International Journal of Multicultural and Multireligious Understanding

http://ijmmu.com
editor@ijmmu.com
ISSN 2364-5369
Volume 10, Issue 8
August, 2023
Pages: 159-165

The Impact of Tax Policy on the Tax Base and the Procedure for Its Determination

Sadokat Ilkhomjonovna Khalikchaeva

Ph.D. Student, Scientific Research Center "Scientific Bases and Problems of the Development of the Economy of Uzbekistan" under the Tashkent State University of Economics, Uzbekistan

http://dx.doi.org/10.18415/ijmmu.v10i8.5075

Abstract

This article discusses the results of research on existing types and categories of tax policy, how it can affect the tax base, and to what extent it depends on the procedures for determining the tax base. In addition, aspects of the impact of tax policy on the procedures for determining the taxable base are analyzed, and various methods and general approaches to assessing the impact of tax policy on the taxation base in the tax field are considered. Also, the factors of the tax policy that clearly affect some types of taxes are shown in a visual way.

Keywords: *Tax Policy; Tax Base; Procedure; Determination; Personal Income Tax; Tax Object; Tax Relief; Deductions; Cost*

Introduction

It is well known that the set of actions, such as the introduction of taxes, the formation and implementation of tax collection mechanisms, as well as the further improvement of these processes, constitute tax policy procedures.

The fact that the tax policy of the state is broad in content and connected with other types of economic and financial policy means that it covers complex processes. In fact, the core of tax policy lies in solving the question of how much of the gross national (domestic) product developed in society and the newly created value–national income should be attracted to centralized monetary funds (mainly the state budget) for the benefit of the state. Depending on the solution of this issue, the directions of the fiscal and budget policy will be determined. If the state excessively reduces the tax burden in order to support the economy in the redistribution of national income, then it will be necessary to adjust the state budget policy accordingly [1]. However, understanding the impact of tax policies on the tax base is important for policymakers and economists to assess the effectiveness and efficiency of tax systems, identify potential loopholes or unintended consequences, and make informed decisions about tax reforms.

Materials and Methods

As a methodology of research, the tax reforms and procedures carried out within the entire economic community and the global tax system, as well as the in–depth study of international tax laws, decisions and contracts, have been widely used in the analysis and synthesis and economic mathematical methods, scientific observation, theoretical analysis methods by data grouping and forecasting.

About the tax base and the factors affecting it, as well as the features of the procedure for determining the tax base, first of all, in the textbook of "Tax and taxation" of N.V. Milyakov said that "In some cases, the taxable base is actually a part of the object of taxation to which the tax rate is applied" [2]. I.A. Mayburov stated that "In the case of personal income tax, the taxable base differs from the object of taxation by the amount of tax deductions" [3]. And Sergey Stepanovich Piroga in his article "The definition of the Value Added Tax (VAT) object in the Tax Codes of Ukraine and the Russian Federation does not reflect the economic meaning of this concept, it does not allow to objectively and clearly determine the taxable base, the moment of its calculation, unnecessary elements of the legal mechanism of the tax–invoices and separate accounting and a tax account must be entered. In order to eliminate the mentioned shortcomings, it is necessary to define the added value as a Value Added Tax (VAT) object and maintain the taxable base account on the basis of payment orders (bank accounts)" [4]. In addition, in one article, N.N. Shelemekh expressed his views on the procedure for the formation of income and expenses, the determination of the tax base for the purpose of taxing profits [5], P.P. Georgian, with specific examples, considered how the taxable base is determined if the taxpayer has material interests in the form of interest savings [6].

Also, tax policy can affect the procedures for determining the taxable base in several ways, and this range of influence is discussed in the comprehensive guide "Handbook of Public Economics, Volume 4", edited by Alan J. Auerbach and Martin Feldstein, in various aspects of public economics. aspects, including chapters on tax policy and tax administration. It covers insights into how tax policy decisions can affect tax base determination procedures.

Results and Discussions

The procedures for determining the taxable base may differ depending on the specific tax system and country, which depends on the tax policy of that country and the tax system defined by this policy. However, some common procedures include:

1. Calculation of income. Individuals and businesses are required to calculate their taxable income by deducting allowable deductions and allowances from their gross income;
2. Valuation of assets. The taxable base for property or wealth tax is determined by assessing the value of assets owned by individuals or business entities. This may include appraisal, market valuation, or other methods of determining fair market value;
3. Accounting for sales and transactions. The taxable base for sales tax or Value Added Tax (VAT) is determined by the value of the goods or services sold. Businesses are required to keep accurate records of their sales and transactions to determine their tax liability;
4. Payroll records. The tax base for payroll taxes is determined by the wages and salaries paid to employees. Employers are required to maintain payroll records to calculate the amount of tax payable;
5. Financial statements. For corporate taxes, the taxable base is often determined based on the company's financial statements, such as the profit or net income shown on the income statement;
6. Investigations and Investigations. Tax authorities may conduct audits or inspections to verify the correctness of the taxable base provided by individuals or business entities. This may include reviewing financial statements, conducting interviews and verifying supporting documents.

It should be noted that these procedures may be subject to specific rules and regulations in each jurisdiction, and taxpayers are generally required to comply with reporting requirements and provide supporting documents to substantiate the calculation of the tax base.

Table 1, Analysis of aspects of tax policy influence on procedures for determining the taxable base

№	Impact lever	The scope of influence
1	Tax Deductions and Exemptions	Tax policies may allow for deductions or exemptions that reduce the taxable income, thereby affecting the tax base. For example, a government may provide deductions for certain expenses such as business investments, education expenses, or mortgage interest payments. These deductions lower the tax base by excluding a portion of income from taxation;
2	Tax Credits	Tax policies can also include tax credits, which directly reduce the amount of tax owed. Tax credits can be targeted towards specific activities or behaviors, such as energy–efficient home improvements or hiring employees from disadvantaged backgrounds. These credits reduce the tax base by directly reducing the amount of tax owed;
3	Tax Rates	Tax policies determine the rates at which different types of income or activities are taxed. By setting different tax rates for different income levels or types of income, tax policies can affect the overall tax base. For example, a progressive tax system with higher rates for higher–income individuals reduces the tax base for those individuals;
4	Depreciation and Amortization Rules	Tax policies often include rules for depreciating or amortizing the cost of assets over time. These rules affect the timing of when expenses are deducted from taxable income, which can impact the tax base. For example, accelerated depreciation rules allow businesses to deduct a larger portion of an asset's cost in earlier years, reducing the tax base in those years;
5	Transfer Pricing Rules	Tax policies may include transfer pricing rules that determine how profits are allocated between related entities in different jurisdictions. These rules aim to prevent profit shifting and ensure that taxable income is appropriately attributed to each jurisdiction. By affecting how profits are allocated, transfer pricing rules can impact the tax base in different jurisdictions.

Source: Handbook of Public Economics 1st Edition–October 21, 2002. Editors: A.J. Auerbach, M. Feldstein. Hardback ISBN: 9780444823151.

According to Schedule 1, tax policy affects the procedures for determining the taxable base through deductions, allowances, credits, tax rates, depreciation and amortization rules, transfer pricing rules, and is a powerful and difficult to control tax instrument. These policy choices can have a significant impact on the amount of taxable income and ultimately the tax base. Also, The Oxford Handbook of State and Local Government Finance, edited by Robert D. Ebel and John E. Petersen, covers state and local government finance, including covers a variety of property tax topics. It contains a discussion of the impact of tax policy on the procedures for determining the taxable base.

There are many economists and researchers who have studied the impact of tax policy on the tax base in their research. In particular, Arthur Laffer is an economist known for his Laffer curve, which shows the relationship between tax rates and tax revenues, and his work focuses on how changes in tax policy can affect economic growth and the tax base [7]. James Poterba is an economist who has extensively studied the effects of tax policy on savings, investment, and the tax base. He has conducted empirical research using econometric analysis to understand how different tax policies affect behavior and the tax base. Emmanuel Saez is an economist who studies income inequality and tax policy. His research examines how changes in tax rates and progressivity affect the distribution of income and the tax base. Raj Chetty has also conducted research on the effects of tax policy on various aspects of economic behavior, including labor supply, entrepreneurship and investment. His work often involves the use of extensive administrative data to analyze the impact of changes in tax policy on the tax base. In addition, Thomas Piketty is an economist who studies income and wealth inequality, including the role of tax policy in shaping these inequalities. His research examines how progressive tax policies can affect the distribution of income and wealth, and thus the tax base [8].

Also, in carrying out the above research, there are various methods and general approaches for assessing the impact of tax policy on the taxation base in the tax sector, which are depicted in Figure 1.

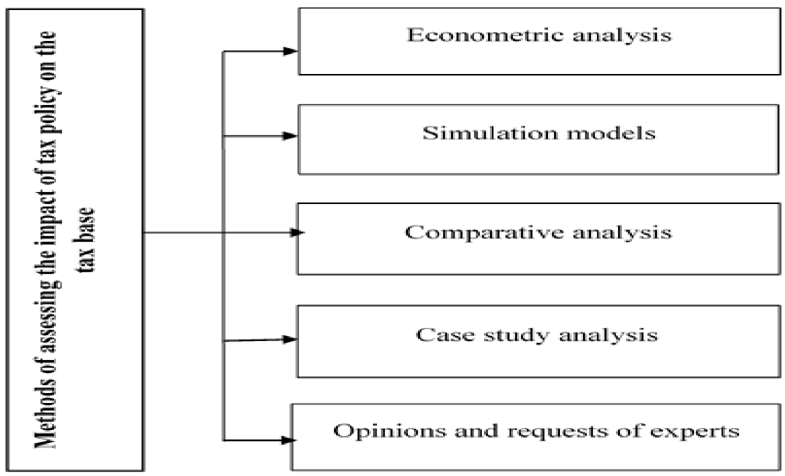

Figure 1. The methods of assessing the impact of tax policy on the tax base

It can be understood from the diagram presented in Figure 1 that 5 methods of assessing the impact of tax policy on the tax base, available in the tax system, are shown. In this case, the "Econometric analysis" method involves the use of statistical methods to analyze historical data and assess the relationship between changes in tax policy and the tax base. By examining changes in the tax base before and after certain tax policy changes, researchers can estimate the effects of those policies, while simulation models simulate the effects of tax policy changes on the tax base. That is, researchers enter various parameters into the model, such as tax rates, exemptions and deductions, to see how they affect the tax base. One of the most common models is the "Comparative Analysis" method, which involves comparing the tax bases of different jurisdictions with different tax policies. That is, by studying jurisdictions with similar characteristics but different tax policies, researchers isolate the impact of specific tax policies on the tax base. Furthermore, "Case Studies" is a model in which researchers conduct case studies to examine the impact of specific tax policy changes in a particular jurisdiction on the tax base and analyze relevant data, conduct interviews, and analyze tax policy decisions to determine whether tax policy decisions are tax–related involves studying the specific context to understand how it affected the base. Also using Expert Opinions and Surveys, researchers can collect opinions or conduct surveys of experts in the field to understand their views on the impact of tax policies on the tax base. It should be noted that assessing the impact of tax policy on the taxable base is a complex task, and no single method can give an exact answer. Often a combination of these methods used to fully understand how tax policy decisions affect the taxable base.

As a result, of our analysis above, we grouped the factors affecting the tax base in the process of determining the tax base of the tax system of our republic as follows:

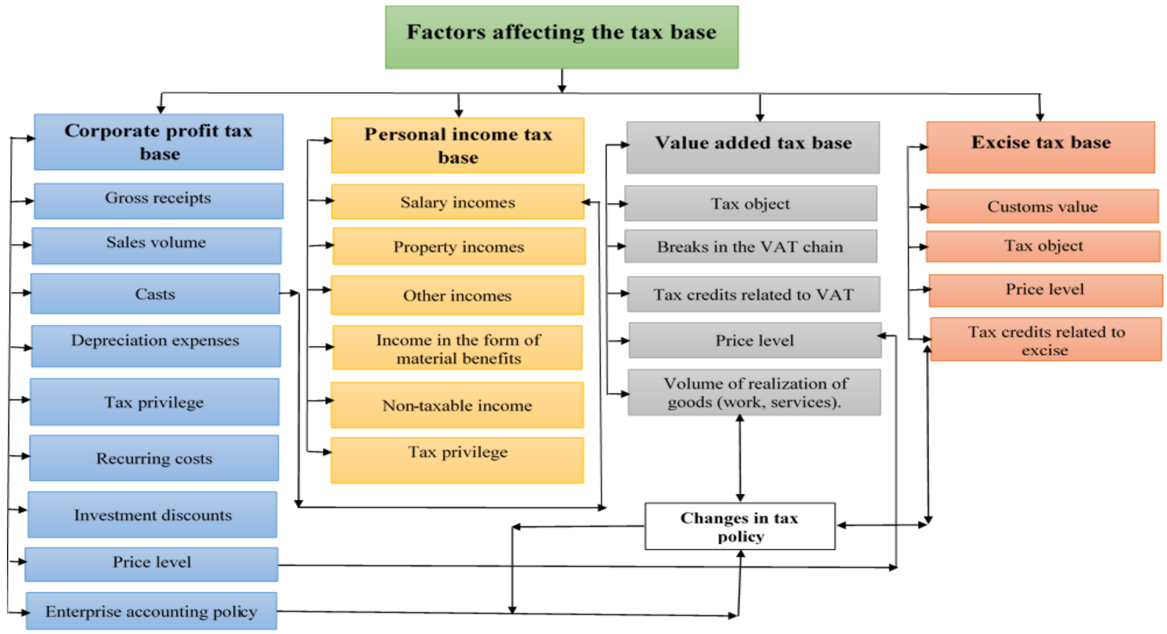

Figure 2. The composition of factors affecting the tax base

We can see from Figure 2 that we divided the factors affecting the expansion or contraction of the tax base into two groups based on our research. The first of these groups are considered to be directly influencing factors, and the second is considered to be indirectly influencing factors. In this case, if the first group of factors includes expenses, re–added costs and benefits, the second group of factors includes current changes in tax policy, the level of tax literacy and, of course, the importance of the legal framework. These factors are considered levers that are introduced or formed under the influence of the state tax policy and indirectly give their impetus to the revenue part of the state budget. We will consider it below on the example of limited liability companies, joint–stock companies and enterprises operating in our country.

In our study, if we describe the processes related to the assessment of the impact of the state tax policy on the tax base, it can be grouped into three parts. That is, there are types of tax policy such as progressive, regressive and stable, in which the measures used in the progressive direction of the state tax policy are actions aimed at collecting more taxes, increasing the tax base creates an expansion state.

In the case of regressive tax policy, the government's goal is to provide more opportunities to taxpayers by reducing the tax burden, and at the basis of this, to develop the production sectors and increase the level of welfare of the population at the expense of leaving more capital in the hands of the real sectors. In this situation, if there is a reduction in the tax base of taxpayers due to measures such as the reduction of tax rates, the introduction of special tax regimes, the provision of various tax benefits and preferences, in a stable tax policy, all tax policies based on the state’s economic situation As a result of the selective application of the necessary elements of the law, the tax base for taxpayers becomes moderate.

Conclusions and Recommendations

From the above, it can be concluded that the impact of tax policy on the taxable base is of great importance, because it directly affects the revenues received by the state and the fairness of the tax system. The main reasons why the impact of tax policy on the taxable base is important are explained as follows:

1. Revenue generation: Tax policy determines the structure, rates, and exemptions of taxes, which directly impact the amount of revenue collected by the government. By shaping the tax base, policymakers can influence the amount of tax revenue generated, which is crucial for funding public services, infrastructure development, and social welfare programs;

2. Economic growth and investment: Tax policies can influence economic behavior by incentivizing or discouraging certain activities. For example, tax incentives for businesses or individuals can promote investment, job creation, and economic growth. On the other hand, high tax rates or unfavorable tax policies can discourage investment and hinder economic development;

3. Distribution of tax burden: Tax policy plays a crucial role in ensuring that the tax burden is distributed fairly among individuals and businesses. By determining the tax base, policymakers can design progressive, proportional, or regressive tax systems to achieve greater equity and reduce income inequality. The impact of tax policy on the tax base can help address social and economic disparities by ensuring that those with higher incomes or wealth contribute proportionately more to the tax revenue;

4. Compliance and administration: An effective tax policy that accurately determines the tax base simplifies compliance for taxpayers and reduces administrative burdens for tax authorities. Clear and transparent rules regarding the tax base help taxpayers understand their obligations and ensure that they report their taxable income or assets accurately. This, in turn, improves compliance rates and reduces the likelihood of tax evasion or avoidance;

5. International competitiveness: Tax policies can have an impact on a country's international competitiveness by influencing investment decisions and cross–border trade. Countries may implement tax policies to attract foreign direct investment, encourage entrepreneurship, or promote exports. The tax base is a critical component of these policies, as it determines the tax liabilities for businesses and individuals operating within a jurisdiction.

From the above it can be concluded that the impact of tax policy on the taxable base is of great importance, because it directly affects the revenues received by the state and the fairness of the tax system.

References

1. Xudoyqulov S.K. Soliq tizimi. Kasb–hunar kollejlari uchun oʻquv qoʻllanma. T:. Ilm ziyo, 2013. 304–bet.

2. Миляков Н.В. Налоги и налогооблажение: Учебник.–5–е изд., перераб. и доп. – М.: ИНФРА–М, 2006. – 509 с.

3. Майбуров И.А. (2011) Налоги и налогообложение. Ред. 4–е изд. – М. – 558 с.

4. Элементы правового механизма НДС: проблемы определения [Текст]. / С.С. Пирога, И.С. Пирога. // Налоги. 2013. №3. – 28–32 с. Библиогр. с. 32 (6 назв.). Рубрики: Право–Финансовое право–Россия–Украина.

5. Фьючерсы, форварды, опционы–формирование доходов и расходов [Текст] / Н.Н. Шелемех // Бухучет в сельском хозяйстве. – 2016. – № 2. – с. 40–50. Библиогр.: с. 50 (14 назв.). – Продолж. Начало: №1. – ISSN 2075–0250. Рубрики: Экономика Финансовая система).

6. Налогообложение материальной выгоды от экономии на процентах за пользование заемными (кредитными) средствами [Текст] / П.П. Грузин // Бухгалтерский учет, 2008. – 26–32 с. Рубрики: Экономика–Россия Финансовая система).

7. “The End of Prosperity: How Higher Taxes Will Doom the Economy–If We Let It Happen” (2008), Stephen Moore and Peter J. Tanous., Artur laffer.

8. “Capital in the Twenty–First Century” – August 14, 2017 by Thomas Piketty (Author), Arthur Goldhammer (Translator).