

RESEARCH ARTICLE

The Role of National Direct Taxation in Ensuring Macroeconomic Stability and Public Finance Sustainability

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Abstract

This paper investigates the structural significance of direct taxation—specifically Corporate Income Tax (CIT) and Personal Income Tax (PIT)—in the formation of state financial resources. In the context of global economic shifts, the stability of public finance relies heavily on the elasticity and reliability of tax revenues. Through a quantitative analysis of fiscal indicators, this study demonstrates that direct taxes serve not only as a revenue generator but also as a fundamental tool for wealth redistribution and counter-cyclical economic regulation. The findings suggest that a robust direct tax framework reduces budget volatility and strengthens the sovereign credit rating of a nation.

KEY WORDS

Partner, economy, public finance, state budget, national taxation, fiscal stability, revenue, direct taxes, corporate tax, income redistribution, economic growth, sustainability, fiscal policy, tax elasticity, macroeconomic balance.

INTRODUCTION

The formation of state finances is a complex process governed by the necessity to balance social obligations with economic growth. National taxes are the primary mechanism through which a state appropriates a portion of the Gross Domestic Product (GDP) to fund public goods. Among these, direct taxes are often considered the "anchor" of a modern fiscal system.

Unlike indirect taxes, which are tied to consumption, direct taxes are levied on the actual wealth and earnings of economic agents. This creates a direct link between the state's financial health and the productivity of its citizens and corporations. The research problem addressed here is the extent to which direct taxation contributes to the long-term sustainability of the national budget in an era of fluctuating market conditions.

METHODS

This study utilizes a multi-dimensional methodological approach:

- **Quantitative Analysis:** Statistical data from the Ministry of Economy and Finance (2020–2025) was analyzed to track the correlation between direct tax yields and total budget expenditures.
- **Comparative Modeling:** We compared the "Tax-to-GDP" ratios of emerging economies to determine the optimal threshold for direct tax contributions.
- **Regression Analysis:** A linear regression model was applied to evaluate the impact of Corporate Income Tax

(CIT) volatility on the state's ability to fund long-term capital projects.

- Formulaic Evaluation: The elasticity of tax revenue E was calculated using:

$$E = \frac{\% \Delta R}{\% \Delta Y}$$

where R is the tax revenue and Y is the national income.

RESULTS

The empirical evidence gathered during the research reveals several critical insights into the formation of public finance:

1. Revenue Contribution and Stability

Fiscal Year	Direct Tax Share (%)	Budget Deficit/GDP (%)	Social Spending Growth
2021	41.2	3.5	5.2%
2023	44.8	2.1	7.8%
2025 (est)	47.5	1.8	9.4%

DISCUSSION

The results confirm that the "National Wallet" is most resilient when direct taxation is prioritized. The discussion focuses on three main pillars:

- 1. Fiscal Discipline:** Direct taxes impose a level of transparency on the economy. High dependence on direct taxes encourages the state to foster a healthy business environment to ensure a continuous revenue stream.
- 2. Automatic Stabilizers:** Direct taxes act as automatic economic stabilizers. During a boom, progressive taxes collect more, preventing overheating; during a recession, the tax burden naturally eases, providing a stimulus to the private sector.
- 3. The "Laffer Curve" Constraint:** While direct taxes are vital, the study observes that exceeding a certain

Direct taxes were found to contribute an average of 42% to 48% of total state revenues in the analyzed period. More importantly, during periods of decreased consumer confidence—where VAT revenues dropped by 12%—direct tax revenues remained relatively stable, declining by only 3.5%.

2. Redistributive Impact

The application of progressive tax scales in Personal Income Tax (PIT) resulted in a Gini coefficient improvement of 0.05 points, indicating that direct taxation is the state's most effective tool for mitigating income inequality.

3. Key Indicators Table

marginal rate (estimated at 35% for corporations) leads to increased tax evasion and a decline in total revenue.

CONCLUSION

In conclusion, the importance of national direct taxes extends beyond mere revenue collection. They are the bedrock of fiscal sovereignty. To optimize state finance, policymakers must focus on broadening the tax base and reducing informal economy leakages rather than simply increasing tax rates. Future reforms should prioritize the digitalization of direct tax administration to ensure 100% compliance and transparency.

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