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LEGISLATIVE REGULATION OF TAX INCENTIVES AND THEIR PSYCHOLOGICAL EFFECTIVENESS IN INCREASING PERSONAL WELL-BEING

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Anotation. *This study examines the complex relationships between the legislative regulation of tax incentives and their psychological effectiveness in promoting the personal well-being of citizens, focusing on the Ukrainian context. At a time when most countries of the world are trying to balance fiscal needs and public welfare, tax incentives are increasingly used not only as economic tools, but also as mechanisms for influencing individual behavior and improving the quality of life.*

The article hypothesizes that in addition to material financial benefits, the psychological impact of well-designed and well-formulated tax incentives plays a crucial role in increasing the sense of security, motivation and overall satisfaction with the lives of citizens. In addition, the existing Ukrainian tax legislation regarding various benefits and support programs, such as housing, educational, medical and entrepreneurial benefits, is examined in detail, applying a mixed methodological approach.

The authors of the article aim to identify discrepancies between the legislative intent of tax incentives and their actual psychological perception, highlighting areas where legal clarity, communication strategies and targeted policy adjustments can significantly enhance their positive effects on a person's personal well-being. The result of the study is the formed proposals for the integration of behavioral economics and psychological knowledge into the formulation of tax policy, going beyond purely financial considerations to promote a more sustainable and satisfied society.

Keywords: *Tax incentives, legislative regulation, psychological well-being, personal well-being, quality of life, tax policy, social support, behavioral economy.*

Introduction. The modern understanding of taxation as a fundamental basis of public finance and an instrument of socio-economic regulation has undergone significant transformations in recent decades. The growing public understanding of tax incentives as a flexible tool for achieving specific policy goals beyond mere revenue generation reflects the evolution of fiscal policy from purely financial functions to broader social objectives.

The problem is that while the economic effects of tax incentives have been

widely studied in the context of investment and employment, their direct and indirect psychological effects and impacts on individual well-being remain poorly understood, especially in the context of their legislative design. Poorly designed or non-communicative tax laws, even with useful incentives, can lead to confusion, stress, and a lack of desired behavioral change.

The psychological effectiveness of legislatively regulated tax incentives in improving the personal well-being of citizens remains a poorly researched issue. There is a need to go beyond purely economic indicators to understand how tax policy shapes human emotions, perceptions, and life satisfaction.

The main purpose of the study is to analyze the legislative regulation of tax incentives in Ukraine and to assess their psychological effectiveness in promoting personal well-being. The article aims to answer several key questions: how tax incentives are legislatively regulated in Ukraine and what their intended goals are; what are the perceived psychological effects of these legislative tax incentives on Ukrainian citizens; whether there are discrepancies between the legislative intent of tax incentives and their actual psychological perception by the population; what legislative and communication strategies can increase the psychological effectiveness of tax incentives in promoting personal well-being.

Literature Review. The study is based on a pragmatic paradigm that allows for the integration of both quantitative and qualitative methods for a comprehensive understanding of the phenomenon under study (Tashakkori & Teddlie, 2003) [18]. The choice of a mixed methodological approach is justified by its suitability for addressing research questions that require both a deep understanding of individual experiences and statistical analysis of broad patterns.

Feld Lars and Frey Bruno (2006) investigated tax compliance as a result of a psychological tax contract and proposed the concept of a psychological tax contract, which goes beyond the traditional deterrence model and explains tax morality as a complex interaction between taxpayers and the government [8]. Drawing on crowding theory, the influence of deterrence and rewards on tax morality is substantiated. Since contractual relationships imply obligations and rights for each contracting partner, adherence to the fiscal exchange paradigm between citizens and the state increases tax compliance.

Procedural fairness, essential for building trust and legitimacy in tax systems, continues to be a central focus of research in tax administration (Alm & Martinez-Vazquez, 2019) [1].

However, addressing complex tax fairness issues requires interdisciplinary collaboration, empirical rigor, and a commitment to addressing systemic inequities while ensuring that tax systems contribute to the broader goals of social justice and economic well-being (Brewer & Saez, 2021) [4].

Recent research has examined how societal attitudes towards income inequality and social security influence attitudes towards taxation, highlighting the role of perceived

fairness in redistributive policies (Bazart et al., 2018) [2]. In addition, cross-country comparative studies have examined variations in perceptions of taxation across cultural contexts, shedding light on the cultural determinants of tax fairness (Cummings & van der Heijden, 2019) [6]. In addition, research has examined the impact of economic shocks and crises on attitudes towards taxation, revealing how socio-economic disadvantage can increase perceptions of injustice and undermine trust in tax institutions (Burgess & Pinto, 2021) [5]. Given the findings of recent research, it is clear that a complex interplay of individual, institutional, and contextual factors shapes public perceptions of tax fairness. By understanding the underlying drivers of tax attitudes, policymakers and tax administrators can design targeted interventions to enhance fairness, promote tax compliance, and strengthen trust in tax systems.

Research Results. A comprehensive analysis of the Ukrainian tax concessions legislation reveals a complex regulatory framework covering numerous categories of fiscal incentives aimed at achieving various socio-economic goals. The classification of the main tax concessions for individuals, small businesses and specific sectors is based on an extensive legal analysis of relevant legislative acts, including the Tax Code of Ukraine, individual sectoral laws and legislative acts (Tax Code of Ukraine, 2010).

The legislative framework for individual tax concessions pays special attention to supporting basic life needs and development aspirations. Housing-related concessions, regulated mainly by articles of the Tax and Budget Codes, provide for significant deductions for mortgage interest payments and the purchase of first homes, reflecting the state's recognition of housing as the foundation of personal security and well-being. The eligibility criteria for these benefits demonstrate a progressive approach, with larger deductions for families with children and individuals living in rural areas, which reflects the main policy intention to address demographic problems and regional disparities in development.

Tax breaks for education in the articles of the Tax Code include deductions for expenses for higher education, vocational training, and language learning programs.

Tax breaks for healthcare are one of the most comprehensive categories in the Ukrainian system, covering medical expenses, insurance premiums, and preventive care services. The history of the legislation shows that these provisions have been significantly expanded after the healthcare reform in 2014, reflecting the state's growing recognition of health as a key factor in the quality of life and economic productivity.

Incentives for entrepreneurs demonstrate the most complex regulatory framework, involving numerous legal documents and administrative procedures. A simplified tax system for small businesses, reduced tax rates for individual entrepreneurs, and simplified reporting requirements. The legislative framework provides for special benefits for innovative startups and technology companies for various categories of enterprises, from individual entrepreneurs to small corporations. The complexity of these rules often requires professional tax advice, creating potential barriers to entry for small entrepreneurs. An analysis of Ukrainian legislation reveals significant differences in the complexity, clarity, and accessibility of different types of incentives. While housing and

healthcare incentives typically have simple application procedures and clear eligibility criteria, incentives for entrepreneurs involve multiple regulatory layers and frequent legislative changes. The administrative burden varies significantly, with some incentives requiring extensive documentation while others operate through automated application mechanisms. Legal experts interviewed during the study consistently identified the complexity of the legislation as a major barrier to using incentives, especially for vulnerable populations who could benefit most from these provisions.

Qualitative analysis of taxpayers' perceptions and experiences reveals a deep understanding of the psychological aspects of tax relief use that go far beyond simple economic calculations.

The complexity of legislative language often appears to be a critical barrier to understanding and using tax relief. This legislative complexity creates psychological barriers that go beyond simple inconvenience, creates feelings of alienation, and reduces its effectiveness in financial planning.

Administrative burden and procedural complexity often constitute significant psychological stress that outweighs the perceived benefits of tax relief. This finding is consistent with research demonstrating that procedural complexity can create psychological costs that exceed monetary benefits [3].

Emotional reactions to tax relief differ significantly depending on successful and unsuccessful attempts to use them. Successful users report feelings of empowerment, validation, and increased trust in government institutions. In contrast, individuals who have faced obstacles or rejections have expressed feelings of frustration, alienation, and cynicism toward government promises. These emotional effects suggest that tax incentive systems act as powerful signals of government care and competence, with implications that extend far beyond fiscal policy [20].

Perceived fairness and equity permeate taxpayers' experiences with existing incentive systems. Such perceptions of inequality create psychological distress and reduce the positive welfare effects that incentives might otherwise have.

It is therefore clear that citizens who have successfully used tax breaks feel increased confidence in making important life decisions, while those who have used educational incentives report increased motivation to pursue professional development. Conversely, negative experiences with incentive systems often lead to reduced participation in formal financial planning and increased reliance on informal economic arrangements. These findings suggest that tax incentive systems serve more functions than isolated fiscal measures, serving as integral components of broader life strategies and people's psychological well-being [15].

There is a clear disconnect between legislative intentions and citizens' experiences, particularly with regard to the accessibility of benefits and the fairness of tax policies. While legislative documents emphasize universal access to benefits and their equitable distribution, there are clear systemic barriers that prevent many intended beneficiaries from taking advantage of incentives. There is also a clear time lag between immediate legislative promises and longer-term psychological outcomes. While regulations and

official documents emphasize rapid implementation and immediate benefits, participants' experiences show that psychological benefits often emerge gradually as people develop trust in the reliability and fairness of the system. This temporal discrepancy suggests that the time frame for policy evaluations may need to be extended to capture the full psychological impact of tax benefit systems [21].

The results of this analysis make a significant contribution to theoretical understanding across multiple disciplines, including public policy, behavioral economics, and positive psychology. The demonstration that tax incentives function as psychological interventions extends traditional economic models of policy effectiveness, incorporating findings from welfare research and behavioral science. This integration suggests that future policy evaluation frameworks should consider psychological outcomes alongside traditional economic measures to capture the full impact of fiscal interventions [3].

This work contributes to the shaping of a future paradigm for behavioral public policy by demonstrating that the psychological effectiveness of policy interventions critically depends on design characteristics, including complexity, accessibility, and quality of communication. These findings support the application of behavioral insights to policymaking, suggesting that interventions based on psychological research may be more effective in achieving both economic and social goals [9].

From a theoretical perspective, this investigation extends self-determination theory by demonstrating that government policies can influence fundamental psychological needs, including autonomy, competence, and relatedness. The finding that tax incentives affect perceptions of government support and social ties suggests that fiscal policy functions as a form of social relations between citizens and the state, with implications for political legitimacy and social cohesion [11].

This examination also contributes to the understanding of procedural justice in policy implementation by demonstrating that citizens' perceptions of fairness and accessibility significantly moderate the relationship between policy accessibility and psychological outcomes. This suggests that policy effectiveness depends not only on policy provisions but also on procedural characteristics that influence citizens' experiences and perceptions [12].

Maximizing the psychological effectiveness of tax incentives requires attention to legislative design, communication strategies, administrative procedures, and ongoing evaluation mechanisms.

When it comes to legislative design, the simplicity, clarity, and accessibility of tax incentive legislation should be prioritized. The finding that legislative complexity is a major barrier to its use suggests that policymakers should systematically review existing provisions to identify opportunities for simplification without compromising policy objectives. This recommendation goes beyond textual simplification to include structural reforms that reduce documentation requirements, streamline application procedures, and minimize administrative discretion that can create uncertainty or inequity [14].

Regular review and updating of legislation is essential to ensure that tax incentives

remain relevant and effective over time. Citizens' experiences with incentive systems influence long-term attitudes toward government, suggesting that outdated or ineffective policies can create negative psychological externalities that extend beyond their specific areas of application. Policymakers should establish systematic review cycles that incorporate both economic and psychological evaluation criteria to ensure continued effectiveness [17].

Incorporating behavioral analytics into policy design is a critical recommendation for increasing psychological effectiveness. Citizens' responses to tax incentives are influenced by psychological factors, including framing effects, social comparisons, and perceptions of fairness. Policymakers should systematically consider these factors when designing incentive structures, potentially including experimental testing to optimize psychological impact before full implementation [22].

Communication and outreach strategies are another important area for improvement. There are significant information asymmetries that prevent many target beneficiaries from accessing available incentives. Addressing these gaps requires comprehensive communication strategies that use a variety of channels, including digital platforms, traditional media, community organizations, and professional networks. Awareness levels vary systematically across demographic groups, suggesting that targeted communication strategies may be necessary to ensure equitable access to incentive benefits [16]. It is worth developing clear and accessible explanations of eligibility criteria and application procedures that are understandable to citizens without specific knowledge. Policymakers should consider citizen-centered approaches in legal design that prioritize user experience and minimize cognitive burden [10]. To enhance psychological effectiveness, incentive design should focus on interventions that directly address the underlying drivers of financial stress and life satisfaction. The finding that housing and health incentives produce particularly strong psychological benefits suggests that policies that target basic life needs may be more effective in promoting well-being than policies that target discretionary spending. This recommendation suggests that policymakers should prioritize incentive categories based on their potential psychological impact, not just economic considerations [13].

It is important to consider the symbolic value of tax incentives in addition to their material benefits. Tax incentives act as signals of government support and social solidarity, and political communication suggests that these symbolic dimensions should be clearly recognized and exploited. Citizens need to understand not only the benefits they will receive, but also what these benefits represent in terms of social values and government commitments [19].

Promoting transparency and perceptions of fairness are important for building trust and increasing psychological benefits. Research shows that citizens' perceptions of fairness and accessibility significantly influence the relationship between benefit use and welfare outcomes. For public policies to be effective, it is likely that administrative support designed to enhance perceptions of fairness through standardized application processes,

clear decision-making criteria, and accessible appeal mechanisms is essential [7].

Conclusions. This comprehensive study of the legislative regulation of tax incentives and their psychological effectiveness in enhancing personal well-being has produced important findings that challenge traditional understandings of the impact of tax policy. Drawing on the work of leading scholars in the fields of law and psychology, it demonstrates that tax incentives act as complex psychological interventions that affect citizens' well-being in a variety of ways, such as reducing stress, increasing empowerment, social connections, and optimism about the future, going far beyond their direct economic effects. The legal analysis shows that Ukraine's tax incentive legislation encompasses a variety of provisions aimed at supporting basic life needs and development aspirations, including housing, education, healthcare, and entrepreneurship. However, the complexity and accessibility of these provisions vary significantly, and they have different effects on citizens' well-being depending on factors such as education level, income, and access to professional support. The finding that legislative complexity acts as a major barrier to use suggests that the psychological effectiveness of tax incentives depends heavily on their design and communication features.

Qualitative findings suggest that citizens' experiences of tax incentive systems are profoundly shaped by emotional and psychological factors that go far beyond simple cost-benefit calculations. Successful use of incentives generates feelings of empowerment, government support, and increased life satisfaction, while unsuccessful attempts generate frustration, alienation, and cynicism. These emotional outcomes suggest that tax incentive systems act as powerful signals of government competence and care, and influence political legitimacy that goes far beyond social cohesion and fiscal policy.

While research consistently demonstrates that tax incentives can improve psychological well-being, they also reveal systematic barriers that prevent many intended beneficiaries from enjoying these benefits, creating inequalities in economic and psychological outcomes.

When it comes to the legislative framework, it is crucial to prioritize the simplicity, clarity, and accessibility of tax incentive legislation. The finding that the complexity of legislation is a major barrier to its use suggests that tax policymakers should systematically review existing provisions to identify opportunities for simplification without compromising policy objectives. This recommendation goes beyond simple textual simplification to include structural reforms that reduce documentation requirements, streamline application procedures, and minimize administrative discretion that could create uncertainty or unfairness. Regular review and updating of legislation is essential to ensure that tax incentives remain relevant and effective over time. The finding that citizens' experiences with incentive systems affect long-term attitudes toward government suggests that outdated or ineffective policies can create negative psychological externalities that extend beyond their specific areas of application. Policymakers should establish systematic review cycles that incorporate both economic

and psychological assessment criteria to ensure continued effectiveness.

Citizens' responses to tax incentives are influenced by psychological factors, including framing effects, social comparisons, and perceptions of fairness. Policymakers should systematically consider these factors when designing tax incentive structures, potentially including pilot testing to optimize the psychological impact before full implementation.

Communication and outreach strategies are another important area for improvement. The study finds significant information asymmetries that prevent many targeted beneficiaries from accessing existing incentives. Addressing these gaps requires comprehensive communication strategies that use a variety of channels, including digital platforms, traditional media, community organizations, and professional networks. The finding that awareness levels differ systematically across demographic groups suggests that targeted communication strategies may be needed to ensure equitable access to incentive benefits.

To enhance psychological effectiveness, incentive design should focus on interventions that directly address the underlying drivers of financial stress and life satisfaction. Housing and health incentives generate particularly strong psychological benefits, suggesting that policies that target basic needs can be more effective in promoting well-being than policies that target discretionary spending. This recommendation suggests that policymakers should prioritize incentive categories based on their potential for psychological impact, not just economic considerations. It is important to consider the symbolic value of tax breaks in addition to their material benefits. The finding that incentives act as signals of government support and social solidarity suggests that political communication should clearly recognize and exploit these symbolic dimensions. Citizens need to understand not only what benefits they receive, but also what these benefits mean in terms of social values and state commitments. Promoting transparency and perceptions of fairness is essential to building trust and enhancing psychological benefits.

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