

**B.G. Ermekbayeva, N.D. Alimov**

Al-Farabi Kazakh National University, Almaty, Kazakhstan.

E-mail: [bayan.ermekbaeva@kaznu.kz](mailto:bayan.ermekbaeva@kaznu.kz), [mr.nurlybi@mail.ru](mailto:mr.nurlybi@mail.ru)

## **THE ROLE OF TAX POTENTIAL IN IMPROVING THE QUALITY OF THE FISCAL SYSTEM**

**Abstract.** The term “tax potential” is studied in the article. In the introductory part of the article, the authors compared the meaning of two concepts, such as the tax and budget potential of the region, and showed the difference between the two concepts. The definitions of different authors of the tax potential as an economic category are given. The main section analyzes the dynamics of tax revenues to the republican and local budgets of the city of Almaty for 2016-2018. The factors affecting the tax potential of the region, including the influence of the shadow economy on the state budget, are identified. The concluding section presents specific ways to increase tax potential.

**Key words:** fiscal system, tax potential, tax policy.

At the present stage in the development of the country and its individual regions, the relevance of the concept of tax potential is increasing. Tax potential plays an important role in the methodology of forecasting and planning tax revenues in the budget system. Assessment and forecast of tax potential allow planning tax revenues correctly at different levels of the budget system.

The effectiveness of the budget system and budget policy depends on the budget potential, including the ability of the tax mechanism to accumulate financial resources at various levels. Currently, the capacity of the budget and its dynamics are influenced by new factors and conditions. Budget capacity can be considered as a set of relevant financial resources accumulated in the budget over a period. However, the terms tax and budget potential do not represent a single concept [1].

Therefore, there is a need to differentiate the concepts of tax and budget potential of the region. The concept of "tax potential" is deeply studied in the works of foreign and Russian scientists. In this understanding, several definitions are given.

First, the tax potential, according to the definition provided by T. Besley and T. Persson, is a measure to estimate how much tax revenue can be generated from a particular region [2].

As Le and Moreno-Dodson found out, tax potential is the forecast ratio of tax to GDP calculated by regression analysis taking into account the macroeconomic, demographic and institutional characteristics of a country [3].

According to the definition of the Russian scientist R.A. Prokopenko, tax potential is a set of objects of taxation located in a certain territory of the country within the framework of the tax system. The total size of the tax potential determines the ability to form the revenue part of the budget of the region, as well as the possible amount of income received by the Central budget of the state collected from this territory.

Thus, the concept of tax potential can be considered in a broad and narrow sense. In a broad sense, "tax potential" is the total amount of objects of taxation of the territory. "Tax potential" in the narrow sense means the maximum possible amount of tax revenues and fees calculated in accordance with the current legislation [4].

Lemeshko N. S. defines the tax potential as the objects of taxation, grouped by national, territorial, sectoral or other grounds [5].

Simonov A. Y. defines the tax potential as a per capita budget income in the application of uniform taxation conditions throughout the state for a certain period [6].

"Tax potential" in accordance with the current budget legislation is the maximum possible amount of tax revenues and other mandatory payments to the budget, calculated to determine the size of the region's revenues, that is, it is understood as the maximum amount of tax revenues and fees [7].

Thus, in the definition given in the essay Prokopenko R.A., we can agree with the definition of this scientist, as the essence of the concept of "tax potential" is fully disclosed.

If the concept of tax potential is relatively stable, the term "budget potential", despite its frequent use, has no unity in interpretation. In the economic literature, this term is used mainly as a synonym for the term tax potential. Sometimes this concept characterizes the totality of all financial resources in a particular region.

The concept of "fiscal capacity" as a synonym for the concept of "tax potential" is often used in English literature, in relation to developed countries that adhere to models of fiscal federalism. This applies to countries with a Federal state system (USA, Canada, Brazil, Australia, Mexico), countries with a Confederate structure (Switzerland), as well as some unitary States (Japan, Sweden, Denmark).

The concept of budget and tax potential represents fundamentally different economic phenomena. If the tax potential is the basis for the formation of base tax revenues to the budget and provides a feasible income as the main source received from economic entities budgetary resources budget brings together the potential tax base of the budget and the basis for the formation of non-tax revenues, as well as the possibility of borrowing for budgetary purposes (financing of the budget programs or the financing of current deficit of the regional budget). At the same time, unlike the tax potential, the budget potential mainly determines the investment attractiveness of the region and the prospects for its economic development [8].

Thus, the tax potential is formed based on actual tax revenues of a certain region, as well as additional reserves to increase them. In addition, tax revenues are the main source of budget revenues of any state, which we can see in the following table:

Table 1 - Dynamics of revenues of the Republican budget of Kazakhstan for 2016-2018

Name	2016		2017		2018		2018 to 2017, in %	Deviation	
	Amount, mln tg	Share, %	Amount, mln tg	Share, %	Amount, mln tg	Share, %		An absolute, million tg	Comparative %
Total revenues, including:	7 662 220	100	9 691 789	100	8 789 004	100	90,7	-902 785	-9,3
Tax yield	4 275 886	55,8	4 848 028	50,1	5 694 904	64,8	117,5	846 876	17,5
Non-tax income	3 386 334	44,2	4 843 761	49,9	3 094 100	33,2	63,9	1 749 661	-36,1

Note: table is compiled by the author on the basis of statistical bulletins of M.F. of RK for 2016-2018[9].

Table 1 shows that the volume of revenues of the Republican budget increased in 2016-2017, only in the last 2018 budget revenues decreased compared to the previous year. Thus, the revenues of the Republican budget for 2018 amounted to 8 789 004 million tenge. In addition, we see stable growth in tax revenues, which happened despite a decrease in total revenues in 2018, that is, it is mainly due to a decrease in non-tax revenues, not tax revenues. Tax revenues in 2018 amounted to 5,694,904 million tenge, which is 846,876 million tenge or 17.5 % more than last year [9].

Since the tax potential is a planned indicator of a certain territory, consider the revenues of the local budget of Almaty for the last 3 years to consider the tax potential of a particular region, which are listed in the following table:

Table 2 - Dynamics of local budget revenues of Almaty city for 2016-2018

Name	2016		2017		2018		2018 to 2017, in %	Deviation	
	Amount, mln tg	Share, %	Amount, mln tg	Share, %	Amount, mln tg	Share, %		An absolute, million tg	Comparative %
Total revenues, including:	507 225	100	535 591	100	496 728	100	92,7	-38 863	-7,3
Tax yield	338 746	66,8	372 012	69,5	407 977	82,1	109,6	35 965	9,6
Non-tax income	168 479	33,2	163 579	30,5	88 751	17,9	54,2	-74 828	-45,8

Note: table is compiled by the author on the basis of statistical bulletins of M.F. of RK for 2016-2018[9].

According to table 2, the local budget revenues of Almaty also show a trend at the national level, i.e. in 2016-2017 budget revenues increased and decreased in 2018. As for tax revenues, they have grown steadily. Tax revenues of the local budget of Almaty for the last year amounted to 407 977 million tenge, which is 35 965 million tenge or 9.6 % more than last year. The share of tax revenues in the local budget of Almaty increases significantly. In recent years, the share of tax revenues has increased significantly and in 2017 its share was 70 %, in 2018 even 82 %. This means an increase in the accumulation of tax revenues in the region [9].

However, this does not mean that all the potential opportunities in the region are working. According to the study of the domestic scientist D. B. Baizakov, the shadow sector of the economy in 2017 amounted to 29 % of the gross domestic product of the country. The largest scale of shadow activity is a priority in such sectors of the economy as trade (23 %), agriculture (16 %), transport (14 %) and real estate operations.

The share of the shadow economy in trade in 2017 amounted to 4.6 % of GDP and reached an absolute value of 1 487.3 billion tenge. The shadow sector in the sphere of agriculture amounted to 2.5 % of GDP and in absolute value 887.4 billion tenge. The shadow sector of the transport industry occupies 2.4 % of GDP and amounted to 834.5 billion tenge. The main form of tax evasion in this area is the provision of services for the informal transportation of passengers and goods, i.e. 130.2 thousand people carry out their activities independently (without registration with the tax authority), using their own vehicles. The shadow sector of real estate transactions is carried out mainly by secret service, i.e. rent of housing with rent from taxes.

In addition, entrepreneurs operating without registration with the tax authorities also restrain the economic and social development of the region by non-payment of taxes to the regional budget. The main reason for the informal receipt by employers of people to work – disrespect for the conclusion of additional costs for taxes and social benefits. The main losses received in the income of the consolidated budget of the Republic of Kazakhstan are for the following taxes:

- corporate income tax: 31 %
- value added tax: 42 %
- social tax: 13 %
- Individual income tax: 7 % [10].

Based on these data, we consider the factors affecting its value, which can lead to an increase in the tax potential of the region as a way to solve these problems. It is reflected in the following table:

Table 3 – Group of factors influencing tax potential

Group of factors	Composition
Economic	GRP level The level of inflation and employment Investment climate
Tax administration	Tax planning Tax forecasting Tax regulation The efficiency of the tax control
Legislative	Tax legislation Budget legislation Fiscal policy
Political	Implementation of strategic goals Socio-economic development of the region
Financial	Financial position of the region
Geographical and natural resources	Climate Geographical location Natural resources of the region
Socio-demographic	Population size Standard of living Quality of education Level of production development
Note: compiled by the author on the basis of the literature [11].	

As can be seen from table 3, the value of the tax potential of a certain region is influenced by various factors, the main of which are:

- economic forces;
- investment climate
- legal and legislative factors;
- tax policy;
- tax administration;
- social factor.

Let us focus on each of them.

- Economic factors-internal and external.

Internal factors include tax policy, economic conditions, business activity, investment climate, and external factors-the sectoral structure of the economy, employment, as well as inflation, etc.

When forecasting the tax potential it is necessary to take into account the following economic indicators:

(a) Regional economic development by type of economic activity (e.g. average annual rate of production growth);

(b) The level of use of property, plant and equipment by organizations in the zone;

(c) Changes in employment in the economy;

(d) Gross regional product per capita;

(e) Average annual income of the population and others [11].

– A favorable investment climate is the basis for business development, because of the growth of gross regional product and tax revenues. Therefore, it is necessary to pay great attention to improving the investment climate of the region [12].

- Legal-legislative factors, that is, tax, budget legislation, as well as amendments to them.

The tax legislation defines the mechanism of calculation of taxes and fees, tax rates, benefits and other elements of taxation. Budget legislation distributes tax revenues at the levels of the budget system.

Regional tax policy. One of the important conditions for the formation of the tax potential of the region is to conduct a rational tax policy. Tax policy in the region is a set of economic and legal measures at the regional level to improve the tax system to meet the financial needs of the region and the state as a whole, the implementation of planned political, social and economic programs to redistribute financial resources and change the direction of financial flows. In accordance with the Tax code, tax policy is a system of legal norms and organizational and economic measures of a regulatory nature adopted and implemented by state and local authorities in the field of tax relations. Regional tax policy should be aimed primarily at creating economic conditions for the implementation of tax potential [13].

– The most important elements of the regional tax policy are the system of organization of tax planning in the region and tax administration. At the regional level, the tax rates established by the Tax code of the Republic of Kazakhstan, the legislative regulation of taxation, tax benefits, the procedure and timing of payments includes the establishment. The tax rate has a significant impact on the tax potential. Unreasonably high tax rates lead to a decrease in the tax base, strengthening the processes of tax evasion, which will reduce the realized part of the tax potential and increase the shadow sector of the economy.

– The efficiency of tax control and the level of professional training of tax authorities influence tax administration.

– Social factor. This includes the level of social responsibility of the taxpayer, the level of tax culture of the population.

To increase the tax revenues coming to the budget, it is necessary, first, to increase the tax culture in the country, because in this case the taxpayer thinks about the development of society and the welfare of the population. As a result, the reimbursement of the revenue part of the budget is carried out, and not tax evasion [14].

Summing up the above, we can formulate that the condition for a more complete formation and implementation of the tax potential is a full consideration of all factors affecting its value. In this regard, it is not enough to formulate and plan the tax potential of the region, to implement it in the tax revenues of the region. Through increasing the tax potential, there is an opportunity to develop the tax and budget system of the state and accelerate the socio-economic development of the regions. This issue is voiced in the Address Of the President of Kazakhstan.

The Message of the President of Kazakhstan N. Nazarbayev to the people of Kazakhstan dated September 2, 2019 "Constructive public dialogue-the basis of stability and prosperity of Kazakhstan

"States:" improving the quality of the modern tax system is a special issue. The government needs to develop a set of measures to support medium-sized high-performance businesses in the framework of the program of industrial and innovative development of the country. In particular, tax incentives should be provided," he stressed. "The country's budget should be aimed at two main goals—the development of the economy and the solution of social problems. To address these issues, it is necessary to form reserves by reducing inefficient costs and increasing revenues," the head of state stressed [15].

The achievement of these results is inextricably linked to the tax potential, the question of increasing the above-mentioned revenues will be possible by increasing this tax potential. Specific ways to increase the tax potential are provided in the forecast of social and economic development of Kazakhstan for 2020–2024. According to this forecast, there will be a gradual increase in excise rates on e-tobacco due to the growth of demand for e-tobacco.

Within the framework of inter-budgetary relations, it is planned to expand the independence of local Executive bodies. For these purposes, to stimulate the economic activity of the regions, the development of small and medium-sized businesses, increase local budget revenues, starting from 2020, proceeds from corporate income tax from small and medium-sized businesses are transferred to local budgets [16].

This should lead to an increase in the tax potential of the regions and, as a consequence, to an increase in actual tax revenues.

In conclusion, the strengthening of the tax potential of the region is associated with the solution of a number of tasks aimed at ensuring economic stability, improving tax legislation and optimizing the system of tax administration and tax mechanism.

**Б.Ж. Ермекбасва<sup>1</sup>, Н.Д. Алимов<sup>2</sup>**

Әл-Фараби атындағы Қазақ Ұлттық университеті, Алматы, Қазақстан

### **САЛЫҚ ЖҮЙЕСІНІҢ САПАСЫН АРТТЫРУДАҒЫ САЛЫҚ ӘЛЕУЕТІНІҢ РӨЛІ**

**Аннотация.** Мақалада «салық әлеуеті» ұғымы зерттелген. Авторлар салық әлеуетінің елдің салық-бюджет жүйесіндегі орнын көрсете отырып, оның маңызын айқындады. Зерттеу жұмысының мақсаты – өңірлік салық әлеуетіне әсер ететін факторларды анықтай отырып, оны жоғарылату жолдарын табу. Мақаланың міндеттері: өңірлік салық әлеуетінің экономикалық мәнін ашу; салық әлеуеті ұғымына берген шетелдік авторлардың анықтамаларын салыстыру; салық әлеуетіне әсер ететін факторларды анықтау; салық әлеуетінің шамасын жоғарылату бойынша нақты қадамдар ұсыну. Мақалада ғылыми танымның салыстыру, дедукция, индукция, талдау, жалпылау әдістері қолданылды. Кіріспе бөлімінде аймақтың салықтық әлеуеті түсінігінің өзектілігі ашып көрсетілді. Салықтық әлеуетке экономика саласындағы әртүрлі авторлардың анықтамасы берілген. Негізгі бөлімде 2016–2018 жылдардағы республикалық бюджетке және Алматы қаласының жергілікті бюджетіне түскен салықтық түсімдердің динамикасы талданған. Өңірлік салықтық әлеуетке әсер ететін факторлар анықталған, соның ішінде, көлеңкелі экономиканың мемлекет бюджетіне келтіретін залалдарына баса көңіл бөлінген. Қорытынды бөлімде салықтық әлеуетті арттырудың нақты жолдары қарастырылған. Салық әлеуетін жоғарылату үшін оған әсер ететін барлық факторларды ескеру қажеттігі айтылады. Шағын және орта бизнес субъектілеріне салынатын корпоративті табыс салығының жергілікті бюджетке берілуі арқылы салық әлеуетінің, соның нәтижесінде салықтық түсімдердің жоғарылауы күтілетіні туралы ой қозғалған.

Мақаладан шыққан қорытындыларды ұсыныс ретінде қолдануға болады, сонымен қатар мақаладағы негізгі ойлар мен тұжырымдамалар зерттеу нәтижелерінен алып жинақталды. Келешекте зерттеу жасағанда, назар аударуға болатын, ұсынуға болатын мәліметтер легі мен маңыздылығын айта кеткіміз келеді.

Шағын және орта бизнестің еліміздегі және нарық әлеміндегі ең бірінші қозғаушы күш екенін де айта кеткіміз келеді.

**Түйін сөздер:** бюджет жүйесі, салық әлеуеті, салық саясаты, салықтық түсімдер, жергілікті бюджет.

**Б.Ж. Ермекбасва<sup>1</sup>, Н.Д. Алимов<sup>2</sup>**

Казахский национальный университет им. аль-Фараби, Алматы, Казахстан

### **РОЛЬ НАЛОГОВОГО ПОТЕНЦИАЛА В УЛУЧШЕНИИ КАЧЕСТВА НАЛОГОВОЙ СИСТЕМЫ**

**Аннотация.** В статье исследуется понятие «налоговый потенциал». Авторы подчеркнули важность налогового потенциала в фискальной системе страны. Целью исследования является выявление путей повышения

регионального налогового потенциала путем определения влияющих на него факторов. Задачи статьи: выявление экономической значимости регионального налогового потенциала; сравнение определений зарубежных авторов о налоговом потенциале; выявление факторов, влияющих на налоговый потенциал; предоставить конкретные шаги по увеличению величины налогового потенциала. В данной статье используются методы научного познания как сравнение, дедукция, индукция, анализ, обобщение. Во вступительной части статьи подчеркивается актуальность регионального налогового потенциала. Дано определение различных авторов в области экономики налоговому потенциалу. В основном разделе анализируется динамика налоговых поступлений в республиканский бюджет и местный бюджет города Алматы за 2016-2018 годы. Выявлены факторы, влияющие на налоговый потенциал региона, в том числе влияние теневой экономики на государственный бюджет. В заключительном разделе рассматриваются конкретные способы повышения величины налогового потенциала. Для повышения налогового потенциала необходимо учитывать все факторы, влияющие на него. Было высказано предположение, что за счет передачи подоходного налога с предприятий малого и среднего бизнеса из республиканского на местный бюджет, можно ожидать, что местный бюджет увеличит свой налоговый потенциал и, следовательно, налоговые поступления.

Выводы из статьи могут быть использованы в качестве предложения, а также ключевые моменты и выводы в статье, и взяты из результатов исследования. Мы хотели бы указать на важность и важность данных, которые могут быть приняты во внимание в будущих исследованиях.

Следует отметить, что малые и средние предприятия являются первыми драйверами в стране и на рынке.

**Ключевые слова:** бюджетная система, налоговый потенциал, налоговая политика, налоговые поступления, местный бюджет.

#### **Information about authors:**

Ermekbayeva Bayan Zhundibayevna, Al-Farabi Kazakh National University, Acting Professor of the Department «Finance and Accounting», PhD, Candidate of Economical Sciences, Definition of research methods, study of domestic and foreign literature, resumes and conclusions, [byan.ermekbaeva@kaznu.kz](mailto:byan.ermekbaeva@kaznu.kz), <https://orcid.org/0000-0002-3619-5394>;

Alimov Nurlybi Daletkazyuly, Al-Farabi Kazakh National University, 2-year Master Degree, Information gathering, generalization, article writing, research and analytical work, [mr.nurlybi@mail.ru](mailto:mr.nurlybi@mail.ru), <https://orcid.org/0000-0001-9551-7544>

#### **REFERENCES**

- [1] Tax potential of municipalities: essence and factors // Grishanova O. A. // proceedings of higher educational institutions, Series "Economics, Finance and production management". 2016. No 1.
- [2] Besley, T. and T. Persson (2013) "Taxation and Development", in Handbook of Public Economics. URL: <https://www.theigc.org/wp-content/uploads/2015/08/Langford-Ohlenburg-2015-Working-paper1.pdf>.
- [3] Le, Tuan Minh; Moreno-Dodson, Blanca; Bayraktar, Nihal. 2012. Tax Capacity and Tax Effort: Extended Cross-Country Analysis from 1994 to 2009. Policy Research Working Paper, No. 6252. World Bank, Washington, DC. © World Bank. URL: <https://openknowledge.worldbank.org/handle/10986/12094>.
- [4] Prokopenko R.A. The Concept and role of tax potential in the economic development of the region // Modern science-intensive technologies. 2013. No 12. URL: <https://www.top-technologies.ru/ru/issue/index>.
- [5] Lemeshko N. S. Comparative characteristics of methods of assessment of tax potential of regions // Economic Sciences. 2013. No 7 (92). URL: <http://ecsn.ru/download/journal/201307>.
- [6] Simonov, S. Yu. Tax potential // The young scientist. 2014. No 1. P. 423-425. URL: <https://moluch.ru/archive/60/8675/>.
- [7] Code of the Republic of Kazakhstan of December 4, 2008 No. 95-IV (Budget code) (as amended on July 3, 2019) // URL: <http://adilet.zan.kz/kaz/docs/K080000095>.
- [8] Abisheva G.O., Ismailova D.T., Taukenova L.Zh., Mazhikeeva S.S., Ismailova N.T. (2019). Coaching as a tool for enterprise development. News of the national academy of sciences of the Republic of Kazakhstan. Vol. 6, N 54 (2019), 24–27. ISSN 2224-526X. Series of agricultural sciences. <https://doi.org/10.32014/2019.2224-526X.71>
- [9] Official Internet resource of the Ministry of Finance: <http://www.minfin.gov.kz>.
- [10] Baizakov D. B. The shadow economy and its impact on the receipt of revenues in the state budget: Diss. Dr. Philos (PhD) / sci. cons: Zeynelgabdin S. B., Alekseev M.V. Astana, 2018. 194 p.
- [11] The influence of factors on the tax potential of the region // S. Belyukova // M. Young scientist. 2017, No. 10. 198-201 P. URL: <https://moluch.ru/archive/144/40340/>.
- [12] System of formation of incomes of regional budgets and ways of its further improvement // Drobyshevskaya L. N., Ermakova Yu. S. // Modern scientific thought. 2015. No. 1. Pp. 95-105.
- [13] Law of the Republic of Kazakhstan dated 25 December 2017 No. 121-VI "On taxes and other mandatory payments to the budget" (Tax code) // URL: <http://adilet.zan.kz/kaz/docs/K080000099>.
- [14] To the question of the directions of development of the tax potential of the region // Tyurina Yu. G. // "Russian entrepreneurship". №17. 2014.
- [15] Message of the President of the Republic of Kazakhstan Kasym-Jomart Tokayev to the people of Kazakhstan dated September 2, 2019. "Constructive public dialogue is the basis of stability and prosperity of Kazakhstan". // URL: <http://www.akorda.kz>.
- [16] Forecast of social and economic development of the Republic of Kazakhstan for 2020-2024. Official Internet resource of the Ministry of national economy of Kazakhstan. URL: <https://economy.gov.kz>