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Tax policy as a tool for ensuring economic stability of the state

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Abstract. *The article substantiates the importance of tax policy as a strategic instrument for ensuring the economic stability of the state. It emphasizes that an effective and balanced tax system contributes to sustainable development by combining fiscal efficiency with incentives for investment and entrepreneurship. The paper analyzes the impact of tax regulation on macroeconomic balance and explores ways to optimize the interaction between fiscal interests of the state and the needs of business entities. Particular attention is paid to the adaptive nature of Ukraine's tax policy under martial law and its role in maintaining financial stability, transparency, and trust in the economy.*
Keywords: *tax policy, economic stability, fiscal regulation, investment activity, Ukraine.*

Contemporary transformation processes in the national economy are accompanied by an increase in the role of state regulation, a key element of which is tax policy [1]. In the context of global challenges, financial instability, and intensified integration processes, it is the tax system that becomes a determining factor in ensuring the stability and balance of economic development [2]. An effectively formulated and flexibly implemented tax policy can not only ensure adequate fiscal revenues to the budget, but also perform a stimulating function, promoting investment activity, entrepreneurship development, and increasing the competitiveness of the economy.

At the same time, excessive tax burdens or inconsistent tax decisions can be a destabilizing factor, limiting the possibilities for economic growth. Therefore, research into tax policy in the context of its impact on the economic stability of the state is particularly relevant. Scientific understanding of this issue allows us to identify the optimal mechanisms for combining the fiscal interests of the state with the development needs of economic entities, which is a prerequisite for the formation of a sustainable national economy [3].

Tax policy is one of the basic components of a state's economic policy, as it directly determines the conditions for the formation of budgetary resources, the stimulation or restraint of business activity, and the maintenance of socio-economic balance. It performs both fiscal and regulatory functions, which together form its potential as an instrument for ensuring economic stability [4]. In the current environment, where the Ukrainian economy is affected by both internal and external shocks, the issue of balanced tax policy is of particular importance. Excessive fiscalization can lead to the growth of the shadow economy and a decline in investment activity [5]. On the other hand, a rational tax strategy helps attract investment, create a favorable business environment, and strengthen financial security [6].

From the perspective of global practice, tax policy is viewed as a multifunctional mechanism for influencing economic development. An effective tax system not only ensures the accumulation of budget revenues, but also performs the function of redistributing resources to achieve macroeconomic balance [7]. Ukrainian scientists also emphasize that tax instruments, in particular tax incentives, differentiated rates, and incentives for innovative activity, can be factors of economic stability in conditions of instability [8]. An important task of state tax policy is to achieve an optimal balance between fiscal sufficiency and economic expediency. Scientists note that flexible regulation of the tax burden minimizes imbalances in the development of various sectors of the economy and contributes to stable economic growth [9, 10]. In view of this, tax policy should be seen as a dynamic system that requires constant improvement in line with socio-economic challenges.

Tax policy plays a special role in conditions of economic instability, financial crises, or emergencies such as war. During such periods, the state is forced to respond quickly to new challenges and adapt tax legislation in order to minimize negative consequences for the economy. In particular, tax policy can perform an anti-crisis function through: the introduction of tax breaks for affected businesses; reducing tax rates or providing tax holidays for small and medium-sized businesses; providing tax incentives for certain strategic industries, such as agriculture, IT, and defense; temporarily changing the tax burden to meet financial needs during wartime or infrastructure restoration.

Since 2022, Ukraine has become an example of a state that is forced to pursue a flexible and adaptive tax policy under martial law. A number of incentives, simplified procedures for businesses, and temporary changes in tax administration were introduced, which helped to preserve some economic activity in extremely difficult conditions. Another important condition for economic stability is ensuring the transparency and predictability of tax rules, which increases trust on the part of businesses and citizens. Reducing the shadow economy, improving tax administration, and digitizing tax processes all contribute to the growth of budget revenues and the stable development of the country [11].

Therefore, tax policy is a strategic tool for the state to influence socio-economic processes and ensure macroeconomic stability. Its effectiveness is determined by the ability to combine the fiscal interests of the state with the need to stimulate entrepreneurial activity, investment processes, and innovative development. In the context of growing external and internal challenges, as well as a high level of uncertainty in the global economy, tax policy must be adaptive and based on the principles of balance, predictability, and transparency.

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