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## THE IMPORTANCE OF STATE TAXES IN THE FORMATION OF STATE FINANCES

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### **Abstract**

This paper explores the significance of national taxes in the formation and development of public finance. It discusses how various tax policies impact government revenues and contributes to economic stability. National taxes serve as a fundamental source of income for the state, enabling the financing of public services, infrastructure projects, and social welfare programs. The research highlights the mechanisms of tax collection, the structure of tax systems, and their role in ensuring fiscal discipline. Special attention is given to the importance of transparent and equitable tax policies that foster public trust and compliance. The study uses comparative analysis and case studies to underscore how effective national tax systems support sustainable economic growth.

**Keywords:** Public Finance, National Taxes, Tax Policy, Revenue, Government Budget, Fiscal System.

### **Introduction**

Public finance represents the financial activities of the government, including revenue collection, budgeting, and expenditure management. At the core of public finance is taxation, particularly national taxes which form the primary source of government revenue. National taxes include income tax, corporate tax, VAT, and other duties imposed by the central government. This paper discusses the importance of national taxes in supporting fiscal policies and funding essential public goods and services.

One major function of national taxes is revenue generation. This revenue is crucial for sustaining government operations, including healthcare, education, defense, and infrastructure. Moreover, taxes play a redistributive role, helping



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reduce income inequality and support vulnerable populations. Through progressive taxation, governments can ensure fair wealth distribution.

National tax policies also serve as instruments of macroeconomic control. By adjusting tax rates and structures, governments can influence economic activity, control inflation, and manage aggregate demand. Tax incentives may be used to stimulate investment, innovation, and employment, whereas higher taxes may be imposed during inflationary periods to curb excess demand.

Efficiency and equity are vital principles guiding tax system design. A well-structured tax system minimizes distortion and enhances compliance. Digitalization and automation have improved tax administration, reducing evasion and improving revenue mobilization. The role of tax authorities and the legal framework is also crucial in maintaining a robust tax regime.

International experience shows that countries with transparent, fair, and simple tax systems tend to perform better in economic development. For instance, Scandinavian countries have successfully used tax revenues to fund comprehensive welfare systems. In contrast, weak tax administration and narrow tax bases hinder fiscal capacity in developing nations.

The paper concludes by emphasizing that national taxes are indispensable for achieving sustainable public finance. Policymakers must prioritize reforms aimed at expanding tax bases, curbing avoidance, and improving administrative efficiency. These reforms can lead to enhanced public service delivery, greater economic resilience, and improved citizen welfare.

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