soviet period in the literature were not covered at all.

Reforming the economy made organizations to look for ways to optimize their tax obligations in practice. A significant number of publications on tax optimization and tax planning appeared. Among Russian authors it is possible to allocate A. Brizgalin, E. Vilkova, A. Gorbunov, E. Evstigneev, V. Kozhinov, T. Kozenkova, A. Medvedev, A. Pogorletsky, M. Romanovsky, B. Rogozin, S. Sutirin, D. Tikhonov, D. Chernik and others.

Among Ukrainian scholars M. Azarov, G. Bondarenko, G. Voznyuk, A. Zagorodniy, V. Zaitsev, G. Kravchuk, A. Krisovatiy, Y. Litvinenko, S. Lekar, A. Maglaperidze, P. Melnik, T. Reva, L. Sukhareva, O. Timchenko V. Khrapkin, S. Shkarlet.

In numerous domestic and Russian developments devoted to the problems of tax planning, emphasis is placed on schemes and methods for minimizing tax liabilities of organizations. By giving practical recommendations on the use of legitimate methods for reducing the tax burden, the authors do not pay enough attention to the theoretical substantiation of the place of tax planning in the system of economic categories.

Among the foreign sources related to the study of the category of tax planning, the greatest interest for the development of tax management in Ukraine are the work of D. Kembell, E. Thomsett and D. Johnson.

Planning in general, and tax planning in particular, are one of the main methods of financial management in an organization. Their main goal – to contribute to the achievement of the goals of the company, that is, to help obtain maximum profits, increase the efficiency of the organization.

Tax planning is an integral part part of the financial management system in the organization. This is due, firstly, to the fact that with taxation all areas of production, financial and economic activity of the enterprise are connected during its existence – from the moment of the decision on its creation, in the process of all current work and until complete liquidation, and secondly , the size of the tax payments in the total amount of expenses of the entity.

While considering tax planning, scientists often evade the concrete definition of this complex and multi-faceted phenomenon, trying to reveal its content by describing the set of methods used to minimize tax payments. Let us introduce some of the definitions of tax planning in Table. 8.3.

As can be seen from Table. 8.3, most foreign and domestic researchers understand the tax planning, first of all, as activities aimed at reducing tax payments. Thus, all definitions are based on the target approach, when the main focus is on minimizing the tax obligations of the organization as a goal of tax planning.

At the same time, the content of the process of tax planning remains unclear. In addition, some authors (in particular, A. Zagorodniy, G. Voznyuk, A. Krisovaty, A. Kizima) interpret tax planning only in relation to foreign trade activities, although they indicate the possibility of using this mechanism for reduction of tax liabilities of the organization within the country. This circumstance is due to the fact that initially tax planning really arose as a mechanism for tax minimization, based on the use of offshore campaigns as tax havens, redeployment of capital and income on optimal tax routes.

However, it is illogical to build a definition of the category of tax planning, based not on its economic content, but on the boundaries of economic activity.

Table. 8.3

Definitions of tax planning

| Definitions of tax planning | Source |
|---|--|
| Tax planning is minimizing the tax burden through financial planning, including investments with a deferred tax payment, the purchase of non-taxable securities and the use of various tax havens | G. Voichuk I. Philon |
| Tax planning is a systematic analysis of various tax alternatives aimed at minimizing tax liabilities in the current and future periods | O. Danilov N. Flissack |
| International tax planning – the reduction, allowed by law, of the global tax burden of individuals and legal entities in order to maximize their aggregate incomes that arise in all jurisdictions of foreign economic activity | A. Zagorodniy G. Voznyuk |
| Tax planning is to create schemes and tools for tax planning in order to reduce tax losses when conducting international investment and financial transactions | A. Krysovatiy, A. Kizima |
| Tax planning can be defined as a choice between different variants of methods of carrying out activities and placement of assets, aimed at achieving a possible lower level of tax liability arising therefrom | A. Maglaperidze V. Khrapkina |
| Tax planning is a deliberate activity of the organization focused on maximizing the use of all nuances of the existing tax legislation in order to reduce tax payments to the budget | S.Paranchuk E. Romanov O. Chervinska |
| Tax planning at the entity level is an integral part of managing its financial and economic activities within the framework of a unified strategy for its economic development, representing the process of systematic use of optimal legal tax methods and methods for establishing the desired future financial condition of the entity in conditions of limited resources and the possibility of their alternative use | E. Vylkova M. Romanovsky |
| Tax planning is the planning of commercial and investment activities of legal entities and individuals in order to minimize tax payments | B. Rogozin |
| Planning of tax payments represents the process of development of tax plans, based on the norms (rates), which are approved in legislative acts – laws of Ukraine, decrees of the President of Ukraine, resolutions of the Verkhovna Rada of Ukraine and the Cabinet of Ministers of Ukraine, as well as in by-laws to timely and complete definition of tax obligations to budgets of all levels (state, local), as well as mandatory payments and fees to extrabudgetary funds. | Y. Litvinenko |

The proposed definitions consider the essence of tax planning with a very restrictive position, perceiving it through the prism of the taxpayer's

confrontation, on the one hand, and fiscal authorities, on the other.

The author agrees with the idea that "tax planning is intended not only to reduce tax deductions of the enterprise (although optimizing the tax portfolio is its most important function), but how to become the regulator, along with the marketing and production plan, the management process of the organization" (Briukhovetskaia, 2002). Minimization and optimization of the tax portfolio do not always correspond to the strategic needs of the entity: the latter, in some cases, is not advantageous to underestimate its taxable base.

The refusal to minimize taxation does not mean a waiver of tax planning, on the contrary, tax planning remains one of the main types of general economic planning (organization specialists continue to monitor the current tax legislation, make tax calculations, compile a taxpayer calendar, which in some organizations replaces the tax plan etc.) (Briukhovetskaia, 2002).

Consequently, the following definition can be proposed: tax planning is an integration process that consists of defining the goals and methods for achieving them in the use of tax methods and leverage on the basis of the organization of financial and economic activities in accordance with the current tax legislation and the organization's development strategy.

To date, there is no single classification of tax planning. The practical significance and scientific capacity of each of the classifications largely depends on whether the basis of classification is unified and substantial. In the literature, the basis of the classification of tax planning take attributive features of the measures contained in the tax plan, or entities that plan measures to optimize tax deductions, or territorial-jurisdictional evidence of the actions, or objects that are affected by the planned measures (Voichuk, 2008).

T. Utkina allocates tax planning from the taxpayer's point of view, identifying it with corporate tax management, and justifies tax planning and forecasting at the macro level.

S. Sutirin and A. Pogoretsky believe that tax deductibility planning is divided into corporate and individual tax planning. V. Kashin also distinguishes two types of tax planning – corporate and personal.

In the work of A. Perova it is proposed to allocate tax planning within a single enterprise and within the group of companies, as well as national and international tax planning.

E. Vilkova and M. Romanovsky, depending on the level of management, distinguish the following types of tax planning:

planning at the state level (state);
business entities (corporate), including within the system (group) of enterprises;

Individuals (individual).

In addition, the authors give a large classification of tax planning at the level of economic entities on various grounds (depending on the type of subject, on its objectives, in terms of timeliness, based on the focus on the future, depending on the object of tax planning, based on the criterion of territoriality, etc.).

D. Tikhonov believes that there are two criteria for the distinction between types of tax planning: the legality of the taxpayer's actions and the degree of tax burden – whether he pays taxes, without taking actions to reduce taxation, or in some way minimizes taxes. When jointly using these criteria, D.N. Tikhonov receives three types of tax planning: classical tax planning, optimization tax planning and vulgar tax planning.

Planning in the general form is a procedure of processing information on the justification of future actions, and it can not be optimization or classical, and, moreover, legal or illegal. The planning process is subject to general philosophical, methodological principles, because it is not even an economic category, but an interdisciplinary one. For example, one can not say that the planning process is illegal (vulgar), one can only evaluate the planned actions from the standpoint of legality. Therefore, in this case, it is necessary to speak not about the classification of tax planning, but about the grouping of planned actions (measures, methods, methods) in accordance with certain general elements of the whole group of characteristics.

In order to reveal the content of the tax planning process, it is necessary to identify the structural elements of tax planning and analyze their interconnections.

From the theoretical point of view, the reduction of tax planning as a holistic activity on individual components allows the most complete study of the design of this economic category through the use of the inductive logic apparatus, as well as to identify the place of tax planning in the complex of general economic planning of the enterprise, because, given the large area of distribution the impact of activities related to tax planning in the enterprise management system, the identification of methodological, functional and direct Ktivnyh connections of tax planning with other types of management activity is possible only when analyzing the interaction of separate planning

institutions among themselves, without taking into account their synergetic component.

In the literature, when describing the process of tax planning different approaches to the definition of its structural elements. For example, tax planning is presented in the form of a cycle consisting of four interconnected stages (Fig. 8.1).

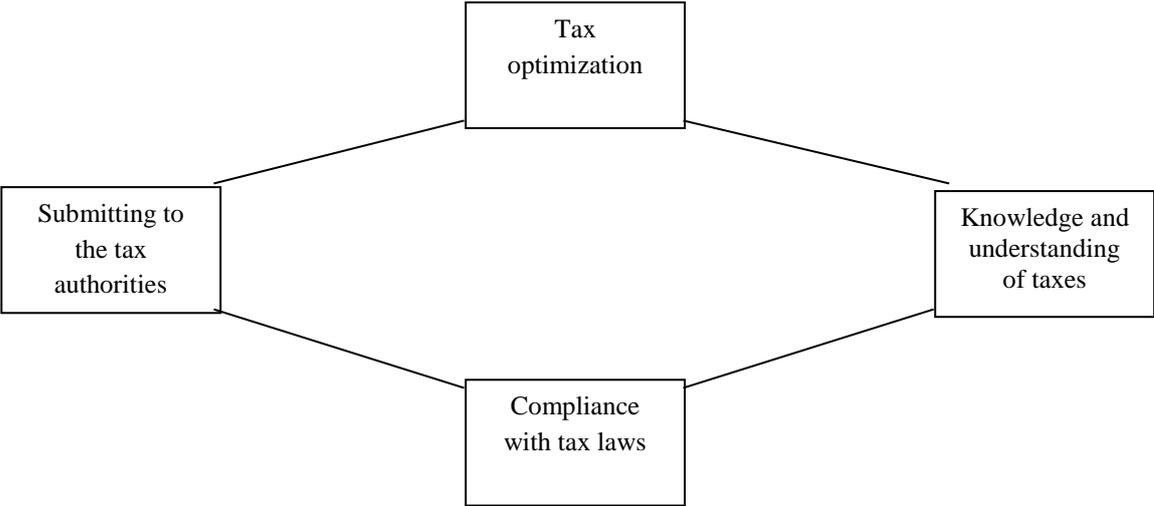


Fig. 8.1. **Elements of tax planning**

We consider tax planning as a kind of management activity, presenting it as a three-tier system that includes operational, tactical and strategic elements (Fig. 8.2), depending on which the objective side of the tax planning process is transformed, and the measures for tax planning are changed.

The design of the tax planning design in the form of a pyramid allows to accurately reflect the existing connections and dependencies traceable on all "floors" of tax planning. The cementing, fundamental link in the process of tax planning is the operational level, also often referred to in the literature by current internal tax control (Voichuk, 2008).

Timely payment and payment of taxes requires management of the organization, under the guise of administrative and criminal responsibility, to conduct the relevant activities at a minimum level, designed to conduct current tax payments on time and in full. The last statement allows us to talk about the current internal tax control as an activity that has an imperative (mandatory) character, which does not depend on the desire (reluctance) of the organization's leadership to implement tax planning.

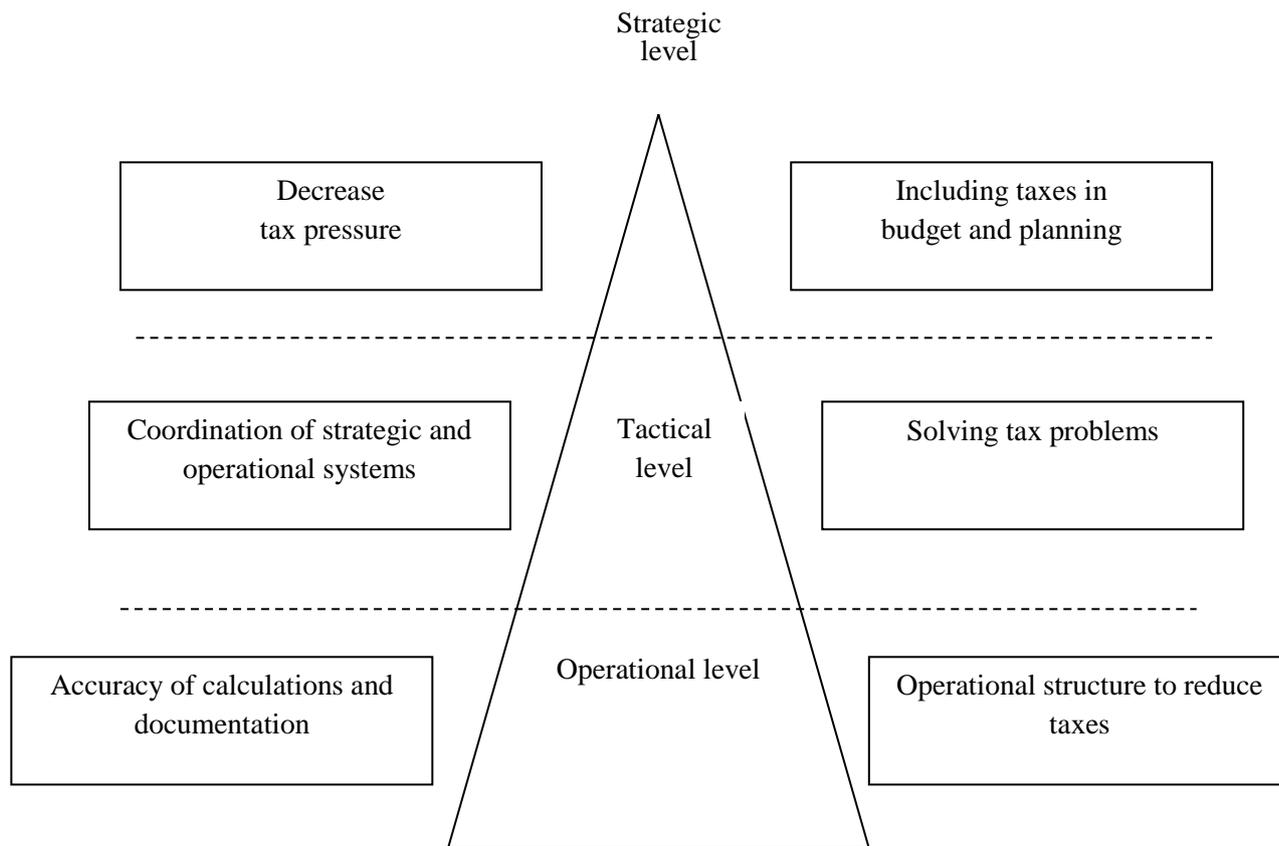


Fig. 8.2. Structure of tax planning

At the tactical level, tax planning becomes part of the overall financial management system; Special training (planning) of contractual schemes for typical, large and long-term economic contracts is under way. In particular, forecasts of tax liabilities of the organization and the consequences of planned agreements are drawn up, which are subsequently taken into account when forming forecasts of financial flows of organizations; a schedule of compliance with the implementation of tax obligations and changes in financial resources of the organization; Possible causes of sharp deviations from the average indicators of the organization's activity are projected and investigated; the tax consequences of investments are analyzed. The strategy of tax planning is a kind of functional strategy that is developed for each important area of the organization, and should be subordinated to the general strategy of enterprise development.

From the methodological point of view, the sequence of the tax planning process is important, that is, the validity of the procedure for finding ways to optimize the tax burden, as well as determining the starting point, which must

obey the entire process of planning work (Koropetskyi, 1997).

The breakdown (gradation) of tax planning activity, based on the specific features of one or another procedure, the applied scientific apparatus, logical coherence and sequence of activity, the subjective and objective composition of certain consolidated institutions (stages), has a great theoretical value and practical content.

Most researchers (B. Rogozin, A. Zasukhin, N. Poponova, A. Medvedev), while describing the process of tax planning, use the following gradation of procedures:

In the first stage of tax planning, which coincides with the moment of the idea of organizing a commercial enterprise, the formulation of the goals and objectives of the new formation, sphere of production and circulation.

At the second stage the question is the most advantageous, from a tax point of view, location of the company and its structural units, considering not only the countries and regions with preferential tax treatment, but also the regions of the country with features of local taxation.

The third stage solves the question of choosing one of the existing organizational and legal forms of the enterprise.

At the fourth stage, all tax incentives provided by the tax legislation are analyzed for each tax on their use in commercial activities.

At the fifth stage, an analysis is made of all possible forms of transactions planned in commercial activities in terms of minimizing aggregate tax payments and maximizing profits.

The sixth stage addresses the issue of rational allocation of assets and profits of the enterprise, not only considering the expected return on investment, but also the taxes that are paid when receiving this income.

E. Evstigneev combines the first three stages listed in the procedure before the registration of the company, and the next three stages within the current tax planning.

E. Vilkova, M. Romanovsky propose to allocate four main stages of tax planning (making decisions about the most advantageous, from the point of view of tax planning, location of the enterprise itself, its governing bodies, affiliates, subsidiaries and affiliated companies; the choice of the legal form of the legal entity and its internal structure; current tax planning; making decisions on the most rational allocation of assets and profits and on issues of investment and accumulation of funds) and two additional stages of tax planning (formed Company goals and objectives, monitoring, analysis and evaluation of the

effectiveness of tax planning).

R. Syakin believes that the process of tax planning is the following sequence of stages:

economic analysis;

identification of the main tax problems;

development and planning of tax schemes;

preparation and implementation of tax schemes;

inclusion of results into reporting and expectation of an authorities' reaction.

The above characteristics of the tax planning process are based, first of all, on the definition of tax planning – as a practical activity to optimize the tax portfolio. At the same time, as we have already noted, tax planning is an inseparable part of general economic planning, and therefore, the first must fully comply with the general economic planning procedure; otherwise, tax planning may conflict with the overall plan for the development of the organization.

Therefore, work in the field of tax planning should consist of the same stages that are reflected in the process of drawing up a general plan for the development of the organization. Thus, tax planning is represented by the following sequence of stages (Briukhovetskaia, 2002):

organizational and preparatory stage;

research stage;

planning – development stage;

the main stage.

The first stage is determined by the formation of the apparatus, which must organize all work on the plan and prepare the conditions for its implementation. The second stage is determined by conducting major studies, including current tax legislation, preceding the preparation of the plan. The third stage is the drafting of the plan itself. And the fourth stage – the implementation of this plan.

Thus, in tax planning, as in other areas of knowledge, the justification of the decisions taken and the forecast of the expected results are based on theoretical principles, as well as practical data and facts. The process of testing and improving existing theories is a prerequisite for the further development of this financial discipline.

Prerequisites for tax planning are laid down in the most recent tax legislation, which provides for different tax regimes for different economic

situations, allows different methods for tax deduction and offers taxpayers tax benefits if they act in the desired directions and forms for government. Moreover, the more complex the tax system, the greater the differentiation of rates, facilities, privileges and other elements of taxation, the more opportunities for tax planning (Kudrina, 2008).

The taxpayer must find and use the opportunities that have emerged when planning tax payments. The essence of tax planning is to use taxpayer tax incentives provided by the state (Petrenko, 2005).

In addition, tax laws often do not take into account all possible circumstances that arise when charging and paying a tax. These gaps in legislation are actively used by taxpayers. However, these are temporary and risky tools. Tax authorities monitor these ways to reduce tax liability, generalize them and respond by adopting appropriate methodological explanations or addressing the legislative initiative to higher government bodies.

In accordance with Ukrainian legislation, everyone has the right to defend their rights in all ways not prohibited by law. Consequently, the legislation recognizes the right of the taxpayer to protect property rights, including those on reduction of tax liabilities. However, this right is not limitless. The taxpayer is entitled only to those actions that are not prohibited by law. Hence the boundary of tax planning: the taxpayer is entitled only to legitimate methods of reducing tax liabilities [6].

Thus, an entrepreneur can reduce his tax obligations in two ways [2]:

legal – to rebuild its activities so that tax liabilities that arise at the same time are minimal (tax planning);

illegal – to try to hide their activities and their income from the authorities (tax evasion).

Ensuring the necessary rates of economic growth is impossible without stimulating entrepreneurial activity by providing various tax incentives for the development of investment activity. Tax planning is one of the factors of economic growth. This is due to the following aspects of its impact on the finances of organizations [9]:

increase in net profit as a result of saving on tax payments increases financial stability and profitability of the enterprise;

tax savings can serve as a source of financing for investment programs;

tax savings contributes to the growth of firm value and the well-being of shareholders.

In turn, an increase in financial resources of organizations leads to the next increase in the tax base and the growth of budget revenues.

The possibilities of tax planning are limited by a number of objective and subjective factors. Among them, the most important are the following [1].

The uncertainty of the external tax environment – the organization does not have comprehensive data on its present and, moreover, is not able to guess all the changes that may occur in the tax system in the future. The deep cause of uncertainty lies in the discrepancy (even opposition) between the interests of taxpayers and tax authorities.

Costs of tax planning – the cost of material resources and time resources for the organization and implementation of tax planning. The benefits of tax planning, that is, saving money on taxes, should always be compared to the costs of its implementation, and if the net effect turns out to be small, then obviously it makes no sense to engage in complex schemes and reorganization.

Scale of firms – full tax planning is only possible for large firms, because they have sufficient financial resources and qualified financial personnel (or have the opportunity to invite highly skilled professionals). Small firms can only use some of the methods of tax planning, as well as apply existing schemes for optimizing tax payments created by well-known advisory firms. The small firm has its own advantages in organizing tax planning. The main thing is that the internal environment of such an organization is more simple, and therefore more accessible and foreseeable.

A similar point of view has O. Timchenko, who believes that tax payments represent a significant proportion of the total amount of financial flows of economic entities. Therefore, such an importance for each organization becomes tax administration and its component – tax planning. The need for tax planning is determined by the following factors:

- the weight of the tax burden;
- complexity and mobility of tax legislation;
- the complexity and variety of forms of the entity's activity.

Depending on the weight of the tax burden in one or another tax jurisdiction, the need for tax planning is determined and a system for optimizing the tax obligations of the organization is formed. In this case, the tax burden is calculated as the total share of tax payments charged to organizations for the period under review, in the value added of products produced by the organization for the same period.

From table. 8.4 it is evident that, depending on the tax burden, the need for tax planning and the forms of its implementation is changing, ranging from one-off measures to minimize taxes and ending with the creation of a full-fledged tax planning system as part of the overall management system of the organization.

Table 8.4

Differentiation of tax planning measures

| Tax burden | Measures and requirements for personnel | Need in tax planning; periodicity |
|------------|---|-----------------------------------|
| 10-30% | Clear accounting, internal document circulation, direct benefits. Level of professional accountant. One-time consultations of an external tax consultant | Minimal one time events |
| 30-55% | Tax planning becomes part of the overall system of financial management and control, special training (planning) schemes of typical, large and long-term contracts. Specially trained personnel, control and guidance from the financial director are required. Subscriber service in a specialized company | Necessary regular events |
| 55-80% | The most important element in the creation and strategic planning of the organization's activities, its current daily activities in all external and internal directions. It requires specially trained staff and the organization of close interaction with all services with control over management. Continuous work with an external tax consultant and the presence of a tax attorney. Special development program, mandatory tax analysis and examination of any organizational, legal or financial measures and innovations by tax consultants. | Vitaly necessary everyday events |
| 80%+ | Changing the scope of activity and / or tax jurisdiction | |

Tax planning is an element, a link in the system of general economic planning, so the first must be inherently peculiar signs of the latter. Interacting with other elements of the general system, tax planning acquires all the features inherent in general economic planning, and in this manifests their dialectical connection as private and general. Planned tax optimization measures should be related to financial indicators, as well as with the overall plan for the development of the organization. Vilkova and M. Romanovsky proposed to develop a theory of tax planning in the framework of financial management: "there is an urgent need to allocate tax planning in a separate

independent segment of science and practice of financial management of the subject of economic activity".

Traditionally, tax planning issues are not addressed in domestic and foreign financial management work. Most theories of financial management offer ideal market models that do not take into account the tax factor. However, "further development of the theory of financial management should take place on the basis of more closely related to the real conditions of enterprise management, the determining factor of which are taxes".

A completely different approach to the essence and importance of tax planning at an enterprise is set out in the works of T. Kozenkova. In particular, she notes: "One of the tasks of enterprise reform is the transition from reactive financial management (the adoption of managerial decisions as a response to current problems) to financial management based on the analysis of the financial and economic situation, taking into account the setting of strategic objectives of the enterprise, adequate to market conditions, and finding ways to achieve them. With this approach to financial management, tax planning becomes an essential element in developing a managerial decision that affects its performance and final financial result. At taking any management decision, the task of tax planning is to analyze all possible tax consequences on the basis of variability (that is, the development of alternatives or versions) and assess the degree of their impact on the financial performance of the entity".

The total assessment of the tax consequences of one or another variant of the management decision, additional costs (financial, material, labor, etc.) associated with its implementation, as well as possible changes in tax legislation, participates in the formation of the final financial result for each option solution and affects at the choice of the subject of the most favorable, optimal solution.

Important is the tax planning in drawing up the plans of expenses and income of the organization, the formation of the budget. A special position is taken by the plan on tax payments as part of the company's cost plan, the significance of which is determined by the following factors [2]:

- the size of the tax payments in the total amount of expenses;
- obligatory character of tax payments, expressed in solid, specific terms of payment and accrual of penalties for late payment.

By virtue of these factors, tax payments become the main element in drawing up schedules of payments of the organization, plans of cash flow. The tax budget is an integral part of the organization's budget system. In the process

of tax planning, it is necessary to adhere to certain principles. These principles establish a framework for the development of tax planning systems that need to be taken into account when designing and implementing measures to optimize the organization's tax obligations. Management principles were developed by A. Fayole for intra-firm planning as one of the management functions. They retain their significance for tax planning. In modern science and practice of tax planning, the basic general economic principles are also used.

T. Reva designed table 8.5, which presents the data of the groups of principles and peculiarities of their application in the process of tax planning. Also, the specific principles of tax planning, arising from the features of this kind of economic activity.

Table 8.5

Principles of tax planning

| Principles | Peculiarities of their application in tax planning |
|---|--|
| General economic principles: purposefulness; consistency; rationality; efficiency | The purpose of tax planning is to optimize the tax obligations of the organization. A systematic approach to tax planning involves the following requirements: tax planning should be an integral part of general economic and financial planning the analysis of the consequences of each tax measure is carried out from the point of view of the whole tax collection; when substantiating the scheme of tax planning it is necessary to take into account the requirements of related branches of law (civil, accounting, currency, customs, etc.). Formulate a system of tax planning, based on the size of the tax burden and scale of activity organization. |
| Managerial: the need for planning; unity of plans; continuity of planning; flexibility of plans; accuracy of plans | There is a need for a preliminary elaboration of various tax planning schemes before their practical implementation, as mistakes and miscalculations in this area may turn out to organize multimillion-dollar fines. The tax plan should be linked to the financial plan, as well as an integrated plan of socio-economic development of the organization. Tax planning should be carried out continuously. This is due to the emergence of unpredictable changes in the external tax environment. Continuity of planning also means a gradual transition from strategic plans to tactics, and vice versa. The possibility of adjusting the planned tax measures should be ensured, as the tax system is one of the most dynamic factors of the organization's external environment. Tax planning should be as detailed and precise as the external and internal conditions of the company allow. So strategic tax planning is bound to be limited to defining the main goals and the most general directions of activity. Tactical tax planning is more specific and thoroughness of details |
| Specific Principles: the principle of legality; principle of caution; the principle of confidentiality | The taxpayer is entitled only to legitimate methods of reducing tax liabilities. When implementing measures for tax planning, always take into account the risk of possible financial sanctions. The maximum possible secrecy of information related to the development and implementation of schemes for minimizing tax liabilities of the organization |

Thus, when developing a system of tax planning, it should be

remembered that it is formed on the basis of a set of principles. The presence of such principles is explained by the place occupied by tax planning in the system of general economic planning, as well as by the appointment of tax planning in a market economy, connected with the need to use tax incentives provided by the state to taxpayers [2].

Tax planning contributes to the overall goals of managing the organization, namely: in a critical situation – to survive, under normal circumstances, to improve its efficiency, increase its own financial resources, reduce the uncertainty of the market environment and gain an edge over competitors.

Thus, according to T. Kozenkova's term, which, in our opinion, is the most up-to-date and complete, "tax planning can be defined as an integral part of the overall system of planning at the micro level, the type of management activity, the way of optimizing the actions of the business entity through the regulation of its taxation.

1. Arkhiereiev, C.I. (2003). *Transaktsiinyi sektor ekonomiky Ukrainy*. Kharkiv: KhF NISD [in Ukrainian].

2. Bazaliieva, L.V. (2003). *Upravlinnia transaktsiinomy vytratamy pidpriemstva*. Kharkiv [in Ukrainian].

3. Briukhovetskaia, N.E. (2002). *Optymyzatsyia transaktsyonnykh yzderzhok v perekhodnoi ekonomyke* [Optimizing Transaction Costs in Transition Economies]. *Ekonomika promyslovosti, 1*, 52-57. [in Ukrainian].

4. Voichuk, H.I. (2008). *Podatkovi menedzhment* Kharkiv: KhNAU im. V. V. Dokuchaieva [in Ukrainian].

5. Kholden, K. (1996). *Ekonomichne prohnozuvannia* Kyiv: Informtehnika-EMTs, [in Ukrainian].

6. Zahorodnii, A.H. (2003). *Podatky ta podatkove planuvannia pidpriemnytskoi diialnosti*. Lviv: Tsentr Biznes-Servisu [in Ukrainian].

7. Koropetskyi, Y.S (1997). *Sektor transaktsyi v sovremennoi Ukrainy* [Transaction sector in modern Ukraine]. *Ekonomika Ukrainy, 7*, 43-51. [in Ukrainian].

8. Kudrina, O.Yu. (2008). *Podatky yak skladova transaktsiinykh zatrat pidpriemstva* [Payments yak warehouse transaktsiinykh zatrat pidpriemstva]. *Visnyk Khmelnytskoho natsionalnoho universytetu. Seriya: Ekonomichni nauky, 4*, 176-180. [in Ukrainian].

9. Kudrina, O.Yu. (2008). *Umovy konsolidatsii podatkovoho ta finansovoho planu promysloвого pidpriemstva* [Umovi Consolidation of the Tax Code and the Financial Plan of the Industrial Company]. *Ekonomika. Menedzhment. Pidpriemnytstvo, 19*, 140-148 [in Ukrainian].

10. Petrenko, M.O. (2005). *Podatky na spozhyvannia v ekonomitsi Ukrainy*. Kyiv [in Ukrainian].

11. Ped, I.V. (Eds). (2007). *Podatkova systema: Ekonomiko-pravova kharakterystyka podatkov*. Kyiv [in Ukrainian].

12. Heitsia, V.M. (Eds). (1999). *Transformatsiia modeli ekonomiky Ukrainy (ideolohiia, protyrichchia, perspektyvy)*. Kyiv: Lohos [in Ukrainian].

13. Shepelenko, O. (2003). *Transaktsiini vytraty yak kryterii efektyvnosti intehtratsii pidpriemstv* [Transactional Vitraty yak Kryterii efektyvnosti intehtratsii pidpriemstv]. *Skhid, 3(53)*. 48-50. [in Ukrainian].

9. INSTITUTIONAL BASES OF CONFLICTS MANAGEMENT IN STATE ADMINISTRATION FIELD

9.1 Analysis of scientific views on the problem of conflicts in the field of state administration

As we know, mankind during its existence deals with different kinds of conflicts, the most significant of which are observed in unsteady environment in transition periods. What is their nature? What are the reasons of their origin? Is it possible to avoid conflicts, in particular political ones, in management activity? If not, is there any mechanism to solve them? All these and many other issues are the object of interest of scientists, politicians, managers, and conscious people (Poichenko, 1996).

The analysis of conflict development in management in foreign literature witnesses, that conflict issue occurred in frames of world scientific thought in ancient times because of the need to reveal the reasons of social differentiation and distribution of society according to strata. Chinese thinkers views of the earliest times are worthy of notice.

Special place among them belongs to Confucius, one of the first Chinese philosophers. His philosophical ideas have been also developed by other Chinese thinkers during many centuries.

The thinker saw the source of conflicts in the distinguishing educated, literate, well-mannered, and simple people. Ignorance and discourtesy of simple people cause deviations from the norm in human relations, up to perversion of justice.

Ancient views on conflict formed on the basis of philosophical doctrine of opposites, collision and unity of opposites. Collision and unity of opposites, for example, according to Heraclitus, is a general, universal way of development. The earliest general social conflict theories are characteristic of Plato and Aristotle period. Not distinguishing the essence of legal from social, political and ethical, ancient thinkers claim, that state, law, and justice are different aspects of state communication, aspiration to which is grounded in all people by nature.

Distinguishing ruling and subordinate people is a decree of nature. Thus, conflict is a riot of a person against nature and established society.

Ancient tradition stresses social origin of human and our ability to cooperate with other people. Ancient thinkers among the reasons, causing