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The impact of tax deductions on social security systems and the effectiveness of social protection mechanisms

El impacto de las deducciones fiscales en los sistemas de Seguridad Social y la efectividad de los mecanismos de protección social

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Resumen

The impact of tax deductions on social security systems and the effectiveness of social protection mechanisms is a topical issue that requires in-depth analysis and research. Modern society is undergoing a number of significant changes, including demographic, economic and cultural transformations. These changes call into question the sustainability and effectiveness of social safety nets, making it important to consider how tax deductions affect these systems. Social safety nets are important components of a society that provide a minimum level of well-being and support for citizens. These systems are funded through taxes and contributions, and the effectiveness of this funding determines how well they can perform their functions. Taxes and contributions affect social protection systems through the amount of financial resources available for expenditures, as well as through the structure of these contributions. The sustainability and ability of social protection systems to deliver social justice also depend on tax policies. This article examines important aspects of the relationship between tax contributions and social security. It explores different models and examples from different countries, and considers the challenges and benefits of different approaches. The study of this issue is important in the context of finding ways to improve social security systems and adapt to modern challenges.

Abstract

El impacto de las deducciones fiscales en los sistemas de seguridad social y la eficacia de los mecanismos de protección social es un tema de actualidad que requiere un análisis e investigación profundos. La sociedad moderna está experimentando una serie de cambios significativos, incluyendo transformaciones demográficas, económicas y culturales. Estos cambios cuestionan la sostenibilidad y efectividad de las redes de seguridad social, lo que hace importante considerar cómo las deducciones fiscales afectan a estos sistemas. Las redes de seguridad social son componentes importantes de una sociedad que proporcionan un nivel mínimo de bienestar y apoyo para los ciudadanos. Estos sistemas se financian a través de impuestos y contribuciones, y la efectividad de esta financiación determina cuán bien pueden desempeñar sus funciones. Los impuestos y las contribuciones afectan a los sistemas de protección social tanto por la cantidad de recursos financieros disponibles para los gastos, como por la estructura de estas contribuciones. La sostenibilidad y capacidad de los sistemas de protección social para impartir justicia social también dependen de las políticas fiscales. Este artículo examina aspectos importantes de la relación entre las contribuciones fiscales y la seguridad social. Explora diferentes modelos y ejemplos de distintos países, y considera los desafíos y beneficios de los diferentes enfoques. El estudio de este tema es importante en el contexto de encontrar formas de mejorar los sistemas de seguridad social y adaptarse a los desafíos modernos.

Palabras clave	Keywords
tax system; social system; deductions; social protection; social security	sistema tributario; sistema social; deducciones; protección social; seguridad social

1. INTRODUCTION

The tax system is extremely important for the state for numerous reasons. First and foremost, taxes are one of the main sources of government funding. They help the government raise the funds needed to finance social programs, infrastructure projects, defense, and other areas of government activity. The tax system can be used to regulate the economy. For example, lowering tax rates can stimulate investment and consumer activity, while raising taxes can reduce inflation and government debt. In addition, the state tax system is important in the context of "*social justice*". It usually includes progressive tax rates, which mean that individuals with higher incomes pay more taxes as a percentage of their income than individuals with lower incomes. Social justice is a value that has gained worldwide recognition in modern democratic societies and is enshrined in international documents, in particular the UN International Covenants.

In the context of implementing the state's social policy, social justice is a fundamental principle, as it is a principle of distribution that should be established through the responsible exercise of citizens' responsibilities (Naydenko & Hryhorenko, 2017; Getman et al., 2023). The tax system is an important component of social life and should be based on the principle of social justice in order to eliminate or at least minimize social tensions in the country (Fedorov, 2017). An efficient and fair tax regime contributes to a favorable business environment and increases investor confidence. This can lead to an inflow of foreign investment and the development of domestic business. Thus, the tax system is an important component for the functioning of a state, and its proper design and management can have a major impact on the economy and society.

Taxes (sometimes also called tax withholdings or payroll taxes) are amounts of money that an employee or taxpayer (e.g., an employer) deducts from an employee's paycheck and remits to the government or another taxing authority for the benefit of the government. Tax deductions are usually mandatory, and their amount and rates may be determined by the laws of the country. They are intended to provide the financial basis for social programs and services, such as pensions, health care, unemployment and other types of social protection. Therefore, it can be stated that tax deductions have a direct impact on the state system of legal support.

Social protection mechanisms are an integral part of modern societies and play an important role in ensuring the safety and well-being of the population. They are aimed at achieving a number of important goals, including protection against financial risks, provision of quality social services, support for families and children, and reduction of social inequalities in society. Providing social protection is becoming especially important in the modern world, where there are various social risks, such as unemployment, illness, old age and other life difficulties. Social protection mechanisms help to mitigate the negative impact of these risks on people's lives and contribute to the stability and development of society.

Governments and other institutions should recognize the importance of investing in social protection and ensuring that social protection mechanisms work effectively. Well-developed, equitable and accessible social protection programs and services can improve the quality of life of citizens and contribute to social well-being. It is worth noting that the social security system is formed from complex social structures that are created by the state to ensure social protection of citizens in various aspects of social life. Due to the complex hierarchy of social protection institutions, it is difficult to

track where the funds for social expenditures come from, both at the national and regional levels (Gnatenko et al., 2020). Statistical data show that the social sector in Ukraine suffers from insufficient budgetary funding.

In Europe, the largest amount of public spending is on social needs, and their funding is considered a priority. Ukraine needs to set minimum standards that will determine the minimum level of quality and scope of social services for the population. These standards should not be violated under any circumstances. International experience shows that it is not common to cancel or reduce specific social programs due to government underfunding, as is often the case in Ukraine. Since the social sector includes employment policy, unemployment, health care, education and science, social programs should maintain stability of government support and even be considered for strengthening if budget revenues increase (Farion, 2017).

2. MATERIALS AND METHODS

The main method used to write this article is the method of analysis. The method of analysis is a systematic approach to disclosing, understanding and justifying the structure and functions of a particular object or phenomenon by breaking them down into their component parts and studying the relationships between them. This method allows to break down complex objects or processes into simpler components to gain a deeper understanding of their nature and interrelationships. The author used this method to examine specific examples of the impact of tax contributions on social protection systems. This includes analyzing the size of taxes, living standards, and the effectiveness of these deductions.

Based on this analysis, the author concluded that there is a direct correlation between the level of contributions and the level of social protection development. At the same time, based on the analyzed data, the author concluded that, in addition to the level of contributions, it is important to use them effectively and prioritize them, as shown by the example of Poland. Historical analysis was also partially applied. In particular, the author examined the historical development of the French social security system. This can help to understand which tax policies have been successful in the past and how they have adapted to changes. In addition, the corresponding method is used in the general consideration of the social protection systems of the studied countries.

The author used the statistical method. The statistical method is an approach to data analysis and interpretation based on the collection, processing and analysis of statistical information in order to identify patterns, dependencies and to provide a scientific basis for decision-making. In this article, this method is used to analyze data related to social security contributions and the level of social protection in such EU countries as France, Poland, and Romania. The main purpose of using the statistical method is to study and objectively assess the impact of tax policies on social security systems and social protection. The conclusions drawn from the statistical data analysis were further applied to the analysis using the method of the same name, and the relevant results are reflected in the Results and Conclusions.

The comparative method is an approach to analysis that involves comparing two or more situations, objects, phenomena, aspects or systems to identify similarities and differences, dependencies and patterns between them. In this paper, the comparative method is used to analyze and compare different taxation and social security systems in different EU member states on the example of three selected countries. Based on this, the relevant conclusions are drawn. By comparing the countries that have achieved success in social protection through their tax policies, the best practices

and recommendations for other countries, including Ukraine, are identified. In addition, the ways to increase tax revenues and contributions to the social security sector are substantiated.

The systemic method is an analytical approach used to study systems and their interactions as a whole, instead of analyzing individual elements or processes. In the context of this article, the systemic method is used to study the taxation and social security systems in their entirety, considering their interactions and interdependencies. Using this method, the authors identify the key components of the taxation and social security systems and consider their interactions and impact on the system as a whole.

3. RESULTS

3.1. The importance of tax deductions in financing social protection

The budget, as a concept in the field of social and economic relations, reflects the process of distribution and redistribution of gross domestic product related to the production, distribution, consumption of services and regulation of socio-economic development. Its goal is to meet the needs of society. Budget policy acts as a significant tool of public administration of social development, since during its formation, strategic directions for the use of budget funds are developed, guided by the need to solve the problems facing the country at a certain stage (Chuhunov, 2019).

Social development is a process that aims to transform social institutions to improve the ability of society to realize its ambitions. This means significant changes in approaches to the design of development strategies and the use of more productive and advanced technologies in the interaction between the environment and society (Naydenko, 2016). Tax policy has a direct impact on socio-economic development through the introduction of tax rates, tax benefits, tax exemptions, and the redistribution of funds for social protection and other functions performed by the state.

Tax payments account for a significant portion of the state budget revenues and the budgets of various levels of government. These funds are used to finance various social programs, such as pensions, medical care, education, family assistance and other types of social protection. In addition, tax contributions are generally a stable source of funding for social protection, allowing governments to plan and deliver social protection services and programs without significant fluctuations in funding. Tax contribution systems can be adapted to changes in society, such as demographic changes, economic fluctuations, or changes in the needs of citizens. This allows for effective social protection in a constantly changing environment.

The importance of financing the social sphere from tax revenues is also manifested in the context of adaptation to changes in society. This is an important process that allows individuals, groups, and society as a whole to adjust to new conditions, challenges, and opportunities. This process takes place in different spheres of life and has various aspects. We can distinguish the following types of adaptation changes:

1. economic adaptation. Changes in the economy can include economic crises, changes in market conditions, and technological progress. Individuals, companies, and governments must adapt to new conditions, revise business strategies, increase competitiveness, and develop new economic activities.

2. Socio-cultural adaptation. Socio-cultural changes include changes in the values, norms and practices of society. This may be related to religious, cultural, ethical and other aspects of life.

Individuals and groups must adapt to new social realities, taking into account changes in values and socio-cultural trends.

3. Political adaptation. Changes in the political landscape, such as changes in government, legislation, or political appointments, may require citizens and political structures to adapt. This may include revision of political strategies, reforms, and responses to global events.

4. Environmental adaptation. Changes in the environment, such as climate change or natural disasters, may require adaptation in the field of ecology and natural resource management. This may include measures to reduce the impact on nature and adapt to new environmental realities (Coady et al., 2014).

5. Personal adaptation. Individuals also adapt to personal life changes, such as marriage, divorce, childbirth, job loss, health, and other events. This adaptation includes changes in family structure, housing, career, and other aspects of personal life.

Adaptation to changes in society is a key aspect of sustainable development, as it allows individuals, groups and society as a whole to adjust to new realities and maintain resilience and stability in the face of constant transformation. Adaptation requires openness, flexibility, problem-solving skills, and the ability to learn in order to effectively respond to and influence change. However, all these adaptive changes are inextricably linked to the social sector and its budgetary allocations. In response to changes in society, the social sphere must adapt by maintaining and expanding social programs aimed at protecting vulnerable groups. These programs are usually financed by the state budget, which is formed from tax revenues.

In addition, adaptation to changes in society may include measures to support citizens who find themselves in difficult situations, such as job loss or changes in family status. Social programs that provide social protection are usually financed from the budget, which is filled with taxes from individuals and businesses. All of these aspects of adaptation require funding from the state, and much of this funding comes from taxes paid by individuals and businesses. Thus, tax revenues play an important role in providing financial resources to adapt the social sector to changes in society and to ensure social protection and support for citizens

The complexity of the tax system is an obstacle to the effective fulfillment of the state's social functions. An important condition for the successful use of tax incentives is their simplicity and ease of use, including administration and reporting procedures. Institutional frameworks for harmonizing tax mechanisms, in particular for the collection of indirect taxes, play an important role. In this context, international coordination on removing barriers to investment and economic cooperation is important for the country's socio-economic development. A common means of such coordination is the system of international treaties for the avoidance of double taxation, including the taxation of personal income (Kozarezenko, 2018).

To summarize, tax contributions are the main source of funding for social protection and help to provide sustainable and equitable financing for social programs and services aimed at maintaining and improving the quality of life of citizens.

It is worth noting that the state can stimulate the development of the social sector not only by financing it, but also by providing additional tax benefits for certain elements of the social sphere. For example, in some EU countries, parents of students may be exempt from paying value-added tax (VAT) on educational services if these services are provided by licensed educational institutions. However,

there are differences between different EU member states in terms of recognizing the compliance of educational institutions with the criteria established by the state. For example, in Germany, France, Austria, and Finland, VAT must be paid if educational institutions do not meet clearly defined criteria set by the state. There are also tax rules that allow tax exemption for the transfer of equipment used in the educational process. This encourages investment in the education sector and the production of necessary technical equipment for educational institutions. Some EU countries set tax rates that favor general education, while others support specific types and forms of education, such as school-based training or the provision of educational services to businesses (Chuhunov & Kozarezenko, 2017).

Thus, it can be argued that the impact of tax contributions has a direct impact on the development of social protection. However, the question remains: does a large amount of funding always have a positive impact on the development of social protection? Or does the question depend not on the efficiency of the use of tax payments, but on their development? Let us consider this question further on the examples of specific countries.

3.2. The impact of tax deductions on social security systems on the examples of selected European countries

Recent studies also show that countries move to a higher growth path when tax revenues reach about 15% of GDP (Gaspar et al., 2016), partly reflecting higher social spending. However, about half of low-income countries and one-third of emerging markets have tax ratios below this 15 percent threshold. Low tax ratios, in turn, lead to low levels of social spending.

Let us first consider the experience of France. France's social protection system for its citizens includes various components, such as pensions, unemployment benefits, family benefits, and housing support, as well as measures to overcome social exclusion, such as employment programs (Kyriacou & Roca-Sagalés, 2012). This system was formed during the first three decades after the Second World War with the active support of the state. The development of the economy until the mid-1970s provided the material basis for the functioning of the social protection system and contributed to the preservation of stability in society (Romanets, 2008).

The complexity of the French social protection system is evidenced, in particular, by the pension system. The country has more than 100 basic and more than 300 additional types of pensions. The pension system consists of five subsystems:

1) basic regimes for employees;

2) additional regimes;

3) special regimes for certain categories of employees;

4) basic regimes for self-employed persons;

5) additional (optional) regimes.

Each of them has its own specifics, which is manifested in the mechanism of financing and the procedure for granting pensions (Salkova, 2017).

France uses a system of social contributions that are a percentage of the income of both employees and employers. These contributions include pension, healthcare, unemployment and other

social programs. Their amount depends on income and other factors. The French government actively regulates the social sphere by setting norms and standards for various social programs and services. This includes setting minimum standards in various areas such as healthcare and education. According to Ilchuk (2015), France has a continental European (conservative) model of social policy. This model is based on joining efforts to solve social problems, where the responsibility of an individual entrepreneur is replaced by a system of mandatory collective responsibility under the control of the state. The model envisages the existence of a corporate system of social protection at enterprises.

The government uses social partnership as a mechanism for reconciling the interests of employees and employers, and it is a tool for regulating class struggle in order to improve the level of social protection of the working population. This model assumes a well-organized society and is the result of political support for welfare principles. The corporate type combines various features: a visible stratification by income level, which is especially evident in France, and social status. The power positions here are much stronger, budget expenditures on social programs are approximately equal to insurance contributions of employees and employers; the main channels of redistribution are in the hands of the state or are under its control. At the same time, the state tends to favor the social insurance system. As a result, the amount of social assistance depends on labor income and the amount of insurance contributions (Yaroshenko et al., 2023).

Thus, budgetary expenditures on the social sphere in France are an important component of the state financial policy and reflect the high degree of the state's commitment to citizens in the area of social protection. The social security system in the country includes various types of benefits, assistance and services aimed at supporting citizens in situations when they need help the most. These expenditures play a key role in maintaining the standard of living of citizens and ensuring social justice in the country. They also contribute to social stability and economic development by helping citizens maintain financial stability and health.

The next country we will analyze is Poland. Poland's experience is also interesting because it borders Ukraine and the most effective practices can be adopted by the Ukrainian social security system. Poland has a complex system of taxes and social contributions aimed at ensuring social protection of the population. The main taxes are: value added tax; personal income tax, pension contributions; health insurance; dividend and interest tax; real estate tax and special taxes and fees (European Commission & European Investment Bank, 2021). The system of social security taxes and contributions in Poland contributes to the financing of various social programs, including the pension fund, health insurance and education. This system helps to provide social protection for citizens and support the social sphere in the country.

With regard to investments made directly by local governments, the rationality of such projects must be properly assessed, which can be demonstrated by preparing each investment project in terms of its scale, taking into account factors such as the number of future users and the specifics of the technical and social infrastructure elements. One of the most important factors may be the massiveness of infrastructure elements, which often determines the inexpediency of implementing investment projects of small material and, consequently, financial volume, and thus the need to implement large-scale complex projects with high financial costs (Opałka, 2017). That is, one of the main criteria is the appropriateness of financing a particular social project. This indicates the high efficiency of managing budget expenditures on the social sphere.

Poland has made significant efforts to provide an effective financial framework for the social sector. Its system of taxes and contributions is designed to provide funding for various programs and services, including pensions, health care and education. This approach helps to ensure social protection

of citizens and helps to maintain their health and education at an adequate level. An important aspect of social spending in Poland is the ongoing modernization and improvement of the social protection system to meet the needs of the population and ensure access to important social services. Most of the funds are allocated to improve the quality of healthcare, develop education and support the most vulnerable groups of the population. In general, budgetary expenditures on the social sphere in Poland demonstrate a high level of social responsibility of the state and its commitment to ensure a decent standard of living for its citizens.

The third country we have chosen for analysis is Romania. In general, the sources of tax deductions are similar to the other countries analyzed, in particular: personal income tax; corporate income tax; pension fund; health insurance fund; social insurance fund. The Romanian system of social tax contributions helps to provide the financial basis for various social programs and services, including pensions, health care, unemployment benefits, and support for the most vulnerable.

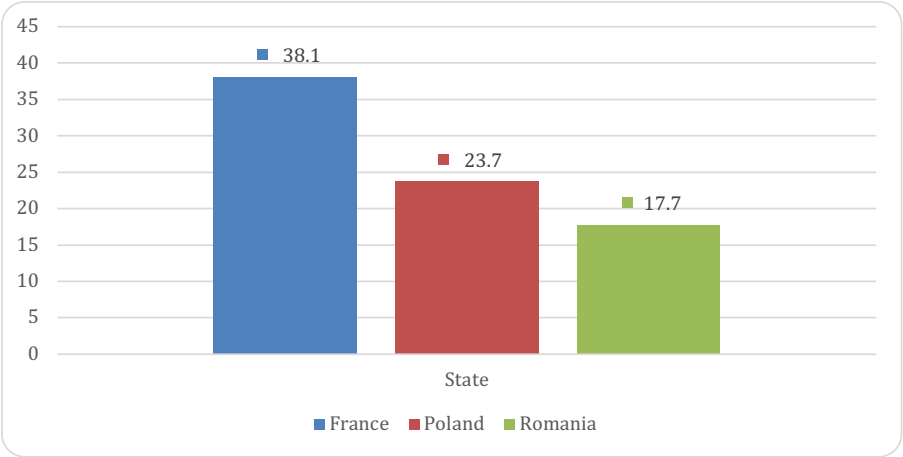
One of the most effective tools for achieving community development is social programs implemented through social projects. Since joining the European Union, and even in the pre-accession phase, Romania has benefited from the financial instruments that the EU provides to all member states or future member states (Antohi et al., 2020). These instruments have made it possible to make a big step forward in social inclusion, reducing social and economic inequalities, integrating minorities and supporting vulnerable groups. Romania should take full advantage of these financial opportunities and turn European support into the most effective way to address its most pressing and complex social problems (Pârvu & Niță, 2020).

The social sector in Romania includes a wide range of public programs and services aimed at ensuring the well-being and social support of the population. Romania has a pension system that provides financial support to pensioners. Citizens are entitled to pension payments upon reaching a certain age or in case of disability. The pension system is financed through contributions to a pension fund. The healthcare system in Romania provides medical services to citizens. It includes medical facilities, doctors, and access to necessary medicines. This system is financed through contributions to a health insurance fund. Romania has a general education system that includes primary, secondary and higher education. Many educational institutions are public and provide educational services free of charge or for a nominal fee. In addition, the state provides social assistance and support to the most vulnerable segments of the population, including children, the disabled, the unemployed and other citizens in need.

Thus, we can state that budgetary expenditures on the social sphere in Romania are an important component of ensuring social protection and improving the quality of life of the population. The state actively invests in the pension system, healthcare, education and other social programs, ensuring access to basic services for its citizens. These large expenditures demonstrate the Romanian government's commitment to social justice and support for the most vulnerable in society. After reviewing the general information on social security in the selected countries, it is advisable to turn to the statistical data for these countries, as it is the numerical indicators that clearly demonstrate the impact of tax contributions on social security systems and the effectiveness of social protection mechanisms. Thus, according to Eurostat 2020 (latest update), we have the following indicators:

— in France, 38.1% of GDP is allocated to the social sector;
— in Poland, this figure is 23.7% of GDP;
— in Romania, the government allocates 17.7% of GDP for relevant subsidies (Eurostat, 2020).

Based on the above data, you can build the following diagram:

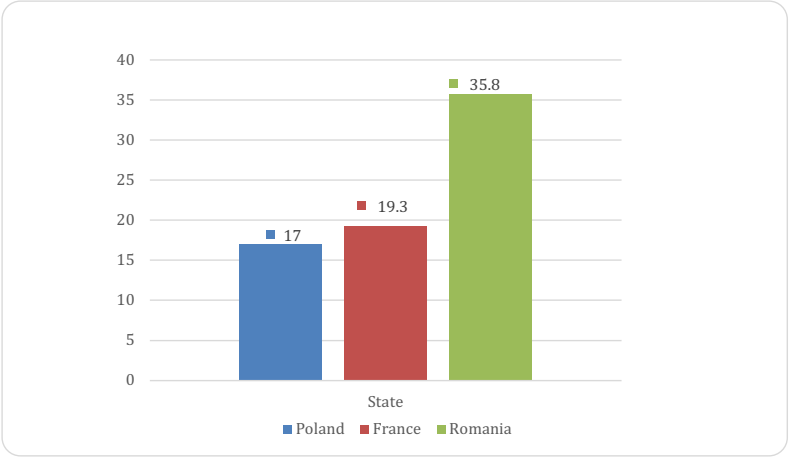


As we can see, France is the leader in the analyzed sample in terms of the percentage of tax revenues to the social sphere.

At the same time, if we analyze the level of risk of poverty and social exclusion based on the same Eurostat data for 2020, we get the following data:

— Romania - 35.8% of the total population;
— France - 19.3% of the total population;
— Poland - 17% of the total population (Eurostat, 2020).

Based on the above data, you can build the following diagram:



Thus, on the one hand, it can be convincingly argued that the level of social security funding affects the overall welfare of citizens. However, as the graphs show, not only the level of funding, but also the effective use of funds affects the efficiency of the social sphere and the means of implementing social projects. For example, Poland ranks only second among the countries studied in terms of social spending, but it has the lowest social inequality index among the countries studied. This may indicate

that Poland uses the available funding very efficiently, not only depending on the level of subsidies, but also on their proper distribution. In its turn, France, which has the highest level of expenditures among the countries studied, ranks only second in terms of well-being. Therefore, it can be accurately stated that the level of expenditures is important and directly affects the effective provision of the social sphere, but it is more appropriate to use the allocated funds efficiently.

3.3. How can governments increase their tax capacity both equitably and efficiently: practical recommendations

When modernizing their tax systems, countries often expand the scope of consumption taxation and introduce income tax systems that progressively tax the income of citizens. Increased revenues from consumption taxes, in particular value added tax (VAT), may be a key factor for many countries that have successfully raised tax rates in recent decades. Another important aspect is the introduction of progressive personal income taxation. The development of such a system is an important source of revenue for developed countries and a key component of effective income redistribution systems. However, the high level of tax evasion or the small amount of taxation in transition and developing countries may limit the short-term potential for increasing revenues from such taxes. Nevertheless, experience shows that countries can still generate significant additional revenues through the introduction of more efficient personal income tax systems (Danylyshyn & Synytsia, 2021).

Other measures can be taken to protect and further expand tax sources. Among them are reforms aimed at combating corporate tax evasion and reducing international tax competition, but closer international cooperation may be necessary for their success. Average effective corporate tax rates have declined significantly over the past decades globally and are typically lower than statutory rates due to various exemptions, deductions, and tax planning. According to recent estimates, the long-term losses from shifting profits to countries with lower tax rates are approximately 1-1.5% of GDP for developing countries (Crivelli et al., 2016).

Policy and institutional reforms should go hand in hand. For example, value-added tax (VAT) and corporate income tax thresholds could be lowered, increasing administrative efficiency. The introduction of risk-based tax audit systems can help to increase tax compliance and tax equity. In the case of VAT, the potential for increasing revenues can be assessed using the concept of C-efficiency, which is defined as the ratio of actual revenues to potential revenues when all consumer expenditures are taxed at the same standard rate in a country. The C-efficiency measures how close the government is to fully collecting tax on all expenditures in the economy. There is considerable potential to increase revenues by improving this ratio. In practice, the growth of VAT revenues in recent decades has been driven mainly by improvements in C-efficiency rather than by increases in tax rates (Keen, 2013).

A Digital Services Tax (hereinafter DST) that is a tax on specific digital services or activities, often levied on multinational technology companies. DSTs are designed to ensure that digital companies, which may operate across borders and have a significant online presence, pay their fair share of taxes in the countries where they generate revenue. These taxes have become a response to challenges posed by the digital economy, where traditional tax rules and structures may not adequately capture the economic activity. DSTs typically apply to specific digital services, such as online advertising, digital marketplaces, and data sales, provided by large multinational companies. The tax often targets companies with substantial revenues derived from these services.

The last point that should be noted is simplify tax codes. Simplifying tax codes is a critical component of enhancing tax capacity equitably and efficiently. Complex tax systems can be

burdensome for both taxpayers and tax authorities, leading to compliance challenges, administrative inefficiencies, and opportunities for tax evasion. Governments should review their existing tax codes to identify and eliminate unnecessary complexity (Howarth & Spendzharova, 2019.) This includes simplifying various tax provisions, deductions, credits, and exemptions that can create confusion and increase compliance costs. In cases where multiple levels of government levy taxes (e.g., federal, state, and local), harmonizing tax laws can reduce confusion and streamline compliance. Consistency in tax treatment across different jurisdictions simplifies the tax system. Simplifying tax codes not only makes it easier for individuals and businesses to understand and comply with tax laws but also reduces the administrative costs of tax collection. Moreover, it can help minimize opportunities for tax evasion and improve overall tax capacity while promoting equitable and efficient taxation.

It's important to note that the specific recommendations will vary depending on a country's economic situation, institutional capacity, and societal needs. Governments should carefully assess their unique circumstances when designing and implementing tax policies to ensure both equity and efficiency.

4. DISCUSSION

In the context of the research topic, it is important to note the scientific work of O. V. Romanets (2008). The author examines in detail the formation of the social protection system in France in the context of its historical development and analyzes the stages of its formation to the current state. The researcher emphasizes that studying the experience of social protection in developed countries is of particular importance for improving the current social protection system in Ukraine. The peculiarity of the French social security system is its intermediate position between the two conceptual models developed by Western society. An analysis of the historical retrospective of the French social system allows us to trace its formation and the impact of taxes on the financing of social protection (Romanets, 2008).

Particular attention is paid to the work of L. V. Kozarezenko (2018), who analyzes the impact of tax policy on the realization of the social function of the state. The author provides practical examples from the taxation activities of various EU member states to confirm or refute specific facts. The intricacies of the tax system act as an impediment to fulfilling the State's social role. This is because the key prerequisite for the effectiveness of tax incentives is the simplification of their application, encompassing both administrative processes and reporting procedures. The institutional framework for aligning tax mechanisms, especially in indirect tax collection, plays a crucial role. In this context, the coordination of international relations to eliminate obstacles to attracting investments and fostering economic cooperation stands as a vital element of the country's socio-economic progress (Kozarezenko, 2018).

Also of great importance in analyzing the social security models of the selected countries was the work of L. I. Ilchuk (2015), in which the author analyzes the models that exist in the world for their features. The author distinguishes three models of social policy: liberal; conservative; Scandinavian. The author emphasizes that these three models are not found anywhere in the world in their pure form, representing "ideal types" of the welfare state, each of which has its advantages and disadvantages. In practice, one can observe a combination of elements of the liberal, corporate and social democratic models with a clear predominance of the features of one of them. The author also notes that the directions and strategic priorities of social policy and social strategy depend on the economic development of the state and its ability to implement social programs that ensure a decent life for society (Ilchuk, 2015).

Despite the existence of some research on the topic, the issue of the impact of tax payments on the social sector is important and relevant, as there are still many countries where the situation in the social sector is not very good. Prospects for reforming tax systems to improve social protection may vary depending on the specific context and country. However, general principles and approaches may include the following:

1) Increase transparency and fairness. In particular, reforms should aim to ensure transparency and fairness in the tax system. This includes combating tax evasion and eliminating tax discrepancies that can lead to inequality in the distribution of social protection;

2) application of progressive taxation. An important aspect may be the introduction of progressive income tax rates, which will increase state revenues to finance social protection programs and reduce inequality in society (Synyayeva et al., 2021);

3) Encouraging the efficient use of resources. Tax policy can stimulate the efficient use of resources, for example, by imposing taxes on consumer goods or services that have a negative impact on the environment and providing tax incentives for those who invest in sustainable development.

The experience of Poland seems to us interesting here. Poland has a relatively broad tax base, which includes income tax, VAT, excise taxes, and other sources of revenue. This broad base allows to raise significant funds to finance social programs and activities. At the same time, Poland has a well-developed social security system, which includes pensions, health insurance, benefits for families and the unemployed, education and other types of support. This system is aimed at improving the quality of life of the population and ensuring social protection. It is also worth noting that Poland is actively reforming its social security system and tax system to make them more efficient and fairer. This includes measures to combat tax evasion, increase transparency and simplify administrative procedures.

The statistical analysis showed that even with the EU average amount of funding for the social sector, Ukraine has fairly high social security indicators and low poverty rates. This indicates that the state effectively allocates and uses the resources allocated for social security. These aspects make Poland's experience interesting for many other countries that are looking for ways to improve their social security system and ensure sustainable financing of social programs. In particular, they can be used for Ukraine. It may be useful for Ukraine to broaden its tax base to include different types of taxes and fees to ensure sustainable financing of social programs. At the same time, significant efforts should be made to identify and eliminate shadow businesses.

Ukraine already has a number of social programs, but it may be important to improve their efficiency and equity (Yablochnikov et al., 2016). The Polish experience may open up other approaches to the organization of the social security system. Ukraine is also implementing reforms in the areas of taxes and social security. Poland's experience can serve to identify best practices and other approaches. The Ukrainian government could also consider measures to support businesses and attract investment through tax incentives that could contribute to economic growth. It is important to keep in mind that the transfer of experience from Poland to Ukraine requires adaptation to national peculiarities, legislative aspects, and the needs of the population. Reforms should also take into account the financial capacity and sustainability of the social security system in Ukraine.

5. CONCLUSION

The social sphere is prime among all key sectors that ensure achieving the defined standards of living and providing a minimum level of social protection for vulnerable social groups. The government should note that every society is responsible for the social welfare of its citizens. Tax policy significantly influences the fulfillment of the state's social mission in collecting taxes using both fiscal and regulatory instruments. The principal means of influence are changes in the taxation of social goods and services and encouragement of spending increase by subjects.

Social policy, social strategy, and their development depend primarily on the form of the political order and political regime, that is, the functioning of democratic public authority with established progressive traditions. It should be remembered that simply copying the cumulative experience of leading EU member states in social sector supply and welfare state strategies can devastate the national social protection system and the financial problems. In this direction, it is crucial to consider the experience of a particular country and such national characteristics as mentality, culture, politics, history, etc. Therefore, Ukraine should consider the positive experience of world practice in the field of social policy and adapt it to its sociocultural specifics and economic opportunities.

Research has shown that the impact of tax financing is directly proportional to the effectiveness of a country's social security. However, in addition to the volume of tax deductions, the competent distribution of resources among projects and areas of the social sector is also important. In this context, Poland and its system of tax deductions and the distribution of funds in the field of social protection is an interesting example for analyzing and adapting the most useful experience.

In conclusion, the reform of tax systems can be a key tool for improving social protection. It is possible to increase budgetary resources for social purposes if the following is ensured: simpler tax procedures, expansion of the tax base, progressive income taxes, improved efficiency of social protection spending, and international cooperation. However, each country should rely on its characteristics and conditions for implementing such reforms.

Poland's experience in the field of social security financing provides interesting material for Ukraine. It shows how a broad tax base, an effective social security system, and tax incentives for businesses can help sustainable financing of social programs and improve people's living standards. However, it is necessary to adapt this experience to the national characteristics and needs of Ukraine, ensuring fairness and sustainability of social protection. Such adaptation could be an essential step to improve the social security system in Ukraine.

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