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Transformation of the State's Tax Policy Towards Households: Theoretical and Methodological Foundations and International Trends

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ABSTRACT

The article is devoted to the theoretical and methodological substantiation of the principles of the formation of state tax policy for households in the context of the transformation of the modern tax system, strengthening the principles of social justice and solvency, as well as the adaptation of fiscal regulation to the conditions of digitalization of the economy, increased population mobility and European integration processes. The purpose of the study is to determine conceptual approaches to the formation of effective tax policy for households, taking into account international experience and modern socio-economic challenges. The study used a systematic approach, methods of theoretical generalization, comparative and structural-logical analysis, as well as analysis of regulatory legal acts and a comparative study of taxation models in developed countries. The results of the study indicate that modern approaches to household taxation are characterized by a transition to family-oriented and socially adaptive models that provide for the aggregation of income, differentiation of the tax burden depending on the ability to pay and the use of tax deductions and credits. It was determined that the current system of taxation of individuals in Ukraine is characterized by limited differentiation of the tax burden and insufficient consideration of the aggregated income of households. It was established that the key trends are the strengthening of the role of the residency principle, the development of progressive taxation models, the expansion of the tax-free minimum and the integration of digital technologies into tax administration processes. It is substantiated that the digitalization of tax procedures and the harmonization of national legislation with European standards contribute to increasing transparency, reducing the level of shadow income and increasing the efficiency of fiscal policy. The implementation of the proposed approaches will contribute to increasing the efficiency of the tax system, reducing social inequality, expanding the tax base and strengthening the fiscal sustainability of the state.

KEYWORDS

tax policy, households, income taxation, digitalization, tax administration, social justice.

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СТАТТЯ

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АНОТАЦІЯ

Стаття присвячена теоретико-методологічному обґрунтуванню засад формування податкової політики держави щодо домогосподарств у контексті трансформації сучасної податкової системи, посилення принципів соціальної справедливості та платоспроможності, а також адаптації фіскального регулювання до умов цифровізації економіки, зростання мобільності населення та євроінтеграційних процесів. Метою дослідження є визначення концептуальних підходів до формування ефективної податкової політики щодо домогосподарств із урахуванням міжнародного досвіду та сучасних соціально-економічних викликів. У процесі дослідження використано системний підхід, методи теоретичного узагальнення, порівняльного та структурно-логічного аналізу, а також аналіз нормативно-правових актів і компаративне дослідження моделей оподаткування у розвинених країнах. Результати дослідження свідчать, що сучасні підходи до оподаткування домогосподарств характеризуються переходом до сімейно-орієнтованих та соціально адаптивних моделей, які передбачають агрегування доходів, диференціацію податкового навантаження залежно від платоспроможності та застосування інструментів податкових вирахувань і кредитів. Визначено, що в Україні діюча система оподаткування фізичних осіб характеризується обмеженою диференціацією податкового навантаження та недостатнім урахуванням агрегованого доходу домогосподарств. Встановлено, що ключовими тенденціями є посилення ролі принципу резидентності, розвиток прогресивних моделей оподаткування, розширення неоподатковуваного мінімуму та інтеграція цифрових технологій у процеси податкового адміністрування. Обґрунтовано, що цифровізація податкових процедур та гармонізація національного законодавства з європейськими стандартами сприяють підвищенню прозорості, зниженню рівня тінізації доходів і підвищенню ефективності фіскальної політики. Реалізація запропонованих підходів сприятиме підвищенню ефективності податкової системи, зниженню соціальної нерівності, розширенню податкової бази та зміцненню фіскальної стійкості держави.

КЛЮЧОВІ СЛОВА

податкова політика, домогосподарства, оподаткування доходів, цифровізація, податкове адміністрування, соціальна справедливість.

1. Introduction

In the current conditions of functioning of national economies, characterized by the strengthening of globalization processes, digital transformation of financial systems, the growth of social inequality and the increase in the role of the state in the redistribution of incomes, the improvement of the theoretical and methodological foundations of the formation of tax policy for households is of particular relevance. The relevance of the topic is determined by the need to ensure a balance between the fiscal sufficiency of the state, social justice of taxation and stimulation of economic activity of the population as a basic element of the national economic system.

In the context of the transformation of economic relations, the digitalization of tax administration, the development of platform employment and the growth of labor mobility, traditional approaches to taxation of household income are gradually losing their effectiveness. In particular, the individualized model of taxation does not fully take into account the real structure of income formation and use within households, which leads to methodological contradictions between the principles of tax justice, solvency and the actual distribution of the tax burden.

Additional challenges are the increase in the level of shadow income of the population, insufficient adaptation of tax instruments to new forms of employment, as well as fragmented approaches to taking into account the socio-demographic characteristics of taxpayers. At the same time, the limited integration of digital technologies into tax administration processes and the insufficient level of harmonization of the national tax system with European practices increase the need to form a holistic theoretical and methodological framework for tax policy for households.

Despite the presence of a significant amount of scientific research in the field of taxation of individuals, social policy and public finances, modern scientific thought does not systematically consider the household as an integrated fiscal unit of the tax system. This necessitates further scientific study of conceptual, institutional and methodological approaches to the formation of the state's tax policy towards households, taking into account the principles of social justice, economic efficiency, digital transformation and European integration guidelines.

2. Literature Review

The issue of forming the tax policy of the state in relation to households is the subject of active scientific discussions in the domestic and foreign economic literature. The theoretical foundations of the tax policy of Ukraine are revealed in the monographic study by P. V. Melnyk et al. [15], which defines the institutional principles of taxation of household incomes, the role of state regulation and fiscal policy in ensuring socio-economic stability. In the work of A. I. Danylenko and others. [5] The financial and budgetary instruments of public policy are considered, which makes it possible to assess the relationship between tax revenues and macroeconomic stability.

A significant contribution to the development of the theory of optimal household taxation was made by foreign researchers. In particular, P. Apps and R. Rees [1] study models of optimal family taxation, focusing on the impact of tax policy on income inequality. The international analytical publication OECD [19] reveals approaches to the taxation of household income in the EU countries, which allows for comparing the effectiveness of different tax systems.

A separate block of research is devoted to international experience and harmonization of tax policy. The work of K. Klymenko and O. Ozerchuk [12] analyzes the experience of the Federal Republic of Germany in the administration of household taxes, which allows identifying effective practices for implementation in Ukraine. European regulations, in particular the DAC7 Directive [10] and the EU Directive on the Common VAT System [9], define modern approaches to the digital exchange of tax information and harmonization of tax systems of EU countries.

Modern scientific research also focuses on the digital transformation of tax policy. The works of K. Klymenko and N. Ukhnal [13], as well as the publications of the Ministry of Finance of Ukraine [17], consider the introduction of digital services, electronic administration and the concept of "tax in a smartphone", which contributes to increasing the efficiency of interaction between the state and taxpayers. In addition, the research by N. Petrukha et al. [21; 22] emphasizes the resilience of Ukraine's public finances in the face of crisis challenges, which is an important context for the formation of household tax policy.

Despite a significant number of scientific papers and regulatory documents, the issues of comprehensive integration of tax policy on households into the system of long-term macroeconomic planning, as well as adaptation of international experience to Ukrainian socio-economic conditions, remain insufficiently studied, which, in turn, necessitates further systematic analysis of the theoretical and methodological foundations of the formation of the tax policy of the state for households, taking into account modern transformation processes.

3. Problem Statement

The article is aimed at the theoretical and methodological substantiation of the conceptual foundations of the formation of the state's tax policy towards households in the context of the transformation of the tax system, strengthening the role of the principles of social justice and solvency, as well as adaptation of fiscal regulation to the conditions of digitalization of the economy, growth of population mobility and modern socio-economic challenges.

To achieve this goal, the following tasks are envisaged: to investigate the role of households in the tax system; to analyze the methodological foundations of household income taxation; to generalize approaches to the formation of the tax base and the definition of tax residency; to identify the peculiarities of the administration of tax liabilities of households in the context of modern challenges; to substantiate the directions for improving tax policy, taking into account international experience and digitalization.

4. Methods and Materials

The methodology of studying the theoretical and methodological foundations of the formation of the tax policy of the state in relation to households is based on the application of a systematic approach and methods of theoretical generalization and comparative analysis. In the process of the study, the analysis of regulatory legal acts, as well as the generalization of the provisions of the international practice of household taxation (in particular, the models of France, Germany, the USA and Luxembourg) are used. In addition, the methods of structural and logical analysis were applied to identify the peculiarities of the formation of the tax base, the principles of tax residency and the administration of tax liabilities of households, as well as the systematization of the current regulatory provisions and the comparative analysis of taxation models were carried out.

5. Results and Discussion

The effectiveness of the tax system is determined by its ability to ensure neutrality in relation to the economic behavior of subjects, in particular, decisions in the field of savings and investment. In modern tax theory, this is achieved through a combination of the principles of residency and source of income. At the same time, the practical implementation of these principles is complicated by the differentiation of the socio-economic development of countries, which leads to the formation of mixed models of taxation [15].

In the context of Ukraine, the norm of paragraph 3.2 of Art. 3 of the Tax Code of Ukraine [28], which enshrines the priority of international treaties in the field of taxation over national legislation, which is the methodological basis for determining tax residency, in particular according to the criterion of "center of vital interests". In the conditions of martial law and large-scale external migration of the population, the problem of identifying the object and subject of household taxation is actualized. In accordance with para. 170.11.1 of para. 170.11 of Art. 170 of the Tax Code of Ukraine requires resident individuals to declare income received from foreign sources. At the same time, the specifics of the legal regime for persons staying outside Ukraine for more than 183 days are the suspension of the statute of limitations for tax control (subparagraph 1 of paragraph 3 of Article 102 of the TCU), which complicates the administration of tax liabilities of households separated as a result of the war [28].

The methodology for determining the personal income tax base is based on the principle of solvency. According to Art. 164 of the TCU [28], the object of taxation is the total taxable income;

however, in the theoretical aspect, it is advisable to tax only "net" income, i.e., income adjusted for expenses necessary for its receipt and reproduction of human capital [5]. The practical implementation of this approach is carried out through the mechanism of tax rebate (Article 166 of the TCU), which actually performs the function of partial reimbursement of household expenses (in particular, for education, insurance, etc.) and brings the taxation system closer to the family-oriented model [28].

An important element of tax policy during the war period is special preferential regimes. In particular, according to para. 27 of Subsection 1 of Section XX of the TCU, assistance received by individuals from the budgets of foreign states is not included in the taxable income, which transforms the structure of financial resources of households and reduces their tax burden [28].

It is advisable to consider the objects of household taxation through the prism of their assets, which include income, property and financial resources. The classification of income provides for its division into labor, entrepreneurial (Article 177 of the TCU), investment (para. 170.2 of Article 170 of the TCU) and passive. At the same time, transfer revenues (pensions, social benefits) in accordance with Art. 165 of the TCU are mostly not subject to taxation, since they are not formed as a result of market pricing, but are an instrument of state redistribution of resources [28].

Comparative analysis of those presented in Table 1 methodological models of household income taxation indicates the presence of a stable tendency towards the institutionalization of the family as an integrated subject of taxation in developed countries. It is revealed that the key difference between the models is the way of implementing the solvency principle, which varies from the coefficient redistribution of income (France) to the mechanisms of its formal equalization (Germany) and individualized adaptation through tax statuses and credits (USA, Luxembourg) [1].

Table 1. Typology and Comparative Analysis of Methodological Models of Household Income Taxation in Developed Countries

Country	Taxation model	Methodological basis for the formation of tax liabilities	Instrumental and methodological mechanisms for adjusting the tax base	Peculiarities of the formation of the tax-free minimum income
France	Coefficient model (family quotient)	Implementation of the principle of horizontal justice through the allocation of total household income using a system of equivalent "family shares," followed by the application of a progressive tax scale	Use of a coefficient mechanism (quotient familial), which ensures a reduction of the marginal tax burden depending on the demographic structure of the household	It is determined taking into account the quantitative and structural characteristics of the household; has a differentiated character with an increase in the number of dependents
Germany	Income splitting model	Implementation of the principle of tax neutrality by aggregating the income of spouses and their subsequent parity decomposition (50/50) to minimize the effect of progression	Mechanism for doubling the thresholds of tax rates and basic benefits; Application of specialized tax deductions for dependents	The tax-free minimum is double for spouses; further modified through the system of child tax benefits
USA	Filing status-based taxation	Variability in determining tax liabilities depends on the institutionally fixed status of the taxpayer, which determines the differentiation of tax scales and the tax base	A combination of standard/itemized deductions indexed according to macroeconomic parameters	It is formed in the form of a standard tax deduction, the amount of which is differentiated depending on the status of the payer
Luxembourg	Adaptive credit-oriented model	Synthesis of alternative forms of tax declaration with the mechanism of direct reduction of tax liabilities through the system of tax credits	Differentiated system of tax credits with regressive dependence on the level of income and taking into account the socio-demographic parameters of the household	It is implemented according to the additive principle: the basic tax-free minimum is supplemented by corrective allowances depending on the composition of the household

Source: Formed by the author based on sources: [1; 8; 11; 19; 23–25].

It is methodologically significant that all the considered approaches involve the use of tools for adjusting the tax base, aimed at taking into account the demographic and socio-economic characteristics of the household. This confirms the shift in emphasis from the fiscal function of taxation to its regulatory and social role. At the same time, differences in the mechanisms for the formation of the tax-free minimum reflect the specifics of national models of social policy and the level of their fiscal capacity.

Summing up, it is advisable to state that the effectiveness of modern systems of household income taxation is determined not only by the structure of tax rates, but also by the flexibility of tools that ensure the adaptation of the tax burden to the real conditions of household functioning, which is especially relevant in the context of macroeconomic instability and growth of population mobility.

The transformation of tax policy in the direction of a household-oriented model, taking into account regulatory and legal features and international experience, creates prerequisites for increasing the efficiency of the tax system, reducing social inequality and strengthening the fiscal stability of the state. In this context, the introduction of a tax-free minimum at the level of the subsistence minimum determined by Art. 7 of the Law of Ukraine "On the State Budget of Ukraine", which will allow to reconcile the tax burden with the real expenses of households in the face of inflationary challenges [31].

It is advisable to consider the theoretical and methodological foundations of the formation of the state's tax policy towards households through the prism of their role as key economic agents of the market economy. In international practice, households act as the basic subjects of the formation of demand, savings and investment potential, and under favorable conditions, they are transformed into business entities of various scales. At the same time, in modern conditions, there is an increase in the tax burden on households, which is due to the expansion of paid access to educational, medical and social services [29].

An important methodological problem is the discrepancy between the principles of taxation and the real economic behavior of households. In particular, expenses are formed on the basis of a common budget, while taxation is carried out individually for each member of the household, which reduces the level of tax justice. In this context, scientific approaches substantiate the feasibility of using the family taxation model, which provides for income consolidation and joint declaration, which is widely used in developed countries.

A significant challenge for the formation of an effective tax policy is the high level of shadowing of household incomes, which causes discrepancies between declared and actual household incomes. This complicates an objective assessment of their solvency and requires improvement of approaches to tax administration.

In the scientific aspect, tax policy on households should be based on the principles of social justice, economic efficiency and adaptability to socio-economic transformations. Its formation should take into account the impact of demographic changes, digitalization of the economy, globalization processes, as well as the consequences of crisis phenomena, in particular the COVID-19 pandemic and war. It is also important to integrate environmental incentives and ensure the competitiveness of the national economy.

Administration of household taxation is considered as a set of organizational and legal procedures, including income accounting, determination of tax liabilities, submission and verification of declarations, as well as control over compliance with tax legislation. The effectiveness of these processes determines the level of filling the budget and the possibility of implementing the socio-economic policy of the state.

Methodologically, it is important to improve tax declaration procedures, which provide for the systematization of information on income, assets and liabilities of households, as well as increasing the level of their verification. Of particular importance is the normative consolidation of these procedures in tax legislation, which ensures their unification and controllability. An additional area of improvement is the digitalization of tax administration, which increases the efficiency of income control and helps to reduce the level of shadowing of economic activity.

It is advisable to consider the formation of tax policy for households as a complex institutional system based on the principles of social justice, fiscal adequacy, administrative efficiency and digital transformation of tax administration. Its conceptual implementation provides for the harmonization of national tax legislation with European approaches and the implementation of the best international practices.

The key element is the introduction of a differentiated classification of household taxpayers, which includes the following groups: single persons, spouses, households with children, the elderly, and socially vulnerable categories of the population. Such segmentation ensures the implementation of the principle of vertical and horizontal tax justice and allows the application of targeted tax benefits.

Methodologically, a unified approach to declaring income and property status of households is important, which provides for an annual reporting period with a deadline for submission by May 1 of the year following the reporting year. The declaration must cover all types of income (labor, investment, property, transfer), as well as information about the assets and liabilities of the taxpayer [28].

The modern model of taxation of individuals can be implemented through the application of differentiated rates, in particular 6% within the established income threshold and 18% to exceed the threshold, which is consistent with the provisions of draft law No. 10166 of 20.10.2023.

Special attention should be paid to the digitalization of tax administration, which provides for the introduction of electronic declaration, the integration of tax services with digital platforms, the use of electronic audit (SAF-T) and the development of the concept of “tax in a smartphone”, which reduces transaction costs, increases transparency and minimizes tax risks [6; 13; 14].

An important tool of tax policy is the system of tax benefits focused on supporting households with children, people with low incomes, pensioners, veterans and people with disabilities. This model performs a redistributive function and helps to reduce social inequality.

The tax administration mechanism includes the stages of verification of declarations, tax control and audit, as well as a system of liability for violation of tax legislation. At the same time, the application of sanctions should be proportionate and take into account the socio-economic conditions of taxpayers’ functioning, in particular under martial law [28].

Table 2. Conceptual Model of Transformation of the Tax System of Ukraine in Accordance with the National Revenue Strategy until 2030

Criterion of transformation	Current model	Target Model (GCD 2024–2030)	Regulatory, Institutional and Technological Support	Expected socio-economic effect
Fiscal unit of taxation	Individual taxpayer as a basic subject of taxation; lack of systematic accounting of total household income	Household as an integrated fiscal unit with the aggregation of all types of income and expenditure	Adaptation of the Tax Code of Ukraine (Articles 164–167); integration of registers of the Pension Fund of Ukraine, the State Tax Service and digital services (“Diia”)	Increasing horizontal and vertical tax justice; Reduction of tax regression
Taxation of personal income	Flat personal income tax rate (18%) with minimal differentiation; limited mechanism of social targeting	Introduction of a progressive scale of income taxation with differentiation by the level of solvency	Harmonization with EU tax practices; NSD 4.3.2	Strengthening the redistributive function of taxes; Improving fiscal justice
Self-employment and platform employment	Taxation through the general model of personal income tax or sole proprietorship; significant levels of informal employment in the digital sector	Introduction of a special tax regime for the platform economy with automatic tax withholding through digital platforms	DAC7 (EU Directive 2021/514); Draft Law No. 10166; Regulation of digital intermediaries	Legalization of digital income; Expanding the tax base without raising rates
Simplified taxation system	Excessive inclusion of medium-sized businesses; Use for tax optimization	Functional narrowing to micro and small businesses; introduction of differentiated rates	NSD 4.3.1; phased implementation of 2025–2027.	Reduction of evasion schemes; increasing the neutrality of the tax system
VAT and indirect taxes	Partial exceptions and preferential treatments; fragmented harmonization with the EU	Full harmonization with the EU VAT Directive; reduction of ineffective benefits	Directive 2006/112/EC; NSD 4.3.5	Increasing the stability of budget revenues; increasing tax neutrality
Excise policy	Uneven rates; partial implementation of European standards	Achievement of EU minimum rates for excisable goods	NSD 4.3.6; EU excise directives	Reducing negative externalities of consumption; Growth of budget revenues
Environmental taxation	Limited efficiency of the environmental tax; low stimulating role	Introduction of carbon pricing (ETS-like model)	Green Deal; NSD 4.3.7	Stimulation of decarbonization; modernization of production processes

Criterion of transformation	Current model	Target Model (GCD 2024–2030)	Regulatory, Institutional and Technological Support	Expected socio-economic effect
Tax administration	Declaration model with a significant share of manual data processing	Fully digitized administration based on Big Data and automatic data exchange	DAC7; SAF-T; development of the e-Data system of the State Tax Service	Reduction of administrative costs; minimization of corruption risks
Tax control and compliance	The prevalence of post-factum inspections; Sanctions control model	Transition to preventive risk-based compliance	SAF-T; risk scoring of the State Tax Service; Digital audit	Increase in voluntary payment; Reduction of fiscal pressure
Taxation of real estate of home-gifts	Area as a basic criterion of taxation; Administrative evaluation	Transition to market (cadastral) value and introduction of tax credits	of the TCU Art. 266; digital cadastre; Property valuation reform	Increasing the transparency of the real estate market; growth in local revenues
Socially stimulating function	Fragmented tax benefits (categorical approach)	Comprehensive system of tax credits focused on human capital (education, housing, health)	Employment Strategy until 2030; state social programs	Increasing social mobility; Investment in human capital

Source: Formed by the author based on sources: [2–4; 7; 9; 10; 12; 16–18; 20–22; 26; 27].

A conceptual model is presented in Table 2 that reflects the systemic transformation of the tax system of Ukraine in the context of the implementation of the National Revenue Strategy until 2030 [3], which provides for the transition from a fragmented and predominantly declarative model of fiscal regulation to an integrated, digitally managed and risk-oriented administration system. The key methodological feature of the proposed approach is to shift the emphasis from individualized taxation to aggregate forms of fiscal accounting of households, which allows for increasing the accuracy of solvency assessment and ensuring a more balanced distribution of the tax burden.

The model pays special attention to the transformation of taxation of new forms of employment, in particular the platform and digital economy, which reflects the adaptation of the tax system to structural changes in the labor market and the growth of the share of the gig economy. At the same time, the role of digital technologies in tax administration and control is increasing, which forms the prerequisites for reducing information asymmetry, minimizing transaction costs and increasing the level of voluntary compliance.

An important systemic effect of the proposed changes is the strengthening of fiscal neutrality and social orientation of the tax system through the reorientation of certain instruments to stimulate human capital, environmental modernization and de-shadowing of the economy. Taken together, this indicates the formation of a more integrated model of public finance, combining fiscal efficiency with socio-economic and institutional modernization of the state.

Therefore, an effective model of tax policy for households should be based on a combination of fiscal efficiency, social justice and digital transformation of administration, which ensures an increase in the level of voluntary payment of taxes, de-shadowing of incomes and approximation of the national tax system to EU standards.

Therefore, the formation of a modern tax policy for households involves a transition to a more flexible, transparent and socially oriented model of taxation, which ensures a balance between the fiscal interests of the state and the financial capacity of the population, contributing to sustainable economic development.

6. Conclusions

As a result of the study, it has been established that the formation of the state's tax policy towards households is a rather complex multi-level institutional process that combines fiscal, social and regulatory functions. It has been proved that modern theoretical and methodological approaches to household taxation are based on the principles of solvency, horizontal and vertical tax justice, as well as the neutrality of the tax system in relation to the economic behavior of subjects.

It has been established that the key methodological problem is the discrepancy between the individual nature of taxation and the collective nature of the formation of household incomes and expenses, which necessitates the transition to family-oriented or aggregate taxation models that take into account the total income, demographic structure and socio-economic characteristics of the household. In addition, it has been identified that the current system of taxation of individuals in Ukraine is characterized by a limited level of differentiation of the tax burden and insufficient adaptation to the conditions of growing mobility of the population, digitalization of the economy and shadowing of incomes.

It is substantiated that a promising direction of transformation of tax policy is the combination of progressive elements of taxation with the system of tax credits and tax discounts, the expansion of mechanisms of targeted social support, as well as the introduction of differentiated rates of taxation of personal income, taking into account the level of solvency and sources of income formation.

The practical significance of the results lies in the formation of conceptual foundations for improving tax policy for households, which aim to increase the level of tax justice, expand the tax base through the de-shadowing of incomes, and optimize tax administration mechanisms. The implementation of the proposed approaches will contribute to increasing the efficiency of the tax system, strengthening the fiscal stability of the state and reducing social inequality.

Further research should focus on developing applied models of a family-oriented system of household income taxation, assessing the effectiveness of progressive tax scales in the Ukrainian economy, and adapting international experience in the digitalization of tax administration and the introduction of risk-based tax control systems.

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