



## TAX INCENTIVES FOR SMALL BUSINESSES IN FOREIGN COUNTRIES

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**Annotation:** Article is devoted consideration of measures of tax stimulation of small business in foreign countries. Experience of a state policy in the given sphere of the CIS countries, the Western Europe, the countries of Asian-Pacific region is analysed. Separate forms of tax stimulation of small forms of business in foreign countries are allocated and opened. The basic approaches to use of special tax modes in a tax policy of the foreign states are defined. Basic distinctions between the Russian small-scale business and small-scale business of the developed states are described. Inadmissibility of mechanical carrying over of methods of tax regulation of enterprise activity applied in another states in our tax system is proved.

**Keywords:** small business, tax stimulation, the foreign states.

**Research methodology.** The research used methods of systematic analysis, statistical observation, statistical aggregation and grouping, selection, correlation and regression analysis, econometric modeling and forecasting.

**Results and Discussion.** When analyzing the place of small business in the economy of any state, one should keep in mind the inequality in the position of small business entities (both enterprises and individual entrepreneurs) compared to the position of large firms.

**Introduction.** Large companies are a priori in more favorable conditions compared to small businesses. They have significant means of production, skilled labor, established connections with contractors, financial and information base, and advantages in obtaining borrowed funds. Thus, small businesses, under equal conditions of economic activity, cannot be competitive with large ones due to their essential features. This situation presupposes targeted implementation by the state of financial and credit support and stimulation of small business. It should be noted that developed Western countries pay great attention to the development of the small business sector, achieving significant results that in many ways surpass those in Russia. In Western European countries, 99.9% of private sector enterprises (non-agricultural sector of the economy) are small and medium-sized enterprises. They account for approximately 57% of the added value produced. Small business also plays an important role in providing employment, providing 66% of the total number of jobs. The importance of the small sector of the economy is also recognized by developing countries, some of which are very successfully implementing policies to support and stimulate small business entities.

Thus, about 90% of industrial production in Taiwan is in the hands of small and medium businesses; small and medium businesses account for over 70% of all employed people, more than 55% of GDP and about 99% of the total number of registered enterprises. In this regard, it should be noted that the experience of financial support and stimulation of small businesses accumulated by developing countries, as well as the Eurasian Economic Community countries, which have a similar history of forming market relations to ours, can be especially valuable for Russia. For example, up to 80% of the working population works at forty million small businesses in the countries of the Asia-Pacific region (95% of the total number), they produce from 30 to 60% of the GNP. Their share in the total volume of exports from the Asia-Pacific region is about 35%. In developed economies, the main factor influencing the development of small business is market mechanisms. In countries with developing economies, the state, as a rule, plays an active role in this process.

Among all the measures of financial stimulation of small business, a special place belongs to the measures of tax stimulation of the activities of entities related to this category. Having analyzed the measures of state support in the field of taxation for small businesses and individual entrepreneurs provided in foreign countries, the following main forms can be distinguished:

1. Reduction of tax rates. First of all, this concerns fundamental taxes – income tax, corporate property tax, etc. For example, US tax legislation provides for two income tax rates for small businesses – 15% and 28%, and for corporations – 34% and 46%. The Vietnamese government also reduced the income tax for small and medium-sized businesses by 30%. This measure was in effect throughout 2009. The state, having declared its intention to reimburse the costs of companies engaged in the export of goods, set the Government the task of reimbursing the costs of paying VAT on materials used in the production of exported goods. From January 1, 2009, taxes on corporations were reduced by 3% (from 28% to 25%), and income received in agriculture and from scientific research activities was exempted from taxes. 2. Progressive tax scale. Used in countries such as the USA, Great Britain, Austria, Belgium, Switzerland. Worthy of attention when using this measure is the use of the element of tax rate regression for enterprises of the last category (the largest). This to some extent prevents artificial restraint of economic growth of the enterprise, deliberate understatement of economic performance indicators, and also creates incentives for the further development of economic entities. 3. "Tax holidays" for income tax. This measure is used in the USA, Germany, France, Sweden, Switzerland, Romania, Slovakia, the Czech Republic and is aimed at maximally facilitating the processes of establishing a new enterprise and overcoming the inevitable difficulties of the initial stage of activity.

4. Exemption from VAT for small businesses with a small turnover is in effect in England, France, Germany, Sweden, and the Czech Republic. Where a single tax (within the simplified tax system) or a small amount of income (turnover) allows for exemption from the obligation to calculate and pay VAT, voluntary registration as a payer of this tax is practiced, and certain benefits are provided for such firms (Great Britain). This helps avoid situations of refusal to cooperate with small businesses by entrepreneurs who are VAT payers.

5. Introduction of special tax regimes for taxation of small businesses. This tool is actively used both in Western countries (France, Spain), and in the CIS countries, Latin America, etc. Thus, in Armenia, payment of a simplified tax on sales turnover (rate from 7% to 12%) replaces the payment of VAT, as well as income tax and profit tax, respectively, for individuals and organizations. Taxpayers have the right to apply this taxation system if the total amount of turnover from the sale of goods delivered and services rendered (excluding VAT) during the previous year did not exceed 30 million drams. A number of taxpayers engaged in certain types of activities, as well as persons who have 100 thousand drams or more in overdue tax liabilities at the time of filing an application, cannot be considered payers of the simplified tax.

In the Republic of Belarus, the simplified taxation system provides for the issuance of a patent for engaging in a certain type of activity and the replacement of the payment of a set of republican and local taxes with the payment of a single tax on the results of economic activity.

In Kazakhstan, small businesses are given the right to independently choose the procedure for calculating and paying taxes, as well as submitting relevant reports. The special tax regime provides for a simplified procedure for calculating and paying social tax, as well as corporate or individual income tax (except for individual income tax withheld at the source of payment).

In Chile, a taxpayer whose revenue does not exceed 3,000 tax units (a tax unit in Chile is a monetary value that is regularly indexed and applied for tax purposes) per year has the right to choose a special regime. Under the special regime, distributed income is taxed upon distribution, and retained income upon termination of activity or upon the end of the special regime. Income accrued or actually received is considered part of the share capital until it is withdrawn or distributed. Withdrawn or distributed income is subject to FCT (First Category Tax, corporate income tax in Chile) at the enterprise level, and advance payments must be made when taxing these incomes. Small street vendors pay a fixed tax annually (half of the monthly tax unit) together with the municipal license fee. Newspaper sellers are subject to an annual tax equal to 0.5% of the income from their sales.

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