



## Mechanisms for Achieving a Balance Between Fiscal Efficiency and Social Justice in the System of Public Taxation Management

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### ABSTRACT

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The article examines key tax policy and administration tools that allow balancing fiscal efficiency with social justice. Tax policy involves a balance between ensuring the necessary state revenues and promoting inclusive growth. At the same time, tax equity means adhering to the principles of progressivity, horizontal and vertical equity. An analysis of theoretical sources shows that the taxation system is the main mechanism for redistributing income, but there is a potential trade-off between efficiency and equity. Increasing the tax base and simplifying administration usually increase revenues (efficiency), while progressive rates and targeted benefits strengthen social justice, although they can complicate the system and restrain economic incentives. The article analyzes conceptual mechanisms and general world experience, but does not provide detailed empirical modeling of a single country. Therefore, the recommendations are of a generalized nature. Relevant sources for 2015–2025 are taken into account, but despite this, some specific recent changes (for example, updates to individual national codes 2025–2026) may not be taken into account. In addition, a combination of political factors (electoral cycles) and legal features of individual countries may change the real acceptability of the proposed measures. For example, high progressivity may be ideal in countries with a strong tradition of redistribution, but it will not work where opposition from business or politicians unwilling to raise rates is expected. These nuances may be the subject of further research. Also, modern theoretical approaches and empirical evidence on the impact of tax instruments on fiscal efficiency and redistribution are summarized. A comparative analysis of tax mechanisms and practices in six countries with different models (Scandinavia, continental Europe, the Anglo-Saxon model, transition economies, and countries with high evasion) is conducted. It is noted that Scandinavian countries, such as Denmark, achieve a very high tax burden ( $\approx 45\%$  of GDP) due to a broad VAT base and significant revenues from personal income tax; in contrast, in the USA, the tax system, in particular due to the absence of VAT, yields significantly lower revenues ( $\approx 26\%$  of GDP), mostly due to the household income tax and local property taxes. In Germany and Poland, social contributions account for a large share of the revenue structure (over 35%), which reflects the continental model of the welfare state. At the same time, in countries with a high level of evasion (generally in Latin America and the Caribbean), losses from the shadow economy reach  $\approx 6.3\%$  of GDP. According to the results of the analysis, for practitioners with limited resources, it is recommended: 1) to focus on expanding the tax base (fighting evasion, formalizing small businesses) and simplifying administrative procedures; 2) gradually introduce progressivity (charge higher rates on higher incomes) and flexible benefits for vulnerable groups, minimizing deficits (rounding rates, efficiency/inclusiveness trade-offs); 3) use digital technologies (e-declaration, automated data, e-invoices) to increase transparency and ensure adequate revenues. The article provides clear recommendations adapted to the conditions of resource-constrained states, and also analyzes possible compromises and priorities.

### KEYWORDS

public administration; tax policy; fiscal efficiency; social justice; tax administration; income redistribution; tax burden; progressive taxation; budget policy; institutional mechanisms.





## Механізми досягнення балансу між фіскальною ефективністю та соціальною справедливістю в системі публічного управління оподаткуванням

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### СТАТТЯ

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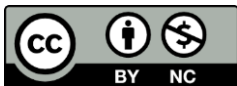
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У статті розглянуто ключові інструменти податкової політики й адміністрування, що дозволяють збалансувати фіскальну ефективність із соціальною справедливістю. Податкова політика передбачає баланс між забезпеченням необхідних державних доходів і сприянням інклюзивному зростанню. Водночас податкова рівність означає дотримання принципів прогресивності, горизонтальної й вертикальної справедливості. Аналіз теоретичних джерел показує, що система оподаткування є основним механізмом перерозподілу доходів, але існує потенційний компроміс між ефективністю та справедливістю. Зростання податкової бази і спрощення адміністрування зазвичай підвищують надходження (ефективність), тоді як прогресивні ставки і адресні пільги зміцнюють соціальну справедливість, хоч можуть ускладнювати систему та стримувати економічні стимули. У статті проаналізовано концептуальні механізми і загальний світовий досвід, однак не наведено детального емпіричного моделювання окремої країни. Через це рекомендації мають узагальнений характер. Враховано актуальні джерела 2015–2025 рр., але, незважаючи на це, можливо, деякі специфічні останні зміни (наприклад, оновлення окремих національних кодексів 2025–2026) не враховані. Крім того, комбінація політичних факторів (виборні цикли) та юридичних особливостей окремих країн може змінювати реальну сприйнятливість запропонованих заходів. Наприклад, висока прогресивність може бути ідеальною в країнах з сильною традицією перерозподілу, але не спрацює там, де очікувана опозиція з боку бізнесу чи політиків не готова підвищувати ставки. Ці нюанси можуть бути предметом подальших досліджень. Також узагальнено сучасні теоретичні підходи і емпіричні докази щодо впливу податкових інструментів на фіскальну ефективність та перерозподіл. Проведено порівняльний аналіз податкових механізмів і практик у шести країнах із різними моделями (Скандинавія, континентальна Європа, англосаксонська модель, перехідна економіка, країни з високим ухиленням). Зазначено, що Скандинавські країни, наприклад Данія, досягають дуже високої податкової навантаженості (≈45 % ВВП) за рахунок широкої бази ПДВ і значних надходжень від ПДФО; натомість у США податкова система, зокрема через відсутність ПДВ, дає значно нижчі доходи (≈26 % ВВП), здебільшого за рахунок податку на прибуток домогосподарств та місцевих податків на майно. У Німеччині та Польщі велику питому вагу в структурі доходів становлять соціальні внески (понад 35 %), що відображає континентальну модель соціальної держави. Водночас у країнах із високим рівнем ухилення (загалом у Латинській Америці та Карибському регіоні) втрати від тіньової економіки сягають ≈6,3 % ВВП. За результатами аналізу, для практиків із обмеженими ресурсами рекомендовано: 1) фокусуватися на розширенні податкової бази (боротьба з ухиленням, формалізація малого бізнесу) і спрощенні адмінпроцедур; 2) поступово вводити прогресивність (стягувати більші ставки з вищих доходів) і гнучкі пільги для вразливих груп, мінімізуючи дефіци (заокруглення ставок, компроміси між ефективністю/інклюзивністю); 3) використовувати цифрові технології (електронне декларування, автоматичні дані, електронні рахунки-фактури) для підвищення прозорості й забезпечення відповідних надходжень. У статті надані чіткі рекомендації, які адаптовано до умов держав з обмеженими ресурсами, а також проаналізовано можливі компроміси й пріоритети.



### КЛЮЧОВІ СЛОВА

публічне управління; податкова політика; фіскальна ефективність; соціальна справедливість; податкове адміністрування; перерозподіл доходів; податкове навантаження; прогресивне оподаткування; бюджетна політика; інституційні механізми.

## 1. Introduction

The issue of balance between fiscal efficiency (efficiency of revenue collection) and social justice in tax policy is central to modern public debates. Tax policy aims to strike a balance between providing the necessary revenues to finance social and economic programs and promoting inclusive sustainable growth [1]. On the one hand, high fiscal revenues are needed to finance the commons; on the other hand, unreasonably high rates or a narrow base can undermine incentives, provoke evasion and slow down the economy. On the other hand, social justice requires consideration of the capacity of taxpayers; This means progressive taxation and horizontal/vertical equality in taxes [2; 3]. Specifically, social equality means that the rich pay more (vertical equality) and those with the same income have to pay the same amounts (horizontal equality) [2; 3].

The structural problem is that perfect equality often leads to lower incentives and losses (the other side of the coin), and maximum fiscal efficiency leads to increased inequality. Bejaković called it a “great compromise” between equality and efficiency. However, as modern literature shows, the trade-off can be mitigated through well-thought-out tools: the tax system is the main lever for revenue redistribution, but there are opportunities to achieve increases at the same time fairness, and maintaining efficiency [3].

In the context of modern transformations of the Ukrainian economy, caused by globalization processes, digitalization, as well as the challenges of martial law and post-war recovery, the problem of achieving a balance between fiscal efficiency and social justice is of particular relevance. The tax system is not only a tool for filling the budget, but also an important mechanism for regulating socio-economic processes, in particular, reducing income inequality, supporting vulnerable groups of the population and stimulating economic activity. At the same time, the existing practice of public tax management in Ukraine is characterized by a number of imbalances, including: uneven distribution of the tax burden, limited efficiency of tax administration, a significant level of shadowing of the economy and insufficient targeting of socially oriented fiscal instruments. This necessitates a rethinking of approaches to the formation of tax policy, taking into account the principles of fairness, efficiency and economic feasibility.

The institutional aspect of the implementation of tax policy requires special attention, since it is the quality of public administration that determines the level of taxpayers’ confidence, the degree of tax discipline and, accordingly, the volume of fiscal revenues. The introduction of transparent administration procedures, digital technologies, as well as the improvement of control and accountability mechanisms help to reduce the cost of tax compliance and minimize opportunities for tax evasion.

In addition, it is important to take into account international experience, which shows that an effective combination of fiscal and social goals is possible with a comprehensive approach to reforming the tax system, including optimizing the tax structure, expanding the tax base, introducing progressive elements of taxation and ensuring the targeting of social transfers. In this context, the adaptation of the best world practices to national conditions, taking into account the economic, social and institutional features of Ukraine’s development, is of particular importance. The problem of achieving a balance between fiscal efficiency and social justice requires a comprehensive scientific understanding and development of practical recommendations for improving the system of public taxation, which determines the relevance of this study.

Background of the study: we assume that the article is addressed to the scientific and practical community of public administrators. The topic requires an in-depth analysis of not only economic theory, but also the practice of taxation, so the text is prepared in an academic style with relevant terminology and restriction of the direct example of one country.

## 2. Literature Review

The search for an optimal compromise between fiscal efficiency and social justice is one of the fundamental tasks of the theory of public administration and practical tax policy [1, 13]. In the scientific literature, fiscal efficiency is traditionally considered through the ability of the state to mobilize a sufficient amount of public revenues with a minimum level of costs and administrative resistance, while the criterion of social justice focuses on the principles of spreading the tax burden (vertical and horizontal equality) and redistribution of resources in society. A significant contribution to the study of

this dilemma was made by P. Bejakovic, who proved that the goals of fiscal efficiency and social equality are not necessarily mutually exclusive; state policy is able to transform the tax system so that measures to minimize inequality simultaneously support overall macroeconomic efficiency. In the context of domestic practice, O. V. Chmelyk and co-authors emphasize the importance of adapting these principles to the conditions of market transformation of the Ukrainian economy, where compliance with social criteria is a key indicator of the success of public administration [2].

Practical aspects of implementing tax reforms and macroeconomic trends in optimizing the fiscal burden are covered in detail in regular monitoring reports of the Organization for Economic Cooperation and Development (OECD) [4–7; 13]. Analysis of general trends in tax transformations in OECD member countries indicates systematic efforts by governments to balance the structure of budget revenues in conditions of global crises [13]. Comparative data from OECD reports demonstrate significant variability of models: from countries with a high level of redistribution and a pronounced social orientation (e.g., Denmark) [4] to countries with a moderate or specific fiscal burden and an emphasis on direct income taxation (e.g., the United States, Germany, Poland) [5–7]. This international experience is the basis for generalizing best practices in the distribution of tax liabilities.

The modern institutional and administrative lever for minimizing tax pressure and harmonizing fiscal and social goals is the rapid technological development of the public sector [9; 11; 12]. As A. Kolloso notes, the transformation of the architecture of business models and the expansion of the digital economy have created unprecedented challenges for classical fiscal institutions, causing significant budget losses and deepening social inequality due to the erosion of the tax base. In response, international institutions, including the OECD and the World Bank, have justified the transition to the concept of “digital-by-default”. The introduction of advanced Big Data processing technologies, intelligent portal solutions and artificial intelligence systems (“TaxTech”) allows tax authorities to switch to real-time transaction control, significantly reduce corruption risks, automate declaration processes (the No-Filing concept) and reduce transaction costs for both the state and taxpayers [10; 12]. Thanks to such modernization of administration, a higher level of tax compliance is achieved, the economy is de-shadowed and a transparent fiscal environment is formed, which directly works on the principles of public trust and social justice [9; 12].

### 3. Problem Statement

The purpose of this article is to theoretically substantiate and systematize the mechanisms for achieving a balance between fiscal efficiency and social justice in the system of public taxation management, as well as to determine the tools for their practical implementation in the context of the transformation of the economy of Ukraine. Achieving this goal involves solving the following tasks:

- to investigate the essence of fiscal efficiency and social justice as basic principles of tax policy;
- to analyze modern approaches to their combination in the public administration system;
- to summarize international experience in ensuring a balance between fiscal and social goals;
- to determine institutional and administrative mechanisms for optimizing the tax burden;
- to formulate recommendations for improving the efficiency of tax administration in Ukraine, taking into account the principles of social justice.

### 4. Methods and Materials

The study is based on institutional and systematic approaches to public tax management using the synthesis of academic literature (2015–2025), updates of national legislation and secondary macrofiscal data on the share of tax revenues in GDP, the structure of budget revenues and the dynamics of the shadow economy. To conceptualize the balance between fiscal efficiency and social justice, a set of scientific methods was applied: Comparative institutional analysis was carried out for the mutual study of tax practices within six international models (Scandinavian, continental, Anglo-Saxon, transitional and models with a high level of evasion); Structural and functional analysis is used to identify progressive administrative and digital tools for the public sector in resource-constrained settings. The limits of the study are due to the lack of detailed econometric modeling for individual countries and the exclusion of local regulatory tax changes at the end of 2025–2026, which defines the results of the work as universal regulatory recommendations and outlines directions for further quantitative research.

## 5. Results and Discussion

The theoretical economic literature clearly outlines the concepts of “fiscal efficiency” and “social justice” in the tax field. Efficiency is usually interpreted as the ability of a system to provide the necessary revenues with minimal complexity and without unnecessary distortion (i.e., to make optimal use of limited resources) [3]. The main challenge is the contradiction between these goals. Classical studies believe that rigid progressiveness can reduce the incentive to work or invest, reducing the total budget revenue. However, later theorists show that under certain conditions, a compromise can be found. In particular, Podrag Bejaković defines tax as a mechanism for influencing the allocation of resources and emphasizes that it is necessary to look for policies where “justice stimulates rather than inhibits efficiency” [3]. For example, in many models of optimal taxation, it is shown that several constraints (informational, political) make it difficult to achieve both goals at the same time. Researchers often recommend broad, low-rate tax-based and targeted social benefits as a trade-off: this allows you to maintain aggregate revenues (efficiency) while providing support for the vulnerable (justice). In any case, the tax system remains the main tool of the state to reduce inequality, but only if it is properly designed and administered [3].

Modern sources also pay attention to qualitative factors: for example, the OECD states that effective administration and improving tax culture (taxpayer confidence) are critical to achieving both high fiscal and distributional efficiency [1; 10]. If administrators ignore the needs of digital taxpayers, the system can spend more resources on tax collection and create more “false opportunities” for evasion [9; 11]. Instead, modern approaches recommend investing in process automation, transparent online services, and data analytics to optimize collection [10; 11].

Empirical studies confirm that tax design has a significant impact on revenue distribution and the overall budget. For example, the OECD and the IMF regularly note that progressive income taxes significantly reduce financial inequality, but too high rates can reduce the tax base due to evasion or incentives for information. OECD analysts also point out that high income taxes are generally accountable to better administration and can approach the 50% average. Other studies (e.g., Piketty et al.) show that without progressive elements, the wealthiest groups benefit significantly in the long run, increasing inequality. At the same time, according to the OECD, the structure of tax revenues varies depending on the economic model, with a wide base of resources for social spending. Thus, in Germany, 38.4% of tax revenues come from social contributions, well above the OECD average (23.7%) [6]. At the same time, in the United States (where there is no single VAT), more than half of the revenues are provided by household income tax and local property taxes; on the other hand, the share of corporate taxes and social contributions there is below average [5]. This reflects the traditional Anglo-Saxon model with relatively low tax-to-GDP ratios ( $\approx 26\%$ , 2024) and a high reliance on local rent/real estate taxes. In Scandinavia, on the contrary, the system is based on a very broad base (high VAT, large labor sector) and in 2024 the tax burden crossed 45% of GDP [4]. As for evasion, world practice shows that large inequalities and a complex system are associated with a high “shadow” sector. For example, in Latin American countries, tax losses are estimated at an average of 6-7% of GDP (including  $\approx 4\%$  of income tax) [8]. Such losses significantly weaken the ability of states to ensure fair distribution through taxes. OECD statistics show that countries with high revenues (Scandinavia) are also characterized by a high level of trust and correspondence between payments and services by the population, which reduces losses for evasion.

Let's consider the key mechanisms of tax policy and administration and their impact on the goals:

- Tax base and rates. Broadening the tax base (abolition or limitation of benefits, inclusion of new categories of income) usually increases fiscal efficiency (revenues increase) and levels the playing field for all taxpayers [3]. Progressive rates increase the level of vertical fairness – the rich pay relatively more – but at the same time can stimulate tax avoidance and reduce activity in the shadows. interrupt the economy) and a moderate degree of progressiveness, or the introduction of combined systems (e.g., consolidated income with a progressive scale plus a minimum guaranteed tax to meet budget needs) [3]. For example, the Swedish system combines relatively high rates on luxury incomes with a broad VAT base, while some of the transition countries (Ukraine, Poland) have previously experimented with a flat income tax and a large VAT rate, seeking to use administrative simplicity at the expense of slightly less progressiveness.

- Tax benefits and social expressive costs. Benefits (e.g., tax deductions for the poor, child allowances, social tax losses) increase social justice because they reduce the effective burden on the

poor. However, they reduce fiscal efficiency by narrowing the base. Many countries solve this by introducing targeted payments (supposed subsidies, subsidies) outside the tax system, which preserves a larger tax base. However, convenient digital technologies make it possible to partially effectively combine benefits with administration: for example, the automatic assignment of tax refunds in the presence of an income criterion (which reduces administrative costs).

- Administration and control. Improved administration is key to efficiency and fairness at the same time. The OECD emphasizes that the tax service must adapt to the digital habits of taxpayers, otherwise the costs of executing applications and errors leading to losses (evasion) increase [9]. If budget processes are integrated into the digital economy (ERP systems, e-invoices, pre-filled declarations), the burden on the taxpayer is reduced, and the collection of the correct amount of taxes is ensured [10; 11]. For example, many European countries already use electronic services for reporting and interaction between the payer and the administrator (which reduces time costs). The practice of e-invoicing (electronic invoices) is being expanded, which automatically provides for the payment of VAT.

- Digitalization and data analytics. According to the OECD, digital tools should “force” the taxpayer to enter less data manually and more to receive ready-made data from databases (filling out declarations, integration with banking systems, etc.). This contributes to both simplicity (efficiency) and trust: for example, in Australia, taxpayers can see all their data through their personal account, make corrections, which improves the quality of information and strengthens trust in the system [10]. Big data analytics and artificial intelligence (AI) help focus audit efforts on risky taxpayers: such a “risk-based audit” increases collection (if cases of evasion are eliminated) and fairness (ensure, so that everyone pays honestly). Recent examples (transitional e-administration of Ethiopia, Kenya, Nigeria, with the support of the World Bank) show a significant increase in revenues after the introduction of electronic declaration and CRM systems (centralized management of taxpayers’ clients) [11; 12].

- Transparency and accountability. Increasing transparency in the functioning of the tax service builds trust and motivates voluntary payment. Digital services allow the taxpayer to see their “universal tax account” (as in customs or pension fund), as well as to understand where their money goes [10]. Such open reporting reduces the feeling of mismatch between taxes and services. At the same time, there are tools for assessing the impact of tax reforms: independent macroeconomic models assess how a change in the rate or base will affect incomes and inequality. Application of valuation procedures (impact assessment) allows you to simulate their effects before real reforms and avoid unexpected negative consequences, which is also a generally accepted standard in developed countries.

We will conduct a comparative review of taxation instruments and their expected effects on fiscal efficiency and social justice. To illustrate, consider the following cases:

- Scandinavian model (Denmark). It has the highest level of tax burden in the world (~45 % of GDP [4]). The basis of income is personal income taxes (PIT) and VAT, which provide stable, large revenues. Due to the high level of service and trust, evasion here is minimal. A progressive rate scale (including a luxurious tax on the highest incomes) allows you to effectively finance generous social spending. Effects: higher fiscal efficiency due to a broad base; high social justice through high progressive rates and developed social programs [2; 4].

- Continental model (Germany). In Germany, the tax structure is more focused on social contributions and personal income tax [6]. This means that a significant part of revenues comes from social insurance funds (health, pension insurance), which forms the main “solidarity budget”. Tax rates are moderately progressive. Effect: due to the combination of social contributions and income taxes, fiscal efficiency is relatively high (integrated social programs are sustainably financed), and social justice is ensured through solidarity contributions and additional payments of the rich to public funds [3; 6].

- Anglo-Saxon model (USA). The United States has a relatively low workload (~25 % of GDP [5]) and an uncommon general VAT (there are sales taxes at the state level). The basis of the budget is federal and local personal income tax, social contributions, and local property taxes [5]. The structure is characterized by a high share of personal income tax (~52% of all revenues) and significant revenues from property taxes (~11%) [5], while the share of corporate income tax is significantly lower than average. Consequences: the income base is wider than it could be with low rates, but due to the absence of VAT and relatively smaller deductions of social contributions, the overall level of taxation remains low. Social progressivity is ensured through significant federal and local deductions for poorer strata (child loan, Medicaid, etc.), but still, inequality remains relatively high.

- Transition economy (Poland). Poland demonstrates a combination of the model: the tax burden has risen to  $\approx 37\%$  of GDP (2024) with the growth of the economy. The system relies most heavily on social contributions (38% of tax revenues) and VAT (25%) [7], while personal income tax provides a lower share ( $\approx 21\%$ ). The personal income tax rate is progressive, but not too high; VAT is standard. Effect: a broad base of VAT and social contributions provides sufficient fiscal efficiency, but a gradual decrease in the progressiveness of personal income tax can reduce social justice (expansion of the solvent base often occurs due to a reduction in the volume of aid). At the same time, Poland has introduced strict control over reporting (EFS reporting), which helps to reduce evasion into the formal sphere.

- A country with high bias (Latin America, e.g., Peru, Colombia). Here, the overall fiscal burden is quite low ( $\approx 15\text{--}20\%$  of GDP), but it was more about large losses due to the shadow economy ( $\approx 6\text{--}8\%$  of GDP) [8]. Attempts to raise taxes were often resisted and led to further “clamping” of business. Currently, the LAC countries are implementing digital payment registers (e-invoicing) and the integration of banking data to increase transparency. fiscal revenues, but social justice is undermined due to unstable administration and low trust (taxpayers do not feel a fair redistribution). On the contrary, modernization of administrative systems and programs for the vulnerable (for example, guarantee income) can simultaneously increase fees and support the weaker strata.

Discussing the results, it is worth emphasizing that no single mechanism solves all problems at once. The best result is achieved by combining measures: for example, the combination of a broad tax base with moderate rates, targeted social benefits, and modern administration allows for synergy between the goals. The Nordic experience shows that high fiscal efficiency can coexist with a high level of fairness under the condition of high standards of transparency and trust (the population invests a significant percentage of income in the state). Instead, countries with high evasion must first of all reform the administration (digital registers, reducing corruption), and only then gradually raise rates to prevent the “outflow” of the economy into the shadows.

For weak economies and countries with high corruption, strong administrative reform is key. For example, as stated by the OECD, failure to implement changes in administration will lead to “higher costs, lower productivity and increased opportunities for evasion” [9]. Conversely, integrated digital systems “significantly reduce the burden” and help collect the correct amount of taxes [11]. The analysis confirms that technological innovations in the tax field (e-filing, electronic payments, analytical platforms) are an effective way to optimize both efficiency and fairness.

As for rates and the base: a capacious base indicator (Broad Base) ensures fiscal efficiency almost without compromise – provided that the collection is taken care of in good faith. If the broad base is accompanied by progressive taxation, then the state budget increases, but the risk of “leakage” of revenues due to elite evasion increases. Here, it is worth noting the principle of “global Minimum Taxation” (IDEA of the digital economy), which the world has been discussing in recent years – it is aimed at preserving the budget under the conditions of a minimum level of corporate tax and deductions for the richest [8; 11]. For low-income groups, the format of targeted monetary compensation or social subsidies is more acceptable than the “cut” of ordinary rates.

It is also important to note that public trust in the tax system largely determines the adoption of policies. The OECD emphasizes: high-quality tax data and transparency of expenditures are important for legitimizing the system [1; 10]. Taxpayers’ access to information (for example, a taxpayer can see their prepayment of taxes and services received for them) strengthens the sense of fairness and reduces resistance to innovations.

At the same time, “occult” factors cannot be ignored: in countries with deep corruption, part of the resources simply do not reach the state budget, regardless of formal rates. Here, mechanisms of punishment (transparent audit tools, criminal liability) for economic crimes are no less important for fiscal efficiency than economic incentives. However, the subject of this article is primarily official and administrative instruments of tax policy.

## 6. Conclusions

The balance between fiscal efficiency and social justice is achieved through the combined use of tax instruments and qualitative modernization of administration. An analysis of literature and practices shows that:

- Fiscal efficiency is ensured primarily by a broad tax base (all income is taxed) and moderate rates; digital administration and anti-evasion mechanisms increase real revenues [3; 9].
- Social justice is strengthened through the progressive nature of rates and targeted benefits/costs, but requires a high level of tax culture and trust. Transparency and fair rules enhance the legitimacy of taxes [10].

- Different country models illustrate these patterns: Scandinavian systems demonstrate that a combination of high efficiency and fairness is possible under conditions of high-quality administrative service [4; 6]; Anglo-Saxon models, on the contrary, show that even with moderate collections, social justice can be significantly adjusted through other mechanisms (e.g., social transfers, housing subsidies).

No single mechanism is universally “preferable”; a synergistic approach is needed. Tax policy should be based on a clear understanding of local conditions – tax culture, the level of technology development, and the degree of inequality. At the same time, international experience suggests that the most successful strategies rely on broad income bases, flexible progressiveness (not extreme left or right bias), active digitalization, and enhanced “feedback” (analytics, taxpayer engagement). It is necessary to minimize unreasonable benefits and loopholes that reduce revenues. Where possible, introduce a single total VAT (replacing several local taxes) to increase revenue stability. At the expense of the base, it is possible to support the easing of rates for the least well-off (equivalent to the preferential first “thresholds” of personal income tax). Progressivity should be carried out smoothly and reasonably: a strict transition to a high marginal tariff can stimulate evasion. For example, consider the combined scale: the basic moderate rate plus additional deductions (allowances) for excess profits (as is done in Denmark). This will give a double benefit: the main revenues will almost be preserved, and excess profits will be taxed. It is better to provide the poor with targeted transfers or benefits than to complicate the entire system. At the same time, the savings of the state budget from administrative simplifications (for example, a flat “minimum” tax for the majority of citizens + payments to the poor) may be greater than from excessive progressiveness.

Invest in the IT systems of the tax service. Digital reporting (online platforms, mobile applications), electronic document management and standardized forms (filling out based on a “single window”) reduce the costs of the taxpayer and the state. The OECD recommends integrating tax payment processes into the taxpayer’s “natural systems” (financial systems, bank accounts). This reduces “surrogate” costs (time, queues) and stimulates voluntary payment. Provide visibility of results: publish reports on the use of taxes, encourage feedback from taxpayers (for example, open data on the effect of benefits or cost efficiency). Popular confidence increases the willingness to pay even at moderate rates [10].

Before introducing new reforms (rate changes, rollback/introduction of benefits), macroeconomic modeling and regulatory assessment (RIA) should be carried out. This will help predict the budgetary effect, the impact on inequality, and economic incentives. This approach minimizes the risk of unforeseen negative consequences. For countries with limited budgets and capacities (primarily in post-Soviet and developed areas), it is critically important to focus on “low-cost” reforms: digital technologies, analytical support, and the fight against corruption within the administration. Such investments (often with the help of international donors) are returned due to rising revenues without the need to dramatically raise rates.

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