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Regulation of the Tax Base and Tax Rate: An Analysis of the Experience of Developed Countries

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Abstract: This article describes the essence of tax rate regulation, issues of tax rate regulation using the experience of foreign countries, taking into account national characteristics.

Keywords: tax, tax rate, tax regulation, taxation.

Introduction

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

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

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

Therefore, one of the important tasks is to regulate tax rates using the experience of foreign countries, taking into account national characteristics.

Material and methods

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

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

A single rate of income tax is applied for all entities, regardless of the type and scope of activity and form of ownership. Rates are used in individual countries, differentiated depending on the amount of income received. In the USA and Argentina, for example, progressive taxation of profits is applied, in the UK, Canada. Japan and a number of others - reduced rates of this tax. Preferential rates are often used to incentivize small businesses. The level of the income tax rate differs 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 lowered rates. So, the maximum rate in the USA has been reduced from 46

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to 34%, in Japan - from 43.3 to 37.5, France - from 50 to 45, Great Britain - from 52 to 35, Canada - from 46 to 28% [1]. A further reduction is also expected, in particular, in Germany and Sweden, tax rates were reduced, respectively, from 56 to 50% and from 52 to 30%, which led to an increase in the final financial results of entities that are payers of income tax in these countries.

As evidenced by the theory and practice of tax regulation, a decrease in tax rates under certain circumstances can lead to an expansion of production, an increase in profits and, as a consequence, an increase in tax revenues to the budget. This was the case in Great Britain in 1985-1987. and the United States after large-scale tax reform amid an economic recovery.

Lowering rates is a kind of measure in the fight against the shadow economy. In practice, it took place when subjects, using tax incentives, evaded taxes. Therefore, within the framework of the reforms, the level of tax rates was brought in line with their real contributions to the budget.

High taxes tend to expand 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 share holders. There are three main methods of taxing distributed profits.

The so-called classical system operates 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 [2]. The condition for such a system is a low income tax rate, the level of which should ensure a sufficient amount of dividends remaining after taxes.

Separate rates of income tax 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 amount of tax on dividends is determined by various factors. It is set in some cases at the level of the average income tax rate, in others it is guided by its minimum value. The main motive behind the introduction of split rates on profit was the state's desire to stimulate the consumption of shareholders and, on the basis of this, increase their living standards.

In some developed countries, the 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) [3]. Its essence is that the shareholder is fully or partially refunded the tax paid by the company on his dividends. Therefore, the tax refund, together with dividends, is added to the aggregate income of the shareholder, which is taxed at the individual rate of progressive income tax. The biggest gains 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 tax rate. This system is therefore the most equitable socially.

Along with corporations, a significant number of small and medium-sized companies, including cooperatives, function in the economy in the developed countries of the West. Also in developed countries, there are two main methods of mitigating the tax burden on small firms. This in itself consists in the establishment for them of reduced (preferential) rates of taxation of profits. For example, in the United States, along with the basic rate of 34%, reduced rates are applied - at 15 and 25%, in the UK - 35 and 25%, respectively, in Canada - 28 and 12%. A similar system exists in Japan and several other countries [4].

A different approach to taxing small firms. It is based on the principle of equal taxation of equal income. Often, the income of small business owners is close to the average wage of a skilled worker and it is difficult to separate them into retained earnings and earnings of the working company owner

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and his family members. For the profits of small businesses are treated as owner income and are taxed 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 grows, the marginal income tax rate differs less and less from the corporate income tax rate. those. in practice, there is a tendency towards convergence of income and corporate taxation.

So, while playing a key role in taxation, income tax does not reflect all 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 the main production assets (machinery, equipment, buildings and structures), is also subject to tax. Property tax is levied on the residual value of real estate capital, reduced by the amount of long-term debt, it is called 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 realize part of the capital.

The taxes on factors of production (land, buildings, machinery and equipment), levied in most developed countries by local authorities, are acquiring a special character. Their fundamental difference from property tax is that they are considered by companies as costs of production and are paid from the income of a joint-stock company before taxation of profits. Undoubtedly, other local taxes levied on companies are of a similar nature. Among them, the main one is income tax, which is usually set as a percentage of the central (federal) income tax. For example, in Japan it averages about 6%. At the same time, in the Federal Republic of Germany and a number of other countries, the 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 capital attraction and additional employment.

You should also pay attention to the fact that in France, Austria, Sweden and in certain states of the United States, a tax is applied on the amount of paid wages. It depends on the number of people employed at the enterprise or is set as a percentage of the wage bill.

Along with direct social payments of employees and entrepreneurs, deductions from enterprises are directed mainly to centralized social funds. Businesses are allowed to treat payroll tax and other social security payments as production costs.

This system becomes effective only if it relies 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 the modernization of the economy. In addition, they are used to promote small business development, as a tool for regional policy, and to stimulate exports.

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

- first, a discount from corporate income tax in the amount of a part of capital investments in new equipment, construction (the so-called tax credit);
- secondly, a discount on income tax in the amount of a part of expenses for NIKR;
- third, permission to create tax-free special purpose funds at the expense of a portion of the profits;
- fourth, taxation of profits at reduced tax rates (usually this privilege is provided to small companies);
- fifthly, attribution to the current costs of expenses for some types of equipment (usually used in scientific research)

In addition, consideration of the taxation of companies 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 and amortization of equipment can reduce taxable profit by almost 16%, in Germany and France - by 10-11%, in Japan, Great Britain, Switzerland and the United States - by 5.5-8%.

At the same time, in order to revive investment activity, advance the development of certain sectors of the economy and stimulate R&D, either permanently or temporarily a system of accelerated depreciation is used, 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. Nevertheless, accelerated depreciation provides for a reduction in the time it takes to retire equipment. Hence, the taxes levied on companies, as well as the current system of depreciation write-offs and the benefits used, the level of real (effective) taxation can differ significantly from the nominal income tax rates. It must be admitted that, according to available estimates, in the FRG with a profit tax rate of 56%, the real level is 40%, and in Japan, respectively, 37.5 and about 28%. Usually, 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 1980s, where a unified approach was observed, which was based on the objective needs of economic development and improving methods of state regulation. One of the reasons that prompted the need for transformation was the violation in recent decades of one of the fundamental principles of taxation of companies, 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 the company, nor stimulate it in some direction (not always correct from the point of view of general economic interests). The gradual introduction into practice of numerous tax benefits, often conflicting with each other in the nature of the goals they pursued, has caused imbalances in taxation. Often, under these conditions, companies associated the implementation of large investment projects not with the strategic objectives of expanding production and developing new sales markets, but with the possibility of obtaining additional benefits, which led to an increase in investment only in assets that are profitable from a tax point of view.

Conclusion

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 the development of taxation 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 the preparation of the legislative and regulatory framework; state support for small entities opens up broad prospects for the modernization of taxation in the Republic of Uzbekistan.

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