

Chapter 17

Taxation Regime and Macroeconomic Systems' Dynamics

Tran Huu Ai

Van Hien University, Vietnam

Denis Ushakov

*International College Suan Sunandha Rajabhat University, Thailand & Russian Academy of National
Economy and Public Administration–South, Russia*

ABSTRACT

In this chapter, the authors, operating the criteria of rigid and comfortable national taxation regimes, attempt to evaluate the stimulating impact of country's taxation systems on the dynamics of their macroeconomic growth and country's participation in the world trade. Therefore, the chapter presents the authors' conclusions concerning the efficiency of fiscal instruments for economic growth stimulation and external trade attractiveness increase as applied to the majority of contemporary states. Based on correlation of indices of tax reforms and trends of the modern countries macroeconomic development, the co-authors present their conclusions on the priority importance of the so-called "taxation comfort" in the context of country's positioning in the global rankings. Research proved a taxation effect in countries' macro-economic growth and external attractiveness stimulating, as well as this effect dependence on the level of countries material wellbeing and infrastructural conditions.

INTRODUCTION

Taxation regime of a country is among the most efficient and well known instruments of state regulation and state economic stimulation. It can also become the factor of attractiveness for foreign investors, for potential business partners from abroad and also for highly qualified (today often known as "the creative class") labor force. Cross-country comparison of the current tax rates and of the so-called "taxation comfort" (which metaphorically expresses the (in) convenience of all tax payments and other related

DOI: 10.4018/978-1-6684-7460-0.ch017

formalities) today is actively used by a wide range of international and regional organizations and unions as a feature in overall cross-country comparisons and their consequent ranking. It is also part of various aggregates indicators and indices – global competitiveness, investment attractiveness. Additionally to that, tax rates and taxation comfort assessments are also a significant factor for a variety of forecasts, foresights and strategic plans of various levels, from micro to macro.

There exist a popular idea that today, due to intensive globalization of the world economy and wide universalization of various public-level and business practices (including, inter alia, economic and fiscal regulation), the potential of a taxation regime as a factor of economic development is overestimated since its influence on country's participation in global trade and country's capacity of compete globally is rapidly decreasing. All of the above makes the following question topical as many times before: In the 21st century is national taxation system still able to stimulate the economic growth of a country and promote its trade attractiveness abroad?

- **Research Aim:** On the basis of authors' analysis of today's most widely used indicators of taxation regimes worldwide as well as indices of the same countries' macroeconomic development we will attempt here to evaluate the impact of tax reforms on the dynamics of economic growth on the sample of the selected countries.

Taking this aim into account, we set here *the following tasks*:

- On the basis of the mentioned above correlation, to determine the potential to stimulate the macroeconomic growth in the selected countries and also to estimate their external trade attractiveness from the standpoint of national tax systems according to the international ranking "Doing Business";
- To describe the tax regime rank in "Doing Business" as a factor stimulating national exports and imports;
- To determine whether the so-called "taxation comfort" (measured through the number of tax payment per year and also time spent on all taxation-related procedures and documents) is indeed able to stimulate country's macroeconomic growth as compared to the same stimulating impact a tax rate (in the same country) may have;
- To analyze the role of tax rate as a tool in stimulation of national external trade (that is, import and export);
- To test empirically the presence (or absence) of reverse dependence between the level of country's economic development, its participation in the world trade and the level of its "taxation comfort".

LITERATURE OVERVIEW

The influence of taxation regime on the economic growth dynamics and other macroeconomic indicators of the states today is an extremely topical issue because nowadays national governments tend to reconsider both instruments and strategies related to national competitiveness increase and global repositioning in the structure of global labour distribution.

Historic features of tax policies implementation and of the related national strategies aimed at stimulation of external competitiveness of countries were well outlined by H. Pemberton (2004) while

14 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

www.igi-global.com/chapter/taxation-regime-and-macroeconomic-systems-dynamics/310839

Related Content

Impact of Celebrity Endorsements on Brands: A Case Study of the FMCG Sector Under the Shadow of Industrial Revolution

Asim Mehmood, Sajjad Hussain and Azhar Naeem (2022). *International Journal of Circular Economy and Waste Management* (pp. 1-10).

www.irma-international.org/article/impact-of-celebrity-endorsements-on-brands/306212

Lorenz Curve, Gini Coefficient, and the Income Inequality in Turkey in the Last 13 Years

Sema Bölükba (2019). *Socio-Economic Development: Concepts, Methodologies, Tools, and Applications* (pp. 554-574).

www.irma-international.org/chapter/lorenz-curve-gini-coefficient-and-the-income-inequality-in-turkey-in-the-last-13-years/215747

Hazardous E-Waste Recycling Practices Affecting Informal Recycler Health in India: A Case Study

Zofail Hassan and Devendra Kumar Dhusia (2022). *International Journal of Circular Economy and Waste Management* (pp. 1-25).

www.irma-international.org/article/hazardous-e-waste-recycling-practices-affecting-informal-recycler-health-in-india/302205

An Automated Geometric Appraisal Model: A Computerized Performance-Based Incentive Policy Suitable for HEIs in India

Hari Govinda Rao Chukka and Sampath Dakshina Murthy Achanta (2022). *Handbook of Research on Developing Circular, Digital, and Green Economies in Asia* (pp. 222-242).

www.irma-international.org/chapter/an-automated-geometric-appraisal-model/286416

Does Economic Uncertainty Obstruct the Financial Inclusion Projects of the Central Bank of India: Role of Governance

Aamir Aijaz Syed (2024). *Governance and Policy Transformations in Central Banking* (pp. 64-75).

www.irma-international.org/chapter/does-economic-uncertainty-obstruct-the-financial-inclusion-projects-of-the-central-bank-of-india/338476