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MAIN ASPECTS OF THE TAX POTENTIAL AND DIGITAL ECONOMY OF THE COUNTRY

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ABSTRACT

The article describes the essence of tax potential and the digital economy in modern conditions. An analysis of the tax potential and digital services in the global economy was carried out. The results of scientific research in the field of formation of the concept of tax potential taking into account the digital economy are reflected. The main characteristics of digital services are shown in the context of the ongoing pandemic and military special operations in Ukraine. Important conclusions have been drawn regarding the problems of tax potential and the digital economy.

KEYWORDS

Tax potential, digital economy, taxation, digital services, tax reforms.

INTRODUCTION

The state of socio-economic development of each country in modern conditions largely depends on strengthening tax potential and on the development of the digital economy. Under these conditions, tax revenues constitute the bulk of countries' budget revenues, which can serve to strengthen the digital economy. Therefore, many governments pay special attention to the effective use of tax potential and the development of digital technologies. In this process, of course, it is important to analyze situations related to tax potential and the state of development of digital technologies in countries around the world.

In the context of observing various strains of the pandemic in the world, states around the world are paying special attention to ensuring tax collection and increasing tax potential in this area. It should be noted that the processes of socio-economic development of countries and its regional structures depend on increasing tax potential and strengthening the digital economy. The emergence and rapid spread of the digital economy represent one of the most important trends in global development in recent decades. The digital economy and related phenomena, among which digitalization stands out (the use of digital data and technologies, leading to the emergence of new or transformation of existing activities [OECD, 2019a, p. 7]), are having an increasing impact on the world economy and individual national economies and people's lives. In this regard, topics related to tax potential and the digital economy are considered relevant. To solve this problem, we will first analyze issues related to the analysis of the works of scientists on the formation of the conceptual apparatus of tax potential and the digital economy.

The concept of tax potential and the digital economy has been the object of study by many international organizations and scientists.

Table 1. Some definitions of the concept of "tax potential" and "digital economy"[1]

Authors	Definitions of the concept of "digital economy"	Authors	Definitions of the concept of "tax potential"
Don Tapscott	The digital economy isthe economy of the era of network intelligence, which is based on "information of all kinds in digital format...transmitted using network technologies" [Tapscott, 2015, p.16]	Voskanyan E. S.	Tax potential is a derivative of economic potential, which is an instrument that aggregates exclusively tax revenues at different levels. [1]
UNCTAD	Digital economy is the application of digital Internet technologies in the production of goods and services[UNCTAD, 2017b,c. 156]	Yutkina T. F.	Tax potential is the total revenue of producers of goods, works and services minus the corresponding production and distribution costs. [2]
IMF	Digital economy in the narrow sense,this is a set of online platforms, as well as the types of activities possible thanks to such platforms; In a broad sense, the digital economy is - all types of activities that rely on the use of digital data; in developed economies, the digital economy covers the entire economy[IMF,2018, p.7]	Matrusov N. D.	Tax potential is the ability of the tax system to effectively implement financial resources. [3]
"Group of Twenty"	The digital economy is various types of economic activities in which the use of digital information and knowledge plays the role of a key factor of production, modern information networks are becoming an important area of activity, and the effective use of ICT acts as an important driving force for increasing productivity and optimizing the structure of the economy[G20, 2016]	I. A. Mayburov	Tax potential is an economic category that describes the set of financial relations around the transformation of the tax base into tax revenues, guided by parameters based on the balance of the fiscal and regulatory functions of the tax system and the specific conditions of the economy [4, p. 418-419]

As can be seen from the table, there are different concepts of the digital economy and tax potential. By connecting these two concepts, we can characterize the development of countries in modern conditions. According to Watanabe, the limited potential of generally accepted economic indicators, among which the main one is the gross national product, in the process of assessing the development of the digital economy with the decline in growth rates of the world's leading economies recorded in recent years and the new "productivity paradox" [Watanabe et al., 2018, c. 226]. It should be noted that the lack of an established approach leads to significant discrepancies in the estimates given. According to Zhang Chen, the digital economy in China creates from 6 to 30% of the country's GDP [Zhang, Chen, 2019, p.4]

As shown in the sources, the tax potential has the followingfeatures: firstly, it is of a reproductive nature, secondly, it reflects not the actual, but the potentially achievable level of tax revenue, since the objects of taxation and the tax base can be transformed; thirdly, it is mediated by the institutional

[1]Table compiledby the authors based on the indicated sources.

environment of the economic sphere. [4, p. 418-419] The role of tax potential in stimulating the efficiency of innovation in the digital economy is shown in the works of Olga Maksimchuk, Elena Maznitsa and Larisa Chizho [5]

Thus, our conclusion is that tax potential characterizes the financial ability to increase tax revenues into the budget system, taking into account the existing tax base, without a negative impact on economic entities.

When assessing the development of the digital economy, various methodologies are used, taking into account tools developed to measure specific parameters of the development of the digital economy, ratings based entirely or largely on statistical data of a technical nature, as well as ratings that represent examples of the application of a mixed approach, i.e. combining a certain amount of available statistical data with estimated indicators.

If the tools (OECD Toolkit for Measuring the Digital Economy; OECD Going Digital Toolkit) represent a valuable source of basic information and recommendations for planning national policies in the field of digital development and do not aim to rank countries in the world by level of digital development, then the ratings (ICT Development Index ; Digital Adoption Index) according to the OECD definition, due to the nature of the data used, are more suitable for assessing the state of a country's digital infrastructure [OECD, 2017, p. 28], and (Networked Readiness Index; EU I-DESI; IMD World Digital Competitiveness Ranking) for analysis the state of the legal and business environment to the extent that it promotes or inhibits the development of the digital economy, as well as the impact of digital technologies on the life of society. Considering this methodology This article uses methods such as verbal interpretation, statistical observation, induction and deduction, scientific generalization of the scientific and theoretical foundations for increasing tax potential and strengthening the digital economy in the world, including in Uzbekistan.

Analysis and Results

The crisis caused by the COVID-19 pandemic and the ongoing military operations in Ukraine requires governments around the world to implement tax reforms to strengthen the ability of states to invest in social protection.

To strengthen tax capacity, corporate taxation is important, which comes to the forefront in national and intergovernmental reforms. As noted by international sources, although corporate profits are growing, the company's contribution to state budgets is becoming proportionately smaller and smaller. The main reasons for this include reductions in corporate income tax rates around the world in order to attract foreign direct investment, as well as aggressive tax planning. These processes occur taking into account the fact that profits are transferred from countries with a high tax rate to countries with a lower tax rate. Estimates also show that 40% of foreign direct investment is motivated by the transfer of profits rather than genuine economic activities. Today, many multinational corporations are becoming less and less dependent on labor and capital, and are increasingly focused on extracting cash from intangible assets such as software, algorithms and brands.

Therefore, we must take into account the impact of the digital economy on tax potential, since companies more oriented towards the digital economy pay significantly less taxes than similar companies operating under normal conditions, as evidenced by data presented by the European Union Commission.

Among the factors influencing tax potential, an important feature of financial factors is that they

quickly influence the amount of tax potential. Among them are the content of fiscal policy and its directions (distribution of expenses, tax rates, benefits). Among financial factors, monetary policy is one of the most rapidly influencing factors, and in turn stimulates production and affects the emergence of new tax potentials.

According to the study's analysis, the figures show that the US losses amounted to $188.8 billion per year, and in China $66.8 billion, in Japan $46.8 billion, in India $41.2 billion, France $19.8 billion and etc.

Sanctions imposed by the United States against Russia due to a special operation in Ukraine will not only accelerate inflation in the United States, but can also reduce tax revenues of American regional budgets and lead to increased business taxes.

The tax rate for oil workers in Utah is 5 percent of the price of oil if market quotes exceed $13 per barrel, and for natural gas 5 percent if the gas costs above $1.5 per thousand cubic feet.

“Inflation continues to rise, which has contradictory consequences: sales taxes are rising, but consumer sentiment is falling. In addition, increased dependence on local fuel due to the conflict between Ukraine and Russia may lead to an increase in mining taxes in the coming months.”

In addition to increasing tax revenues, fair corporate tax rules should also ensure healthy profit levels are maintained where value is created, i.e. where the workers are. Aggressive tax planning means that profits are siphoned out of otherwise healthy subsidiaries and redirected to tax havens through complex mechanisms. That being said, corporate tax reform should be carefully considered by policymakers because of the undesirable consequences, especially the regressive effects of shifting the tax burden from companies to workers and consumers, and possible implications for employment. Based on this, transfer pricing rules are one of the reasons why taxes are too low for digital firms.

Countries are introducing taxes on digital services, which are often seen as an easy solution to quickly raise revenue. Importantly, governments are relying on these unilateral measures to respond to public calls for fairer taxation of digital firms. At the same time, digital services taxes come with risks, especially regressive implications and elements. Countries are introducing taxes on digital services, which are often seen as an easy solution to quickly raise revenue. Importantly, governments are relying on these unilateral measures to respond to public calls for fairer taxation of digital firms. At the same time, digital services taxes come with risks, especially regressive implications and trade tensions.

The principles of a global excess profits tax are also considered at the OECD level. While the OECD's Pillar I negotiations initially aimed to develop a new tax that would apply exclusively to digital activities, a recent proposal by the US administration would significantly simplify the scope by focusing on the profitability of large multinational corporations. The European Union also plays a key role in this area. In May 2020, the European Commission announced that it would study the possibility of introducing an additional tax on companies making "huge profits" from the common market.

There are the following initiatives to reform taxation:

- unitary taxation in which global profits corporations are distributed between countries according to a certain formula. Involves a deep reform of OECD transfer pricing rules. The Tax Fairness Network estimates the proposal would generate $100 billion annually. Combined with a minimum tax rate of 25%, annual revenue growth could reach up to $950 billion.
- The Digital Services Tax provides a turnover tax for large digital companies. 4-5 billion US dollars.

- The minimum tax rate provides the right to levy tax on profits transferred abroad or on which tax has been paid at a rate lower than the agreed minimum rate. 580-650 billion US dollars annually at a rate of 25%. 380-500 billion US dollars per year at a rate of 21%.
There are taxes on digital services, which can be roughly shown in the following table.

Table 2. Existing taxes on digital services in countries around the world[2]

A country	Service tax rate	Tax revenues
Austria	5% for advertising	Indefined
Canada	3% for advertising and digital intermediary services	415-925 million US dollars per year
Czech	5% for advertising, selling user data	183 million euros per year
France	3% for online advertising, digital mediation	€358 million in 2021
Hungary	7.5%	Indefined
India	2% for non-resident e-commerce operators	73 million US dollars in 2017-2018
Italy	3% for online advertising, digital interfaces, user data	700 million euros in 2020
Kenya	1.50% for online markets	Indefined
Poland	1.5% for audiovisual media services and advertising	3.2–4.3 million euros annually
Spain	3% for online advertising, online advertising sales, user data sales	968 million euros per year
Tunisia	3% for the sale of computer applications and digital services	n/a
Great Britain	2%	£280-515 per year
Zaimbabwe	5% for digital and e-commerce	Indefined
Total	4-5 billion US dollars	

As the data in the table shows, the total revenue from taxes for digital services amounted to4-5 billion US dollars.
In the main directions of the tax and customs policy of Uzbekistan for 2022, rates for the main types of taxes have been preserved, work has continued to abolish ineffective tax and customs benefits, modern models of taxation of subsoil users are being introduced, and the property tax rate for legal entities is being reduced from 2% to 1.5 %, indexation of the property tax rate for individuals by 1.1 times, indexation of the tax rate for the use of water resources (except for the rates established for the use of water for irrigation of agricultural land and fish breeding) by 1.1 times, a coefficient is applied 1.05 to the tax rate for the volume of water used for irrigating agricultural land and breeding (growing) fish, the procedure for transferring losses into the future for ten years when calculating income tax is retained with the lifting of the restriction on the total amount of transferred losses, the maximum depreciation rates are increasing deductions attributed to expenses for tax purposes.

[2]Fair corporate taxation is a key requirement of the ITUC.

Table 3. Limit rates of depreciation deductions attributable to expenses for tax purposes

No.	Expenses for tax purposes	Maximum rates of depreciation deductions, in%
1	for buildings	from 3 to 5
2	for buildings	from 5 to 10
3	for transmission devices, power machines and equipment	from 8 to 15
4	for working machines and equipment	from 15 to 20
5	for computers and information processing equipment	from 20 to 40
6	Increasing the amount of investment deduction by the amount of funds allocated for	
7	purchase of new technological equipment	from 10 to 20
8	expansion of production in the form of new construction	from 5 to 10

The growth of State budget revenues in 2022 is predicted with a slight increase in the total tax burden.

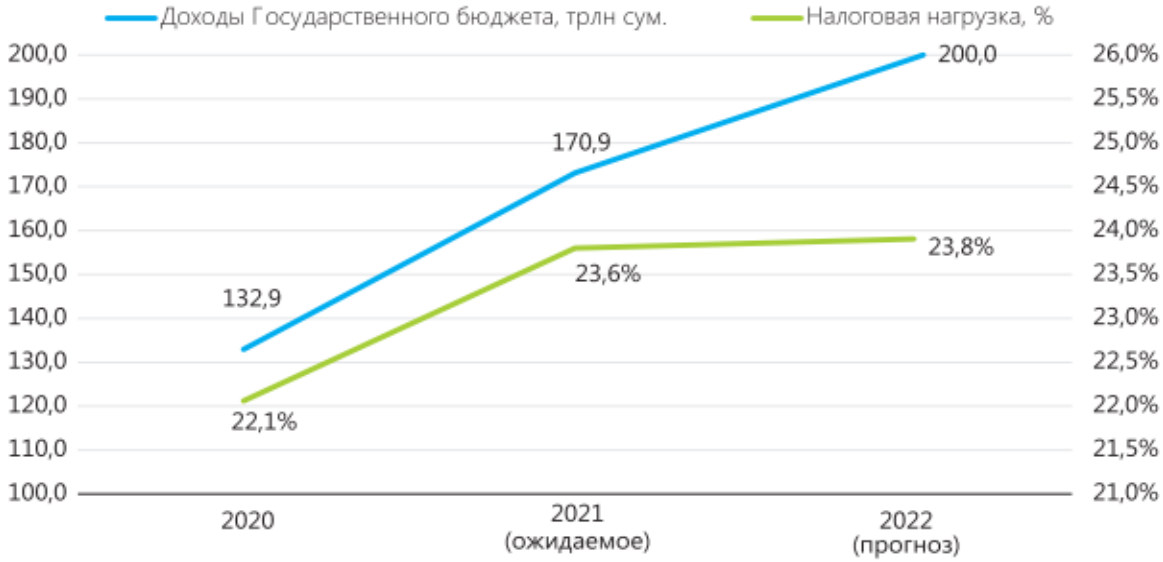

Fig.1. Tax burden and state budget revenues in 2020–2022 in Uzbekistan

State budget revenues for 2022 are projected at 200.0 trillion soums, or 23.8% of GDP.

Table 4. State budget revenues by main sources

Types of taxes	Share in total income, %
Direct taxes	34.3
Indirect taxes	36.6
Resource taxes and property tax	12.9
Other income	16.2
Total	**100**

As can be seen from the data in Table 2, direct taxes for 2022 are projected at the level of 68,511.1 billion soums, which will amount to 34.3% or 8.2% of GDP of the total State Budget revenues. When forecasting direct taxes for 2022, the rate of economic growth, the commissioning of new production facilities and wage growth were taken into account. Indirect taxes are projected at the level of 73,164.9 billion soums, which is 36.6% of total State budget revenues or 8.7% of GDP. The main

revenues, i.e. 72.9% of indirect taxes, will be provided through VAT. The main share in revenues from resource taxes comes from the tax for the use of subsoil - 17,352.9 billion soums. To improve the tax potential will be influenced by an increase in volumes and prices for certain types of minerals, as well as changes in the exchange rate and improvement of tax administration for non-metallic minerals. These conditions presuppose the need to implement decentralized tax processes aimed at coordinating the interests of all participants in tax relations.

To improve tax potential, it is very important to use proactive budgeting, which expands the opportunities for citizens to participate in the distribution of part of local budgets to resolve issues that concern them. From January 1, 2022, in all districts (cities) of the republic, a procedure has been introduced to allocate 5 percent of the approved total expenses of the relevant budgets to finance activities formed on the basis of public opinion.[14]

Conclusions and offers

Based on the above scientific and theoretical views on the importance of tax potential and the digital economy, the following conclusions were formed:

Firstly, tax potential and the digital economy are important aspects of the development of countries in the world in modern conditions.

Secondly, tax potential determines the future of countries, since the formation of the revenue side of state budgets is very important. This indicator should take into account the degree of development of the digital economy.

Thirdly, countries around the world, taking into account the importance of tax potential and the digital economy in the development of the country, are taking initiatives to reform taxation.

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