

Foreign Experience of Tax Rate Regulation

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Abstract

The article describes the current state of regulation of tax rates for current taxes and ways of applying foreign experience to the tax system of Uzbekistan. Also, at the end of the work, proposals were formulated for the modernization of tax relations

Key words: tax, tax rate, tax system, tax regulation, foreign experience.

Tax regulation of the activities of subjects is important among economic management methods. The tax system of subjects includes a set of measures that establish long-term relationships between subjects and the state regarding the distribution of income received, the pace and direction of development of production (works, services, goods).

The main elements of tax regulation of subjects include taxes on profits, factors of production, a system of benefits, and depreciation policy.

The tax system of entities in individual countries includes income tax, as well as some indirect taxes, primarily on value added.

In the taxation system, the central place is occupied by the income tax. This tax is imposed on the actual profit of entities that have the status of legal entities - joint-stock companies, limited liability companies, cooperatives, etc. On average, more than 8% of tax revenues come from this source, on average more than 8% of tax revenues of the state budget (or about 3% of GNP in 2006), although there are significant differences between countries - from 2.7% in Greece to 21% in Japan, in the USA up to 8% as of 1995-1996 [1].

In these countries, this tax is subject to this tax on the company's net profit for the year, which remains after deducting production costs - the cost of raw materials used, semi-finished products, energy, depreciation, rental payments, interest payments on loans, as well as labor costs - wages and others.

A single income tax rate is applied to all entities, regardless of the type and scope of activity and forms of ownership. Rates are used in individual countries, differentiated depending on the amount of income received. In the USA and Argentina, for example, progressive income taxation is applied, in the UK, Canada, Japan and a number of others - reduced rates of this tax. Preferential rates are often used to encourage small businesses. The level of income tax rates varies significantly in individual countries and ranges from 52% in Sweden to 34% in the USA. As part of the tax reforms, almost all developed countries have reduced rates. Thus, the maximum rate in the USA was reduced from 46 to 34%, Japan

- from 43.3 to 37.5, France - from 50 to 45, Great Britain - from 52 to 35, Canada - from 46 to 28%. A further reduction is also expected, in particular, in Germany and Sweden, tax rates were reduced from 56 to 50% and from 52 to 30%, respectively, which led to an increase in the final financial results of entities that pay income taxes in these countries [2].

As evidenced by the theory and practice of tax regulation, a reduction in tax rates under certain circumstances can lead to expanded production, increased profits and, as a consequence, an increase in tax revenues to the budget. A similar thing happened in Great Britain in 1985-1987 and the United States after widespread tax reform amid economic recovery [3].

Lowering rates is a unique measure in the fight against the shadow economy. In practice, it happened when subjects, using tax breaks, evaded paying taxes. Therefore, as part of the reforms, the level of tax rates was brought into line with actual contributions to the budget.

High taxes tend to lead to the expansion of underground businesses that thrive on tax evasion. Therefore, the creation of acceptable tax conditions makes illegal economic activity too risky and contributes to the legalization of entities.

The applied system of taxation of profits in joint-stock companies also provides for taxation of that part of it that is distributed among shareholders or unit owners. There are three main methods of taxing distributed profits.

There is a so-called classical system in the USA, the Netherlands, Spain, Sweden and Switzerland, in which dividends are taxed twice - first at the company level, and then with income tax as part of personal income. The condition of such a system is a low-income tax rate, the level of which should ensure a sufficient amount of dividends remaining after taxes.

Separate income tax rates are used (in Germany, Norway, Mexico, Austria and, until recently, in Japan): standard for taxation of retained earnings and reduced for dividends, which is also the case in our domestic practice. The tax rate on dividends is determined by various factors. In some cases, it is set at the level of the average income tax rate, in others it is oriented towards its minimum value. The main motive for introducing separate rates on profits was the desire of the state to stimulate the consumption of shareholders and, on the basis of this, increase their standard of living.

In some developed countries, a so-called offset system is used to avoid double taxation of profits distributed in the form of dividends (it is common in Australia, Canada, New Zealand and Turkey). Its essence is that the shareholder receives a full or partial refund of the tax paid by the company on his dividends [4]. Therefore, the tax refund, together with the dividends, is added to the shareholder's total income, which is taxed at the individual progressive income tax rate. The biggest winners from this system are small shareholders who have relatively low income, taxed at a rate that is 1.5-2 times lower than the corporate income tax rate. This system is therefore the fairest in social terms.

Along with corporations, a significant number of small and medium-sized companies, including cooperatives, operate in the economy in developed Western countries. Also in developed countries, there are two main methods of mitigating the tax burden on small firms. This in itself consists of establishing reduced (preferential) profit tax rates for them. For example, in the USA, along with the basic rate of 34%, reduced rates of 15 and 25% are used, in the UK - 35 and 25, respectively, in Canada - 28 and 12%. A similar system exists in Japan and a number of other countries [5].

A different approach to taxation of small firms. It is based on the principle of equal taxation of

equal income. Often, the income of owners of small companies is close to the average wage of a skilled worker and it is difficult to divide them into retained earnings and the earnings of the working owner of the company and his family members. For the profits of small enterprises are considered as income of the owners and are subject to taxation at progressive income tax rates. In Germany, Greece and Australia, tax scales are structured in such a way that as the income of a company or individual increases, the marginal income tax rate differs less and less from the corporate income tax rate, i.e. In practice, there is a tendency towards convergence between income and corporate taxation.

So, while playing a key role in taxation, income tax does not reflect all the relationships between business and the state budget. Therefore, in some Western countries - Germany, Austria, Norway, Switzerland - along with profit, the property of joint-stock companies, which includes fixed production assets (machinery, equipment, buildings and structures), is also subject to taxation. A property tax is levied on the residual value of real estate capital, reduced by the amount of long-term debt, it is called a net property tax, the rate of which is 0.5-1% of the value of real estate and its value is constant and does not depend on the results of the enterprise. Meanwhile, in the absence of profit, the company is obliged to pay tax, even if it is necessary to sell part of the capital.

Taxes on factors of production (land, buildings, machinery and equipment) levied by local authorities in most developed countries are acquiring a special character. Their fundamental difference from property taxes is that they are considered by companies as production costs and are paid from the income of the joint-stock company before income tax. Undoubtedly, other local taxes levied on companies are of a similar nature. Among them, the main one is the income tax, which is usually set as a percentage of the central (federal) income tax. For example, in Japan it averages about 6% [6]. At the same time, in Germany and a number of other countries, authorities set local tax rates depending on the financial needs of the budget, but taking into account the need to develop production in the region, additional attraction of capital and additional employment.

It should also be noted that in France, Austria, Sweden and in some US states, a tax is applied on the amount of wages paid. It depends on the number of employees at the enterprise or is set as a percentage of the wage fund [7].

Along with direct social payments to employees and entrepreneurs, contributions from enterprises are directed mainly to centralized social funds. Enterprises are allowed to consider payroll taxes and other social payments as production costs.

This system becomes effective only if it is based on an objective benefit. Therefore, in developed countries, an important place in the taxation system is occupied by tax incentives used to encourage the activities of companies. The purpose of the benefits is to stimulate economic modernization. In addition, they are used to promote small business development, as a means of regional policy, and to stimulate exports.

In individual countries, although there are differences in the application of tax incentives, the set of main benefits can be summarized as follows:

- firstly, a discount on corporate income tax in the amount of part of capital investments in new equipment and construction (the so-called tax credit);

- secondly, a discount on income tax in the amount of part of the expenses for research and development;

- thirdly, permission to create special-purpose funds that are not taxed at the expense of part of the profit;

- fourthly, taxation of profits at reduced tax rates (usually this benefit is provided to small companies);

- fifthly, the inclusion of costs for certain types of equipment (usually used in scientific research) as current costs.

In addition, consideration of corporate taxation would be incomplete without taking into account the system of depreciation write-offs and other benefits that can significantly change its overall level. For example, in Italy, preferential depreciation write-off of equipment allows reducing taxable profit by almost 16%, in Germany and France - by 10-11%, in Japan, Great Britain, Switzerland and the USA - by 5.5-8% [8].

At the same time, in order to revive investment activity, accelerate the development of certain sectors of the economy and stimulate R&D, an accelerated depreciation write-off system is used either permanently or temporarily, which allows, in the first years of equipment operation, to take into account most of its cost in production costs and thereby significantly underestimate the amount of taxable profit. But still, accelerated depreciation provides for a reduction in the period for equipment write-off. Hence, taxes levied on companies, as well as the current system of depreciation write-offs and benefits used, the level of real (effective) taxation may differ significantly from nominal tax rates on profits. It must be admitted that, according to available estimates, in Germany, with an income tax rate of 56%, the real level is 40%, and in Japan, 37.5 and about 28%, respectively [9]. Typically, the amount of real taxation of companies, along with other factors, can play an important role in the international competitiveness of national economies.

In a number of developed countries, tax reforms were carried out in the 80s, where a unified approach was observed, which was based on the objective needs of economic development and improving methods of government regulation. One of the reasons that necessitated the transformation was the violation in recent decades of one of the fundamental principles of corporate taxation, the neutrality of the impact of taxes on business decisions made by firms. Its meaning is that taxes should neither restrain the economic activity of a company nor stimulate it in some direction (not always correct from the standpoint of general economic interests). The gradual introduction into practice of numerous tax benefits, which often conflicted with each other in terms of the nature of the goals they pursued, caused imbalances in the field of taxation. Often, under these conditions, companies linked the implementation of large investment projects not with the strategic objectives of expanding production and developing new markets, but with the possibility of receiving additional benefits, which led to an increase in investments only in assets that were profitable from a tax point of view.

Thus, from all of the above, the following follows:

efforts and measures taken in the domestic economy, taking into account the study of the experience of taxation development in developed countries, in order to deepen economic reforms in the field of taxation and modernize tax relations; creating a favorable investment climate; intensive work on preparing the legislative and regulatory framework; state support for small entities opens up broad prospects for modernizing taxation in the Republic of Uzbekistan.

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