

TAX FACTORS FOR STIMULATING SMALL BUSINESS GROWTH

Sova O.Yu.,

PhD in economics.

Assistant Professor of National economy

and finance Department,

«KROK» University,

Ukraine, Kyiv

One of the main areas of development of the domestic economy is to ensure the conditions for the normal and efficient functioning of small and medium-sized businesses. Such enterprises of this economic segment contribute to the saturation of the market with goods and services, the creation of new jobs and, consequently, the reduction of unemployment, and an increase in the level of revenues to the state and local budgets at the expense of taxes and fees.

The analysis of the general environment and trends in the field of small business regulation shows that the most important factor limiting the development of small business is a significant administrative-tax pressure.

Small business compared to other business entities have significant advantages as well opportunities, the main of which is the flexibility and ability to take any niche in the market. However, there are a number of weaknesses and threats, which, in comparable to European small businesses, is quite broad. So, the main negative side of small business in Ukraine is limited access to external financial resources, location markets and lack of proper state support.

Tax regulation refers to economic methods, because in its essence it is realized precisely because of the economic interests of tax process. The tax mechanism of financial rehabilitation of enterprises must become one of those levers of influence that can bring them to a qualitatively new level, ensuring the stable development and overcoming of all the problems that they face in the rigorous realities of the domestic economy.

All countries use various types of tax-related stimuli which depend as a rule on many factors specific to business environment in that concrete country: historic preconditions, international relationships, level of development of industry and business, social programs and many others [2].

A simplified system of taxation, accounting and reporting is an important prerequisite for the effective functioning of small business entities. Significant steps have been taken to reform and form an effective simplified taxation system.

In summary, risk-taking is encouraged by higher overall tax rates. To the degree that capital losses are shared less with the government than capital gains, however, risk-taking is discouraged. Facing a more progressive tax schedule on profits helps by lowering taxes when the enterprise is doing less well [1].

However, there are a number of unresolved problems, including: reducing the motivation of entrepreneurship, distorting the mechanism of indirect taxation, transferring the tax burden on consumers of goods and services. Consequently, it is appropriate to focus on the social orientation and fiscal justice of the simplified taxation system in order to balance the interests of entrepreneurs and the state.

References:

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