



THE EXPERIENCE OF DEVELOPED COUNTRIES IN TAXATION OF INDIVIDUALS ENGAGED IN ENTREPRENEURIAL ACTIVITIES

Safarova N.A.

TFI, associate professor of "Finance" department, Ph.D
<https://doi.org/10.5281/zenodo.8026709>

In recent years, the activities of individual entrepreneurs and self-employed people have been developing widely in many countries of the world.

In foreign practice, from the point of view of taxation, the activities of individual entrepreneurs and self-employed persons are similar to each other. Usually, self-employment is considered as an entrepreneurial activity of individuals, and there is no separate taxation procedure for them. In developed countries, self-employed people are recognized as freelancers, that is, people who have certain professional qualifications according to the list of approved professions, that is, doctors, lawyers, teachers, researchers and other persons who work independently on the basis of a contract.

World experience shows that in many countries, when choosing a tax regime, small enterprises, individual entrepreneurs and self-employed persons are not clearly distinguished.

In most countries, individual entrepreneurs are required to pay personal income tax and other taxes. It is known that in the foreign experience of personal income taxation, there are progressive and proportional systems of income taxation.

We will dwell on the procedures for taxation of individual entrepreneurs in Germany, France and China, which have a system of taxation of individual incomes on a progressive scale (Table 1).

In Germany, self-employed persons pay personal income tax. Its rate is taxed on a progressive scale ranging from 0 percent to 45 percent.

In Germany, a tax-free income threshold also applies to self-employed persons, which means that incomes up to 8,130 euros are not taxed in accordance with the minimum subsistence level requirement. In addition, the entrepreneur pays an additional 5.5 percent solidarity tax. The taxpayer does not pay VAT for annual turnover up to 17,500 euros in the first year and up to 50,000 euros in the second year. If the annual turnover exceeds this norm, he must register as a VAT payer. The standard rate of VAT is 19 percent, while the reduced rate is 7 percent. Certain types of activities (such as catering, hotel business, cultural event services) are exempt from tax.



Table 1

In countries where progressive rates of personal income tax have been introduced, they are individual taxation of entrepreneurs ¹

No	Country	Types of taxes and fees	Object of taxation	Rates	Reminder
1	Germany	PIT	Difference between income and expenses	Progressive scale from 0% to 45%	Income up to 8,130 euros is not taxed under the conditions of the subsistence minimum
		Solidarity tax	Difference between income and expenses	5,5%	-
		VAT	On an invoice or income statement (value added)	19% and 7% - for food and non-food products	A taxpayer with an annual turnover of up to 17,500 euros in the first year and up to 50,000 euros in the second year does not pay VAT. Medical and dental services are exempt
		Social security contributions are voluntary			
2	France	PIT	Gross receipts (gross income)	Progressive scale from 0% to 45%	Income up to 10,065 euros is tax-free
		VAT	On an invoice or income statement (value added)	20%	Annual non-taxable income 70,000 euros, 170,000 for general services (catering, hotel business, etc.)
		Social contributions for medical insurance are mandatory			
3	China	Business tax (operational activity)	Difference between income and expenses	Difference between income and expenses	There is no tax-free minimum
		In contrast to voluntary social insurance contributions, this category of business entities is obliged to make social contributions for health insurance.			

In Germany, self-employed people can voluntarily pay social security contributions. These fees are optional.

¹ Voronin S., Ugay D. Spectrum of tax regimes. Economic review. №9 (249) 2020

In France, self-employed individuals pay personal income tax at a progressive rate (from 0% to 45%) on their gross receipts (gross income). Income not subject to personal income tax is 10,065 euros. The annual VAT-free turnover is 70,000 euros, and 170,000 euros for general services (catering, hotel business, etc.). If the individual entrepreneur has a turnover exceeding these standards, he pays value added tax at the rate of 20%. In France, social contributions for health insurance are mandatory regardless of annual turnover.

Entrepreneurship in China is different from that in European countries. The income of individual entrepreneurs is formed mainly from the income received from operational activities, income from securities, capital increase, income from property rental. Sole traders pay business tax on a progressive scale from 5% to 35% of their income. There is no business tax-free minimum. Social insurance contributions are paid voluntarily. Business entities of this category must pay social contributions for health insurance.

In China, unlike European countries, the income of individual entrepreneurs, regardless of turnover, is not subject to value added tax.

The analysis of the taxation procedures of individual entrepreneurs in countries where progressive rates of personal income tax have been introduced shows that the taxation system is almost identical. In Germany and France, sole proprietors pay value added tax in addition to personal income tax. In China, individual entrepreneurs do not pay value added tax. The highest rate of personal income tax for sole traders is in Germany, and the lowest is in China. Also, while the non-taxable minimum is used in the calculation of personal income tax in Germany and France, it does not apply in China. While social security contributions are voluntary in Germany, they are mandatory in China.

The analysis of the foreign experience of taxation of individuals engaged in entrepreneurial activities shows that, while the taxation of their income is generally the same as the system of taxation of individuals who receive income, separate tax obligations are also defined for entrepreneurial activities.

References:

1. Voronin S., Ugay D. Spectrum of tax regimes. Economic review. №9 (249) 2020
2. Mahmudova M. D., Quldasheva M. N. using from the leading innovational methods in teaching on the theme "social-economical groups of the world countries", the political map of the world at the present time //Scientific and Technical Journal of Namangan Institute of Engineering and Technology. – 2019. – T. 1. – №. 4. – C. 270-275.
3. Juraevna M. M., Nurmatjonovna Q. M. Methods And TECHNOLOGY Of Teaching Economic And Social Geography //METHODS. – 2021. – T. 7. – №. 12.
4. Nurmatjonovna K. M. mechanisms for the development of creative thinking of students in the process of personality-oriented education //berlin Studies Transnational Journal of Science and Humanities. – 2022. – T. 2. – №. 1.5 Pedagogical sciences.

