

DEVELOPED COUNTRIES' TAXATION MODELS, DIFFERENCES AND THEIR IMPLEMENTATIONS IN OTHER COUNTRIES.

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"Tax is the cost of living in the society."

Abstract: *This thesis encompasses various ways to develop tax system by utilizing the tactics which have been being used by developed countries for many years.*

Keywords: *tax policy, economic liberalization, budget revenue, budget-tax policy, individual tax, enterprise Tax, consumption tax, VAT, corporate tax, budget revenues.*

Today, the tax policy in the world has developed significantly and continues to this day. Taxes are very important and constitute the main part of budget revenues. Relatively, priority tasks of reforming economics are economic liberalization, reducing the intervention of the government to the economy and stability of the budget-tax policy in the formation of the budget revenue. To fulfill the mentioned tasks we need to use developed countries' experiences and implement them in undeveloped countries. Almost all missions of the government in the economy are related to the budget-tax policy at the same time the intervention of the government also should be reduced. But it is impossible to manage the budget-tax policy without

intervention to the economy. So that, the best solution for this to construct the model of tax policy in the Uzbekistan with the help of foreign models.

Developed countries' tax systems are differs from each other with various features and they are divided into several types:

- American model
- Japan model
- Europe model

These models are dependent to each other with general characters. For instance, tax authorities have confidence in the eyes of taxpayers, the existence of developed legal framework and taxations system and relationship of tax authorities with state financial institutions.

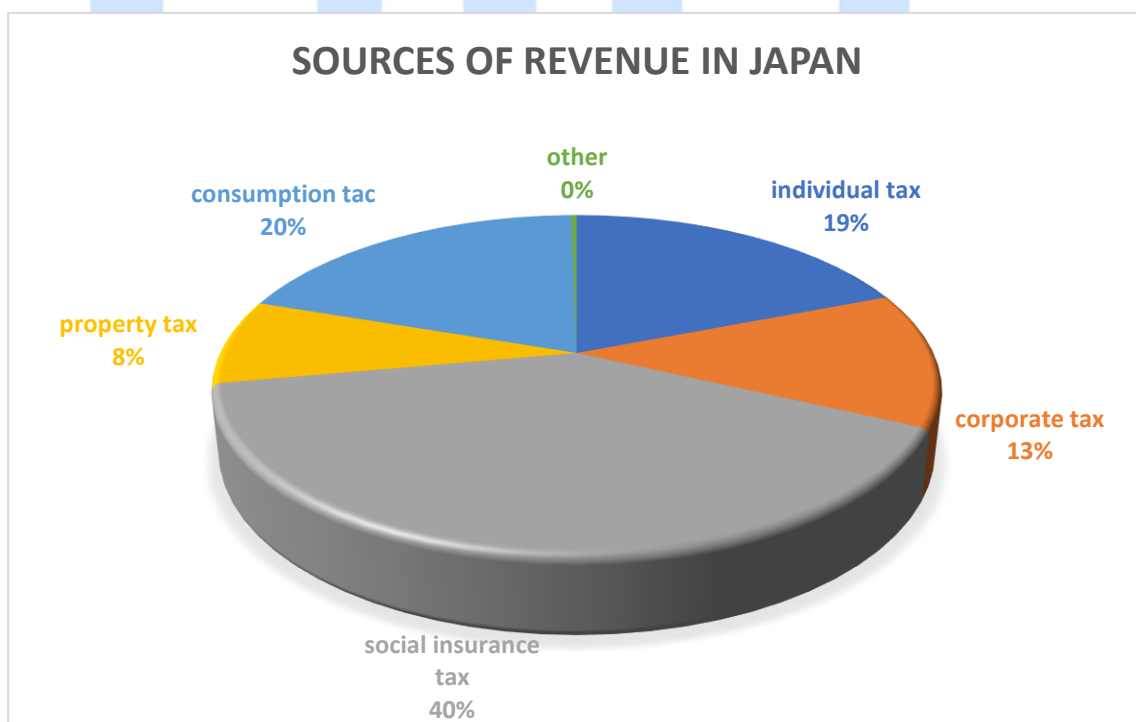
American model differs from other models with big amount of controllers taxation system which consist more than 50.000 employees [1] and also they are responsible for solving the problems of taxation policy. This feature helps the government maximize the transparency and helpful to manage the country's budget punctually. Another unique feature of the American model is the management of the taxation is divided into 3 sections, federal, state and city. Without that, illegal income sources are hardly controlled and their information is open to ensure the transparency.

Bar chart 1. Sources of Revenue in United States [2]

It is clear from the pie chart that USA implements 5 types of taxes. The highest share of the taxes is belong to individual tax with 41% and the minimal share is corporate tax with 4 %. [3] Individual income taxes are a common source of government revenue in country, imposed on individuals or households based on their income to support public services. These taxes are usually progressive, with higher-income individuals facing higher tax rates as they earn more income. Social insurance tax is also ordinary in the USA, because insurance system of the USA is the one of the best system in the world. Consumption tax is known as VAT which is the most common in the world and property tax is rare around the world which is

given from the individual in the USA. It is known that the most harmful tax is corporate tax, because if corporate tax is high, it will lead to reduce the number of businesses and in order to improve the business USA reduces the amount of corporate tax. US's GDP-tax-ratio is 29.7 % and other revenues come from other sources. [4]

The next model is Japan model which is also well-known as a perfect tax system in the world. Big amount of Japan taxes are paid by individuals and it's GDP-tax-ratio is equal to worlds standard with 34.1%. [4] It means that Japan tax system is normal compared to other countries. Japan model has 6 types of taxes which are: Income Tax, Enterprise Tax, Property Tax, Consumption Tax, Vehicle related Taxes, Liquor, Tobacco and Gasoline Taxes. Japan tax system has several strengths and weaknesses. Some of the strength sides of system is Japan has a low VAT rate of 10 percent. Low VAT rate is aimed to increase the efficiency of the entrepreneurship in the economy and maximize their number as possible as in order to support them. This amount of VAT taxes are rarely seen off among the countries.



Bar chart 2. Sources of Revenue in Japan [5]

The next type of the tax model is European model. In Europe tax system, collecting taxes doesn't play crucial role because European economy is adapted to the investment more than taxation. The highest rate of taxes in Europe is Finland where taxes are gathered around 59%. The lowest rate in Europe is Bulgaria with 10%. France's budget revenues are also related to taxation, because more than 50% of the funds come from taxes. And also, France is one of the highest tax collector country in the world. The European tax system is organized from mainly 5 resources such as: VAT, personal income tax, corporate income tax, social security contributions, wealth taxes. Most European countries' VAT tax rate ranges from 15% to 25 %. Personal income tax is paid by individuals higher as their income increases. Corporate tax rates are lower than world rate to attract investment and other resources to increase the revenue. Most European countries have social security system which is funded by employees and employers in order to protect the social issues. Some European countries implement the wealth tax system too, such as: property tax, inheritance tax and wealth tax to address income and wealth inequality by redistributing wealth from the wealthiest individuals or households to those with lower incomes.

To conclude, each model has their result in it's own economy and they have been being implemented for many years, and each model has special efficiency to the economy. For instance, using Japan model in the Us or European countries might be irrelevant . However, we can conclude that European model and Japan model are similar to each other with types of the taxes and these models are common among other countries. Uzbekistan is also trying to implement both European and Japan tax system with stability.

Resources

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