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Classification and Characteristics of World Tax System Models

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Abstract: Comparative legal analysis of the tax system is necessary for the formation of a complex of modern legal and organizational measures to prevent and put an end to non-payment of taxes and fees. The mechanism of economic relations, such as taxes, allows the state to freely carry out certain activities, because it serves as one of the main sources of money that goes to the state treasury. There are many researchers in the world who deal with the problems of taxes and their collection, and to solve them they rely on the analysis of the tax systems of foreign countries. In recent years, views on the existence of four models of the tax system - Anglo-Saxon, continental, mixed and Latin American models - have appeared in world practice. Their significant difference is the level of tax burden.

1. Anglo-Saxon model - tax responsibility is focused primarily on citizens, direct taxation prevails. The main source of state income is income tax revenues to the budget. Representatives of the tax system in this model are USA, Canada, Great Britain[1].
2. Eurocontinental model - indirect taxes have priority. If income tax is the main source of financing in the Anglo-Saxon tax system, VAT plays a major role in the formation of the state budget in the continental tax system. Representatives of this model are countries such as Belgium, France, Austria, and the Netherlands.
3. Latin American model. In countries that follow this tax system, the government influences the ratio of direct and indirect taxes, taking into account the existing inflation, to prevent its impact on the state budget. However, indirect taxes are more in this proportion, because they are more adapted to the conditions of the inflation process in the country. Examples of countries following this model include Chile, Bolivia, and Peru.
4. The mixed model is typical for countries that actively influence the tax and non-tax revenue sources coming to the budget and often shift the burden from some taxpayers to others. Representatives of this model are Russia, Argentina, Italy. The tax system of Uzbekistan can also be added to this model group.

A number of tax systems of foreign countries are successfully influencing the economy of their country in order to increase the rate of growth and its efficiency. Each country has its own history, foundations and age-old traditions. The principles of building tax systems in the formation of economic systems in different conditions are also different in all of them[2]. Most countries have a three- or two-tiered tax system. This is due to the presence of signs of a federal structure in most countries, a state is divided into several regions, cities and districts, provinces and other territorial structures. In this case, it is usually necessary to form several levels of federal (central), regional and local (municipal) taxation. Therefore, the practice of distributing taxes on different levels of the country's budget is often used. In most cases, local governments have the right to set their own taxes, subject to federal law.

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[1]Sigaeva E. The tax system of the USA and other foreign countries [Electronic resource] // URL: https://nalog-nalog.ru/nalogovaya_sistema_rf/nalogovaya_sistema_ssha_i_drugih_ zarubezhnyh_stran / (accessed 20.04.2022).
[2]Taxes from corporations of foreign countries [Electronic resource] // URL: http://www.vipstd. ru/nauteh/index.php / (accessed 20.04.2022).

Anglo-Saxon model

The Anglo-Saxon tax system is characterized by its simplicity, conciseness and absolute linearity, and this system leaves no doubt about the accuracy of the tax payer. The Anglo-Saxon tax model applies in Ireland and Great Britain.

This model is characterized by a passive policy on the labor market and social protection. In these countries, labor is not regulated, social transfers are smaller than in other models, labor relations are decentralized, and wage bargaining takes place at the employer level.

In terms of taxation, the analysis of the countries covered by the Anglo-Saxon model revealed the following characteristic features of this type of tax system: in both countries, the share of direct taxes in GDP is higher than indirect taxes (11.2% in Ireland for 2022, 9.6 %, 17.3% to 15.8% in Great Britain). This was noted for most of the analyzed period.

Analyzing how direct taxes are imposed on individuals and economic entities, it was found that the highest level of taxation is imposed on companies in the countries of the Anglo-Saxon model. Individual income tax rates are high, but combined with a reduced system of mandatory social contributions. However, an analysis of the standard rates of income tax on wages and salaries revealed that they are relatively low compared to the EU-28 average (35.36%), namely 20%-40% in Ireland and 0-45% in the UK in 2023. organized[3].

A large share of direct taxes in their GDP is due to a well-developed system of collecting tax obligations and a high level of tax compliance.

It is also closely related to the level of well-being. In this respect, Ireland ranks 11th with 80.31% and Great Britain ranks 12th with 79.95%. The higher the level of welfare, the higher the level of tax compliance.

Another notable aspect is that personal income tax in Great Britain is levied in parts (schedules) and not on total income. The tax legislation defines six such schedules: A, B, C, D, E, F. According to schedule A, income from ownership of land, buildings, etc. is taxed; According to B - revenues from forests; According to C - income from securities for which interest is paid; According to D - income from trade, industry, agriculture, transport, etc.; According to E - salary and pension income, according to F - income from dividends, etc. are taxed.

The euro is a continental model

The Euro-continental model is available in Austria, Belgium, France and Germany. In this model, employment and wages are the basis of social transfers. Social partners play an important role in labor relations and wage agreements are centralized. Redistribution of public funds for social spending is not a priority in these countries.

From the point of view of taxation, the following characteristic features of this type of tax system were identified in the analyzes carried out in the countries of the continental model.

State budget revenues are formed by both indirect tax revenues and direct tax revenues, but in slightly different proportions. For example, in countries such as Austria and France, the share of indirect taxes in the GDP is 1-2% higher than the share of direct taxes. Compared to the EU-28 average, the share of indirect taxes in GDP is 13.4%, and in the countries included in the continental model, this share is 1-3% higher.

At first glance, one might think that this model pays more attention to fiscal indirect taxation, but when analyzing the rates applied to consumption, it can be noted that compared to other European tax systems, the rates here are the lowest. Thus, the high share of indirect taxes in GDP and the large share of income tax in total income are not caused by quotas.

On the contrary, low rates of indirect taxation associated with active fiscal policies based on goals related to the labor market, insurance, social protection and entrepreneurship development

[3]https://taxsummaries.pwc.com/quick-charts/personal-income-tax-pit-rates

opportunities lead to an increase in tax revenues in general revenues (in 2023, the share of tax revenues in total budget revenues is 91% in Belgium, in Austria 90.3%, 91.2% in France, 89.7% in Germany). This shows that the continental tax system is the most effective in terms of income tax participation in the formation of general budget revenues.

In countries following this model, people are taxed the highest on their personal income compared to other European tax models (42.4% in Belgium, 43.1% in Austria, 46.1% in France and 39.3% in Germany in 2023).). This is also reflected in the individual tax burden, which has the highest rate compared to the EU-28 average (45.06%) and the other European tax models considered (60.25% in Belgium in 2023, 56% in France, 61%, in Austria - 55.77%, only in Germany - 52.99% lower tax burden).

Studies have shown that although the direct tax rate on wages is the largest individual tax burden (compared to the EU-28 countries and other European tax models), in terms of social welfare, the continental model countries are the best (compared to all countries). It is listed in 20 countries. It is linked to active labor market policies (stability and flexibility) and social protection (best interests of its citizens).

It is known from the conducted studies that in the countries of the continental model, the medical and social policy encourages the able-bodied but unemployed population to find a job by revising the social assistance system. That is, due to the reduction in the amount/period of unemployment (first implemented in Germany), individuals become interested in finding work. On the other hand, first of all, the policies of the labor market, and then of the companies themselves, focus on job stability and flexibility. Although it is known as the right of European citizens to work in any country in Europe, continental model countries prefer their own citizens to foreign labor.

In the countries included in this continental model, the unemployment rate at the level of 2023 is on average EU-28 (6.5%[4]) and is one of the main factors of the lowest rate in other European tax models - 3.6% in Austria, 2.9% in Germany, and 5.6% in Belgium. Only in France has unemployment been slightly higher in recent years, reaching 7.3% in 2023[5]. Currently, in order to overcome this situation, France has established an active labor market policy by promoting a system of subsidized jobs for young people and job flexibility.

Latin American model

Compared to Europe, tax relations in Latin American governments are less developed. Latin American countries have a higher per capita gross domestic product (GDP) and a larger share of government in GDP than the global norm. Notably, Latin American governments receive less revenue (as a percentage of GDP) from personal income taxes than governments in any other region of the world; this pattern is observed even in the rich countries of the region. Moreover, tax reforms from the 1970s to the 1990s led to an overreliance on indirect taxes (consumption taxes such as VAT), even as inequality increased. Inequality in the region is so great that, although its tax revenues are lower than in OECD countries, the wealthiest households pay a large share of all tax revenues in Latin America, making reforms difficult.

Since the 1990s, Latin American countries have implemented a series of financial reforms with different goals depending on the country and time, also as a result of the democratization process specific to the region. Central American countries have less reformed financial systems than the richest countries - Argentina, Brazil and Mexico. Since 2001, increasing revenues has become the main goal of tax reforms.

Looking at the level of the tax burden and the shares of different taxes in Latin American tax structures in recent decades, tax reforms, combined with economic growth and macroeconomic stability, have allowed Latin American countries to increase fiscal pressure and significantly increase revenues from VAT, but not from personal income tax.

[4]https://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics
[5] https://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics

High level of underground economy, tax evasion and corruption, low level of income can partially help to understand these facts.

However, there are other factors that affect it. "These are:

a) personal income tax benefits are generally high and, at the same time, wages and similar incomes make up a very limited share (less than 30%) of the total national income. The rest comes from rent, dividends, interest, capital gains or informal income;

b) low tax rates apply to all income in general, but mainly to rents, dividends, interest, and capital gains collected by the rich."[6].

Over the past 30 years, not only due to economic growth, macroeconomic stability and rising commodity prices, but also due to specific tax reforms, the average tax burden in Latin America has increased from 10.77% of GDP in 1990 to 15.49% of GDP in 2012. increased, while the average fiscal burden (i.e. tax burden and social security contributions combined) increased from 13% of GDP in 1990 to 18.73% in 2012. However, this is mainly the case for a specific group of countries, namely Argentina, Brazil, Uruguay and Bolivia, where the increase in financial pressures has been much higher than the average increase for the region as a whole.

In contrast, other countries such as Mexico and Venezuela saw fiscal revenues decline from 12.3 to 11.3 percent of GDP and from 18.7 to 13.5 percent, respectively.

In fact, the latest figures cited above show that the level of fiscal revenues varies greatly across the Latin American region and, in general, is not always positively correlated with per capita GDP and the level of development of countries.

Specifically, looking at 2022, Brazil and Argentina have a fiscal burden of more than 32.6 and 29.1 percent of GDP, respectively, while at the other end of the spectrum, the same figure for the same year in Mexico, Guatemala, and Haiti is 13 percent of GDP. not more than percent.

If we consider the features of this model in the case of Bolivia, between 1985 and 2003, many changes were made in the Bolivian tax system, and finally, at the beginning of 2005, it developed as follows: the country has three levels of taxes - national taxes, municipal taxes and departmental taxes. taxes (local). State (national) taxes include 11 types of taxes, the main of which are VAT, personal income tax, corporate income tax, direct tax from the oil and gas sector, and customs fees. Municipal taxes include two taxes - real estate and vehicle tax and real estate and vehicle transfer tax. The basic rate of VAT is 13%. Services in the finance and insurance sector, hotel services for foreign tourists and a number of other services are exempt from VAT. The basic corporate income tax rate is 25%. A consumption tax is also levied as an indirect national tax on the import and sale of cigarettes, pipes, automobiles, motorcycles, ships, boats and yachts, mineral waters, alcoholic beverages, and all bottled beverages and beer. The tax rate for all the above products is different, drinks are charged by volume rather than price, the highest for whiskey ($0.86 per 1 liter), the lowest for soft drinks ($0.02 per 1 liter), vehicles tax rate is from 10% to 18%, for tobacco products - 50%.

In general, the biggest challenge going forward for many Latin American countries will be to further regulate tax rates and increase the ability of governments to use them appropriately. They will also need to increase the share of direct taxes to make the fiscal system more progressive.

Mixed model

A mixed taxation model involves frequent transitions from one tax system to another, which means that the tax system is often manipulated in countries where this tax system is used. That is, the budget is formed from tax and non-tax revenues, and tax deductions are transferred from one taxpayer to another.

[6] http://ru.wikipedia.org/wiki/Nalogovaya_sistema_Frantsii

The mixed taxation model is used in the USA, Italy, Russia and others. In the listed countries of the world, the tax burden varies from 25-35%. Their (mixed) tax system contains elements of different tax models, which prevents the budget from being directly dependent on a certain type of tax or group of taxes.

If we consider this model as an example of the tax system of the Republic of Uzbekistan, the modern tax system operating in the country was formed between 1991 and 1997, during the period of political changes, fundamental economic reforms and transition to market relations. The lack of experience in legal regulation of real tax relations, the need to develop legislation in a short period of time, economic and social problems in the country - these factors had a direct impact on its formation. The current tax system of Uzbekistan was undoubtedly created based on the experience of foreign countries. Therefore, in terms of its general structure, tax system and principles of construction, it corresponds to the taxation systems common in the world economy.

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