

FOREIGN EXPERIENCE IN IMPROVING THE TAXATION OF PERSONAL INCOME TAX IN THE STATE BUDGET

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Abstract:

The state fiscal policy is an important instrument of state regulation of the economy. Optimization of the tax burden through the effective use of taxes allows the state to perform current tasks and functions. The most important place in the taxation system is occupied by the income tax of individuals performing fiscal and regulatory functions. Given the importance of income tax in regulating social processes, it is very important to study its features in the state and compare it with foreign countries.

Keywords: taxes, state budget, personal income tax, progressive tax rate, reform, principle of fairness, constant rate, redistribution of resources, national income, economic function, tax burden.

Introduction

Personal income tax (PIT) is a direct tax levied on the income of individuals, including wages, business income, dividends, interest and other types of income. The procedure for its collection is determined by tax legislation: at a progressive rate, that is, it can increase as the taxpayer's income increases, or at a proportional rate, that is, the tax rate is the same regardless of the size of the taxpayer's income. Personal income tax is one of the main sources of budget replenishment. In addition, with its help, the financial situation in the country is regulated. Personal income tax is an important source of budget revenue for the state and plays a key role in redistributing income and reducing social inequality.

Personal income tax rates, according to the Tax Service, are as follows: 12% from the labor income of citizens of Uzbekistan and 5% from dividends received, for citizens of other countries engaged in business (non-residents) 10% and from the received dividends. - 10%. Tax rates, the main elements of personal income tax in 2024, the procedure for calculating and paying taxes, including the transfer of 0.1% to the INPS although there were no changes in the terms of payment and settlement, there were certain changes in granting him benefits.

Determining personal income tax rates affects the interests of both the economically active population and the state. The main objectives of personal income tax are to form the revenue side of the state budget, mitigate the problem of income differentiation, fairly redistribute the population's income and ensure their social protection. The work of the personal income tax system today is complicated by the difficulty of finding the optimal balance between the effectiveness of this system and social justice in relation to the taxpayer. In other words, it is necessary to achieve tax rates that can ensure a fair

redistribution of income. In the process of calculating personal income tax, it is necessary to reduce the social stratification while minimizing the damage to the interests of taxpayers.

Literature Analysis and Methodology

The operation of the personal income tax system has not undergone any fundamental changes during its existence. However, over the past few years, we have increasingly heard initiatives calling for a change in the income tax regime. One of these changes may be the transition from a fixed tax rate to a progressive scale. This measure is most effective and, if the tax rate applied to the amount of income is calculated correctly, it leads to a reduction in social stratification and filling the state treasury. Otherwise, a sudden change can shake the investment environment in the country and lead to the fact that the income of citizens will go into the shadows.

When applying a progressive scale, a tax-free minimum must be determined and applied. After the introduction of this measure, there may be budget losses, but they will be offset by an increase in tax rates on the income of the rich. This practice exists in developed countries, where the minimum non-taxable amount is calculated based on the cost of living in the relevant country. In order to ensure a healthy lifestyle of the population, it is logical that the minimum amount is not subject to personal income tax. Also, many authors with whom we agree suggest increasing the amount of standard tax benefits for taxpayers by the amount of the subsistence minimum.

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According to Laffer [2], the principle of tax justice shows that the state can raise tax rates only if it increases social costs.

According to Tsarovskaya [3], in addition to budgetary and social support, personal income tax should also contribute to the redistribution of resources from one group of people to another.

Gordon and Kopchuk [4] argued that the progressive personal income tax rate should provide discounts based on a person's marital status and at the same time increase the efficiency of redistribution.

Morini and Pellegrino [5] believe that the essence of personal income tax is a compromise between achieving social justice and economic efficiency. They concluded that it is impossible to find a perfectly adequate income tax system that reduces inequality in the short term and is sufficient for the State budget.

Yu. Tyurin and L. Napolskikh [6], since the income tax is maximally adapted to the personal conditions of the person subject to taxation, and has the necessary features for implementing a redistributive and countercyclical policy, personal income tax has a pronounced social character and affects the level of real incomes of the population believes that they have the opportunity to do so.

Analysis

Today, the personal income tax system requires reforms that will ensure a greater flow of funds to the budget, as well as tax fairness. Currently, in many countries of the world, personal income tax is charged at a progressive rate, that is, an increasing rate. The advantage of the progressive tax rate is that as the income of individuals increases, so does the tax rate. If we look at many developed countries, their state budget revenues are mainly formed not at the expense of indirect, but at the expense of direct taxes. That is, personal income tax is in the first place in the formation of budget revenues. Therefore, personal income tax is one of the main taxes in the formation of the state budget.

A progressive tax scale in the case of income tax means that tax rates increase as income increases. This means that those with higher incomes will be taxed at higher rates than those with lower incomes. A progressive tax scale is generally considered fairer, since it distributes the tax burden more evenly, taking into account the ability of taxpayers to pay taxes.

A progressive tax scale plays an important role in ensuring a fair redistribution of income and reducing economic inequality. It allows wealthier citizens to contribute more to the financing of public goods and social programs. Despite its complex administration, the system has proven effective in a number of developed countries, contributing to sustainable economic development and social stability.

Let's compare key tax rates in Germany, France, Italy, the United Kingdom, Spain, the Netherlands, Belgium, Sweden, Poland, and Austria. These indicators include value added tax (VAT), income tax, personal income tax (PIT), excise taxes and real estate tax.

Table 1 Comparative table of tax rates in European countries¹

Country	VAT (%)	Income tax (%)	Personal income tax (%)	Excise taxes (%)	Real estate tax (%)
Germany	19	15-30	0-45	0-2323	0-6
France	20	15-28	0-45	20-50	1.2-5.09
Italy	22	24	23-43	0-50	0.76-1.06
United Kingdom	20	19-25	0-45	16-57	0.18-3.5
Spain	21	25	19-47	0-60	0.4-1.3
Netherlands	21	15-25	9.45-49	0-6060	0.03-2.35
Belgium	21	25	25-50	0-58	0.16-2.5
Sweden	25	20-22	29-57	0-4040	0.75-2.8
Poland	23	19	17-32	0-60	0.18-2.31
Austria	20	25	25-55	0-90	0.2-1.1

¹ Author's development

The analysis of tax systems in European countries shows a variety of approaches to taxation. VAT, income tax, personal income tax, excise taxes and real estate taxes have different rates and structures that reflect the economic and social priorities of each country. High personal income tax and excise tax rates in some countries indicate a desire to redistribute income and control the consumption of certain goods, while income and real estate tax rates may vary depending on economic policies and market conditions. (Table 1)

If we look at an approximate table showing the share of basic taxes in the budget of developed European countries

Table 2 Share of basic taxes in the budget of developed European countries²

Country	Share of VAT in the budget (%)	Share of income tax in the budget (%)	Personal income tax share in the budget (%)	Share of excise taxes in the budget (%)	Real estate tax share in the budget (%)
Germany	25-30	20-25	20-25	10-15%	5-10%
France	20-30	20-25	20-30	10-15%	5-10%
Italy	20-25	15-20	20-25	10-15%	5-10%
United Kingdom	20-25	15-20	20-25	10-15%	5-10%
Spain	20-25	20-25	20-25	10-15%	5-10%
Netherlands	20-25	15-20	20-25	10-15%	5-10%
Belgium	20-25	20-25	20-25	10-15%	5-10%
Sweden	20-25	20-25	20-25	10-15%	5-10%
Poland	20-25	15-20	20-25	10-15%	5-10%
Austria	20-25	20-25	20-25	10-15%	5-10%

VAT is a significant source of revenue for all the countries under consideration. Its share in the budget varies from 20% to 30%. Germany and France have the largest share of VAT in the budget, reaching 30%, which indicates a significant dependence on this tax. Corporate income tax is also an important source of budget revenue. Germany, France, Spain, Belgium, Sweden and Austria have a high share of income tax in the budget (up to 25%). This shows the importance of corporate taxation for these countries. Personal income tax accounts for a significant portion of budget revenues. In all countries, the share of personal income tax in the budget varies between 20% and 30%. France has the

² Author's development

largest share of personal income tax, which indicates a high dependence on taxes from individuals. The contribution of excise taxes to the budget is approximately the same in all countries and amounts to 10-15%. This indicates the importance of excise taxes in budget revenues, although not as high as VAT or personal income tax. The share of real estate tax in the budget is 5-10% in all countries. This shows that the real estate tax plays a supporting role in the formation of budget revenues.

Effective tax administration and a progressive tax scale enable countries to maintain high levels of social services and reduce economic inequality. The diversity of tax rates and contributions to the budget reflects the economic and social priorities of each country, ensuring a balance between fiscal efficiency and social justice.

Discussion

A correct tax system is possible only if, in real conditions, personal income tax payers meet their immediate needs with a parallel direct relationship between the amount of taxes paid and the income received. There is a need to change the tax system of our country, which requires the creation of a concept of fair taxation of citizens' incomes. At the same time, it is necessary to take into account the world experience and accumulated features of the state and tax systems. In order to avoid further stratification of citizens' incomes, many researchers, scientists and tax specialists take the position that further use of a flat tax scale is undesirable. According to the authors, at the beginning of the XXI century, it has fulfilled its function and a transition to a progressive system of taxation of citizens' incomes is necessary.

The structure of tax revenues to the budgets of various countries reflects their economic and social priorities, as well as the specifics of national tax policy.

A progressive tax scale may be more profitable for several reasons:

Fair distribution of the tax burden: A progressive tax scale takes into account income differences between taxpayers and taxes more affluent citizens at higher rates, which is considered fairer from the point of view of the "ability to pay" principle.

Increase in government revenue: With the right balance of rates, a progressive scale can lead to an increase in government revenue by taxing individuals with higher incomes, which can be used to finance government programs and social services.

Curbing rising inequality: A progressive tax scale can help curb the growth of inequality in society, as it takes into account income differences and taxes those with higher incomes at higher rates.

Stimulating economic activity: in some cases, lower tax rates on lower incomes can stimulate economic activity, since this means more availability of additional income for these individuals.

Conclusions

Foreign experience in improving income taxes can offer valuable lessons for Uzbekistan. Here are some key aspects that can be put into practice:

Simplification of the tax system: Many countries seek to simplify the tax system in order to make it more transparent and understandable for taxpayers. This may include reducing the number of tax rates, reducing the number of tax breaks, and eliminating excessive red tape.

Improving tax collection efficiency: Many countries are implementing new technologies and methods, such as digital accounting systems and online returns, to make the tax collection process more efficient and reduce the likelihood of tax evasion.

Progressive tax system: The introduction of progressive tax rates can contribute to a more equitable distribution of the tax burden among taxpayers, taking into account their level of income.

Promotion of investment and entrepreneurship: Some countries provide tax breaks and incentives for investors and entrepreneurs to encourage economic growth and job creation.

Combating tax evasion and tax avoidance: Effectively combating tax fraud and tax evasion can help the state collect more revenue and strengthen taxpayers' confidence in the tax system.

Taking into account international experience: Learning and adapting best practices from the experience of other countries can help improve its tax system and achieve more efficient use of tax revenues.

The use of a progressive tax scale requires a balance between fairness and economic efficiency in order to avoid excessive taxation, which can negatively affect investment and economic growth. It is important that Governments develop tax policies that support both economic activity and social well-being.

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