

Eurasian  
Research Bulletin



# International experience in taxation of the service industry and prospects for its application in the national tax system

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**ABSTRACT**

The emergence of the category of services, the emergence of various economic interests of the population in the economic system requires that the service sector function as a particularly important system. The functioning of such an economic system ensures the creation of enterprises that implement it. These types of enterprises have their own characteristics depending on the characteristics of the services. Such enterprises, like other types of enterprises, are profit-oriented, and their activities are taxed in the prescribed manner. The process of taxation of enterprises in the service sector has its own characteristics, and in this article these cases will be highlighted.

**Keywords:**

Service, service sector, enterprise, organization, system, state, financial security, tax, taxation, benefit, preference, activity, industry, network, system, information, tax policy, improvement, public service.

**Introduction:**

To reveal the essence of the concept and system of service provision, to show its unique features from other industries, to clarify the aspects of economic activity in this type of enterprises, as well as the role of those who perform this type of activity in the economy as an enterprise, the importance of service enterprises in the national economy and their elucidating the scientific basis of taxation is important from a scientific and theoretical point of view. Based on this, this article considers the service sector, the socio-economic nature of enterprises engaged in this activity, some directions of their support through the tax-financial system, and the theoretical basis of taxation to be explained.

**Analysis of literature on the topic:**

The service sector, the socio-economic essence of the enterprises engaged in this activity, some directions of their support through the tax-

financial system, and the theoretical issues of taxation are widely studied as the object of scientific research. Including F. Kotler, T. Hilla, M. Catels, N.A. Barinov, I.Kulisher, G.Linkova, S.Egorova, D.Maloletko, A.Dyshlevskiy, as well as local scientists I.Tukhliev, I.Ochilov, G'.Mustafoev, B.Ismailov, socio-economic nature of the service industry and some issues of their taxation have been reflected. In particular, G. Linkova, who conducted scientific research on the taxation of service enterprises, analyzed the mechanisms of using tax incentives to stimulate the activity of service enterprises, classified the modern forms of state financial support for the activities of this type of enterprises, and supported business entities in the service sector. showed the ways of effective use of investment tax benefits as a form, justified the economic model of stimulating investment processes in the collection of property tax from service enterprises, showed the financial methods of fulfilling tax obligations

in service enterprises and fighting against tax evasion [1]. E. Tyutyunnikova also scientifically studies the problems of taxation of enterprises, and also mentions her scientific views on service enterprises. In his candidate's dissertation research, he considered the issues of the development of the tax policy of the state to regulate and encourage the activities of enterprises, including the development of the tax policy of the state for enterprises specialized in providing services, by determining the content of the tax policy and its specific features, which allow to distinguish the tax policy of the enterprise as an independent economic category, and in this direction, scientific-developed methodological recommendations [2]. Another scientific research on service enterprises is a scientific study by S. Egorova on the study of taxation issues in such enterprises, together with accounting and analysis in household service enterprises. In his doctoral thesis, the researcher determined the role and role of household services in the service sector and identified the characteristics of organizational and economic relations specific to the provision of household services, clarified the essence of the mechanism of economic events and processes in the service sector and determined its fundamental characteristics and essence, development of the sector of household services studied the trends, analyzed the normative, methodical and practical level of informatization of state service enterprises, evaluated their management aspect, showed the directions for correct accounting of tax payments in the organization and implementation of accounting in household service enterprises and its further improvement [3]. Maloletko Dmitriy Nikolayevich's scientific research on the taxation of catering establishments is also of great scientific importance. Within the framework of scientific research, this researcher defined the concept of "Tax payment monitoring", analyzed the organizational and legal aspects of the activities of catering enterprises in residential facilities, summarized the main indicators of the proportional monitoring of tax revenues paid by catering enterprises, completed it and showed ways of formalization and systematization. gave

scientific recommendations related to solving problems in this direction [4]. In the taxation of service enterprises, scientific studies focused on the problems of taxation of the hotel industry and its solutions are considered to be of great importance in this direction. A number of scientific studies have been conducted in this direction. In this regard, the researches of A. Dyshlevskiy can be mentioned separately. This researcher has shown the ways of organizing the activities of this type of enterprises by applying an effective tax system to hotel structures on the example of Russia. He also developed recommendations for the development of tax regulation of the hotel industry [5].

However, it should be noted that although some scientific researches related to the taxation of service enterprises have been carried out in the tax system of Uzbekistan, they were mainly approached from the point of view of taxation of the small business sector. There are very few research studies that consider service enterprises as part of a separate scientific study. This article examines the socio-economic nature of service enterprises and the methodological basis of their taxation.

### **Research Methodology**

Widely used general and individual methods of scientific research are used in research on the nature of service enterprises and their taxation. It uses methods such as dialectic, synthesis and analysis, abstraction, generalization, grouping, comparison, logical approach, deduction.

### **Analysis and discussion of results.**

Taxation of service enterprises around the world is based on the characteristics of each country's national tax system, secondly, in accordance with the principles and rules of double taxation, and thirdly, based on the location of service enterprises and their activities. A number of taxes have been introduced in world practice for taxation of service enterprises. In particular, most countries in the world apply value added tax, which is levied on the retail sale of goods and services. VAT rates vary from country to country and can range from 0% (zero rate) to a higher percentage. Many countries apply a

value-added tax (VAT) or similar tax on the retail sale of goods and services. Value added tax rates are subject to change and typically range from 5% to 27%. Some countries also have reduced rates for certain types of services.

The next type of tax is the corporate income tax (Corporate income tax), in which service companies are taxed based on their profits, and these tax rates vary widely between countries and can range from a few percent to significant percentages. Corporate income tax rates can vary from country to country and generally range from 0% (for special economic zones or preferential treatment) to rates of 30% or higher. In many countries, services provided by businesses are subject to corporate income tax. At the same time, the tax base and rates may change depending on the organizational and legal form of the enterprise and other factors.

In the practice of taxing service enterprises, personal income tax (an increase in the income tax from individuals in the tax system of our republic) (personal income tax) is also collected, which is mainly individual entrepreneurs and individuals working in the service sector are usually subject to personal income tax. Personal income tax rates also vary from country to country and may be based on progressive taxation principles.

In most countries (for example, the USA, Germany, Russia, Kazakhstan, Armenia, Japan, Brazil, Norway, etc.), taxes collected from service enterprises are often included in local (municipal) budgets as local taxes, similar to the practice in Uzbekistan. In some countries, for example, in the USA, Germany, Brazil, Russia, local taxes imposed by regions or municipalities may be imposed on service enterprises. These may include property tax, land tax, etc. In recent years, tax rates for taxing service enterprises in the world have been significantly different depending on the country and type of service.

Many countries use double tax treaties to avoid situations where the same income is taxed in more than one country in the taxation of service businesses, especially in the taxation of transport, restaurant businesses and digital (internet commerce) businesses. the agreement related to attainment (harmonization) determines the rules of distribution of tax rights

between countries on the basis of treaties. However, it should be noted that tax systems and policies may change over time, and specific rules for tax services vary across countries. Many countries have bilateral or multilateral tax treaties governing the taxation of services between countries. These treaties may contain provisions for the avoidance of double taxation and the settlement of disputes.

Some countries impose special taxes on the use or sale of certain services. It can be taxes on entertainment, utilities, tourism and other types of services. In many countries, income taxes are withheld from wages for workers, including service workers. In some cases, services provided in certain sectors (for example, hospitality) are subject to real estate or land tax, while specific taxes or fees may apply to certain types of services in certain recipient countries. For example, some countries impose tourism taxes or gambling taxes. Some states and municipalities have special taxes and fees related to certain services or sectors, such as hospitality or retail.

Considering the experience of the United States of America, which has many practical best practices in taxing service businesses without value added tax, service taxation is regulated at the federal, state and municipal levels, with taxation and taxation varying between states and local tax jurisdictions. possible As we noted, the US does not have a value-added tax, instead many states use sales taxes (sales tax) or general goods and services taxes (general sales and use tax) to tax service businesses, with tax rates and the list of taxable services varying from state to state. may vary. Taxation in the United States is complex and depends on many factors, including state and municipal laws, the nature of the service, the structure of the business, and other factors.

In the United States, service businesses are also taxed by corporate income tax, the rate of which depends on the type of activity and the size of the company. Additionally, each state may have its own corporate income tax. In the US, self-employed taxpayers who belong to the service industry pay personal income tax and social security contributions. As noted above, individual states (such as Texas) or local tax

jurisdictions in the United States may have specific taxes and fees associated with certain services. For example, some states have a separate tax on hotel services or car rental services.

International tax treaties apply to companies that provide services outside the United States or have international operations, which may affect the taxation of service income. The service is also subject to US federal corporate income tax. The service industry, including individuals and companies, is subject to the federal corporate income tax (corporate income tax). The federal income tax rate for companies is 21% (based on current data for 2022), but is subject to change by law. State-level corporate income tax also applies. Each state in the United States has its own system of corporate income tax. State tax rates and rules vary significantly from state to state. Some states and municipalities in the United States may have additional taxes and fees for certain types of services, such as tourism or certain professional licenses. Certain service areas may be subject to special taxes or license fees. For example, hotel and restaurant services may be subject to separate tax rules and requirements.

If we pay attention to the European experience of taxation of service enterprises, the experience of Germany, where the taxation mechanisms are rather complex and rather simple, is particularly important. Taxation in the service sector in Germany is carried out in accordance with the federal tax system and tax laws. Taxation in the service sector in Germany is carried out in accordance with the Uniform Tax Code ("Abgabenordnung") and the Value Added Tax Act ("Umsatzsteuergesetz"). Some key aspects of service taxation in Germany are: Germany has a value added tax ("Umsatzsteuer") on the sale of goods and services. The general value added tax rate in Germany is 19%, but there are also reduced rates for certain goods and services (e.g. 7% for certain food, books, cultural events). Service companies usually include this tax in the price of the service and remit it to the tax authorities. Corporate income tax ("Körperschaftsteuer") also applies to the taxation of service businesses in Germany, with a corporate income tax rate of

15% and an additional solidarity tax of 5.5% of the tax amount.

In Germany, taxpayers who are self-employed and specialize in providing services are subject to income tax ("Einkommensteuer"). They have to declare their income and pay tax based on a progressive scale of taxation depending on the level of income. Some municipalities in Germany may have an additional local service tax ("Geverbesteuer"). This tax is levied on commercial activity and is subject to local rates and regulations. In this country, special taxes or fees may apply to certain service areas. For example, some types of services such as tourism or gaming are among them.

Taxation in the service sector in England (Great Britain) is carried out in accordance with the general tax system of the country. The standard rate of value added tax (VAT) in England is 20%, but there are also reduced rates of 5% and 0% for certain types of services and goods. A corporate income tax is also applied to service businesses, with service businesses being taxed based on their profits. The corporate income tax rate is 19% (from April 1, 2023). Individual entrepreneurs working in the service sector are usually subject to personal income tax. Personal income tax rates are progressive and depend on the level of income. England has a property tax system which includes council tax (local tax on housing), business rates (tax on commercial property) and stamp duty (tax on the purchase of real estate).

Special taxes and levies also apply to the taxation of service businesses in England. In some cases, special tax rules and requirements may apply to certain types of services. For example, certain industries, such as financial services or the gambling industry, have special taxes. International tax treaties can be used to prevent double taxation and to determine tax jurisdiction between countries in international transactions and provision of services abroad. In Great Britain, including England, taxation in the service sector is carried out in accordance with the general tax system of the country. Individual entrepreneurs working in the service sector are usually subject to personal income tax. Personal income tax rates are progressive

and depend on the level of income. Rates for 2021-2022 range from 20% to 45%.

The UK has national insurance contributions which tax the income of individuals and businesses. These contributions cover social security and state pensions. England has local taxes, including Council Tax, which is levied by municipalities on property values and used to fund local services. Depending on the type of service and the industry in which it is provided, special taxes or license fees may apply. For example, a bed tax may be introduced in the hospitality industry or special license fees may apply in certain areas.

Taxation in the service sector in France is carried out according to the general tax system of the country. France has a value added tax (Taxe sur la Valeur Ajoutée, TVA) levied on the retail sale of goods and services. There are different VAT rates, including a general rate of 20%, reduced rates of 10% and 5.5%, and special rates for certain goods and services. In addition, the business income tax (Impôt sur les Sociétés IS) applies to the taxation of service enterprises. In this case, the income tax rate is usually 28% for companies with annual profits up to 500,000 euros and 33.33% for companies with profits above this threshold.

Individual entrepreneurs working in the service sector are subject to personal income tax (Impôt sur le revenu, IR). Personal income tax rates are progressive and depend on the level of income. In some cases, certain types of services may be subject to special tax rules and requirements. For example, a tourist tax may be applied in the tourism sector.

Taxation of service enterprises, like other enterprises in Russia, is regulated and coordinated according to the Tax Code, the main federal tax law of the country. Tax legislation in Russia applies to all organizations and institutions located on the territory of the Federation, and service sector enterprises, which include trade, catering, accommodation facilities (hotels), service, household services, are a taxing object (tax agent) as part of their activities. has a number of features. About seventy percent of enterprises operating in the service sector in Russia are small business entities. As mentioned at the beginning of the

second chapter of our research work, as of January 1, 2023, 325,809 units of the total number of enterprises and organizations in the service sector (392,787 units) are small business entities. Their share in the total number of enterprises and organizations operating in the service sector is 82.9%, and the share of large organizations engaged in service activities is 17.1% (66,978 units). This trend is characteristic of most foreign countries.

In accordance with Articles 153, 164, 171 of the Tax Code of the Russian Federation, if service enterprises pay value added tax on their activities, they pay tax at a general rate of 18 percent, for some food products at a rate of 10 percent, and for some goods and services at a rate of 0 percent. In accordance with Articles 149 and 18 of the Tax Code of the Russian Federation, services for the provision of residential buildings for use in the housing fund of all forms of ownership, services of sanatoriums, sanatoriums, health care organizations and recreation organizations, educational and medical organizations provided with vouchers or referrals food products produced by canteens and sold by them in these organizations, as well as services related to the sale of food products produced directly by public catering organizations and sold by them to these canteens or organizations are exempt from VAT. Russia has a simplified taxation system (SST) that allows small businesses to pay taxes based on fixed amounts or percentages of income without separate categories of expenses and income. A simplified tax system may be applied to certain types

### **Conclusions and suggestions.**

Based on the theoretical analysis carried out in this article, we can conclude that, firstly, the complexity of the technologies and network structure of the service sector, the improvement of the quality and diversity of the manufactured products, as well as the rapid development of high-tech and intensive service networks increase the efficiency of enterprises, organizations and farms. serves to further increase competitiveness and increase the standard of living of the population. Secondly, in the volume of services by types of economic

activity, payments calculated without value added tax and excise tax are taken into account for the services provided at current market prices. Services are market services provided for the market when they are traded and sold at prices that are economically significant (fully or substantially covering the costs of the service provider). Thirdly, the volume of provided market services is the value of market services provided by all service producers (legal entities and individuals) who specialize in the production of services and whose main type of activity is service. Fourthly, the service industry is quite different from the goods production industry in terms of its internal and external characteristics and their consumption. Because services are manifested in some delicate intermediate stages in the process of production of tangible goods, and perform a specific function for the smoothness of production, on the other hand, determining its values is also specific.

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