

Analysis of profit before tax and factors affecting its change

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Abstract: *This article examines the advantages of taxation and the various factors influencing changes in the tax system. Through comprehensive analysis, the research aims to shed light on the significance of taxes and provide insights into how policymakers can adapt tax systems to meet evolving social needs.*

Keywords: *Taxes, benefits, public goods, tax policy, economic development, social welfare.*

Taxes are vital in modern economies, serving as a primary revenue source for funding public expenditures. Their benefits extend beyond financing state operations to encompass various social and economic advantages. Tax systems evolve over time, responding to changing economic conditions and social needs. Understanding these benefits is essential for effective tax policies that promote growth and equitable resource distribution.

Taxes provide essential public goods, such as infrastructure and healthcare, while reducing income inequality through redistributive measures. Additionally, they can influence behavior, incentivizing positive actions like reducing carbon emissions. This study reviews existing literature to identify key themes related to taxation benefits and the factors impacting tax system changes.

Taxes play a crucial role in society and provide various benefits:

1. **Public Goods and Services:** Taxes finance essential government services such as infrastructure (roads, bridges), education, healthcare, and public

safety (police, fire departments). These services benefit everyone and contribute to the overall well-being and development of society. Public goods are vital components of functioning communities, ensuring access to basic needs and infrastructure for all individuals. Infrastructure, including roads and public transport, facilitates commerce and connects communities, which is essential for economic growth and quality of life. Education fosters success by equipping people with necessary skills, promoting social mobility and innovation. Healthcare services are vital for maintaining the population's health and well-being, ensuring access to necessary medical care through funded initiatives. Public safety services, including police and emergency responders, play a critical role in maintaining law and order, responding to emergencies, and protecting communities.

Through collective funding of these public goods and services via taxes, societies can meet overall needs and support the welfare and development of all citizens.

2. **Wealth Redistribution:** Taxes help redistribute wealth from higher-income individuals and corporations to those in need through social programs like unemployment benefits and food stamps, promoting social equity and reducing poverty.

3. **Economic Stability:** Taxes are used by governments to regulate the economy through fiscal policy. Adjusting tax rates can stimulate or cool down economic activity, control inflation, and stabilize the economy during downturns. Taxes significantly influence economic stability by managing demand. Tax rates can be adjusted to affect consumer spending and investment. During economic downturns, governments may reduce taxes to stimulate spending, while increasing taxes during high inflation to cool down the economy.

Taxes play a vital role in funding government services such as education, healthcare, infrastructure, and defense, contributing to overall economic efficiency and quality of life, which in turn supports economic stability.

Wealth Redistribution: Progressive tax systems impose higher rates on high-income individuals, helping to redistribute wealth and reduce income inequality, thereby promoting social stability and a fairer allocation of resources.

Crisis Stabilization: Tax policy acts as an automatic stabilizer during economic crises. For example, unemployment benefits funded through taxes support individuals, stabilize consumption, and mitigate the severity of recessions.

Investment Promotion: Tax incentives, such as deductions or credits for specific investments or entrepreneurial activities, can encourage entrepreneurship, innovation, and capital formation, fostering economic growth and job creation.

Revenue Generation: Tax revenues are crucial for financing government expenditures and reducing budget deficits. Stable income streams from taxes enable governments to meet financial obligations and invest in essential infrastructure and services, supporting long-term economic stability.

In summary, tax policy serves as a powerful tool for governments to influence economic activity, ensure stability, and address various socio-economic issues. Effective tax management, along with other fiscal and monetary policies, is essential for maintaining a healthy and stable economy.

Future Investments: Tax revenues can be allocated to research, innovation, and infrastructure projects that ensure long-term economic growth and competitiveness.

Social Programs and Safety Nets: Taxes support social safety nets like Social Security, Medicare, and Medicaid, providing financial security and healthcare for retirees and low-income individuals.

Factors Influencing Tax Changes:

1. **Economic Conditions:** Factors like GDP growth, unemployment, and inflation can impact tax policy. Governments may reduce taxes during recessions to stimulate spending and increase them during periods of high growth to control inflation.

2. **Political Climate:** Tax policy is heavily influenced by political ideologies, party agendas, and public opinion, leading to changes in tax rates and structures.

3. **Social Needs:** Demographic shifts and changing public demands can prompt adjustments in tax policy to meet evolving service or program needs.

4. **Globalization:** International economic integration affects taxation through trade agreements, foreign investments, and tax competition among countries.

5. **Technological Advancements:** Innovations, especially in finance and digital commerce, present challenges for tax collection and enforcement, necessitating policy adaptations.

Overall, taxes are crucial for fulfilling governmental responsibilities, meeting social needs, and ensuring economic stability and growth, influenced by a complex interplay of economic, political, social, and technological factors.

Conclusion and Recommendations:

In conclusion, taxes are essential for economic prosperity, social equity, and environmental sustainability. Recognizing the benefits of taxation and the factors influencing its evolution is crucial for developing effective tax policies that address social goals and emerging challenges. Policymakers should prioritize transparency, equity, and efficiency in tax reforms while engaging stakeholders and considering long-term impacts. Strengthening compliance and enforcement mechanisms is vital for ensuring fair distribution of tax burdens. By adapting tax systems to meet evolving needs, governments can support inclusive and sustainable development for all citizens. Ultimately, taxation serves as a foundation for democratic governance and social progress.

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