Evaluation of Tax Sector Participation in Financing the Innovative Development of the Real Sector of the National Economy

Jo'rayev Og'abek

The student of TSUE
ogabekjorayev081@gmail.com

ABSTRACT

The paper deals with the problems of tax regulation of innovation in Russia. The author examines tax incentive tools of innovation development: tax benefits of various kinds, tax credits for innovation and R&D, as well as other measures of tax support in regional economy. It is clarified that along with tax stimulus tools it is necessary to use measures disincentive in nature. The findings presented in this paper can be used in business practice as well as in educational process

Keywords: taxes, benefits, tax credits, innovation, incentives, tax burden.

Trends in the development of the world economy convincingly show that Russia cannot have any other way of development than the formation of a knowledge-based economy, i.e. economy of innovative type. Without innovation, there is no long and powerful economic recovery. An underestimation of this circumstance in the coming years may lead to the fact that Russia will be forced out of the market for high-tech products, its economy will quietly dissolve, absorbed by more creatively active capital, and this ultimately will not allow raising the standard of living of the population to modern standards and ensuring the security of the state as a whole.

At present, the state of fixed assets requires greater recourse to external financing due to the capital-intensive nature of the technical modernization of many Russian industrial enterprises, however, the excess of the cost of market financing over the cost of domestic financing has given rise to a natural desire of enterprises to rely mainly on internal sources of capital when implementing investment projects.

In world practice, the instrument of tax incentives is not considered independently in the regulation of innovation processes - it is built into the system of such measures as direct budget financing, state and private grants, the creation of state corporations with state participation, interest rate subsidies, depreciation policy, customs preferences, state guarantees, state orders.

As foreign experience shows, there is a direct relationship between the level of taxation and the propensity for entrepreneurship in general, innovative in particular. The current state of the financial sector in Russia practically does not allow using direct sources of financing for the innovative activities of enterprises to the extent necessary for sustainable, long-term and intensive economic growth in order to achieve a high level of socio-economic development of the country. In conditions when the main role in the innovation process in Russia is played by the own funds of the real sector of the economy, indirect methods of stimulating the innovative growth of the economy are becoming of no small importance.

In connection with all of the above, it is necessary to pay attention to the long-term experience of developed countries. All the many indirect methods of stimulating private

investment in science used today by industrialized countries can be grouped into three groups: tax incentives; concessional lending (artificial understatement of interest rates on loans); financial support for the licensing processes of state research organizations and universities .

Tax incentives are considered to be the main market instrument of state regulation of the sphere of science and technology, which have proven to be an important element of the state industrial policy, ensuring not only the solution of private economic problems, but also the growth of the competitiveness of the national economy, the effective distribution of limited budgetary resources, and the attraction of extrabudgetary funds to the sphere of science and technology. At the same time, in countries with a traditionally low level of budget financing, tax incentives provide financial flows to the field of innovation that exceed its budget financing.

In the practice of industrialized countries, various tax incentives complement each other, while performing essentially different economic functions and solving specific problems. Thus, the inclusion of current costs for the introduction of innovations in the costs of production of final products is aimed at stimulating the creation and development of new types of high technology products and advanced technologies. The use of accelerated depreciation schemes makes it possible to catalyze the renewal of rapidly obsolete not only physically, but also morally, fixed assets and scientific equipment. Preferential taxation of the wage fund helps to attract qualified specialists to carry out innovative developments in the private sector. A number of countries use schemes aimed at attracting extrabudgetary funds to science (in particular, by stimulating the sponsorship of individuals and organizations), forming a market for private venture capital, and so on. Classifying the benefits applied in industrialized countries, we can single out among them volumetric ones, i.e. proportional to the amount of costs incurred, and incremental, calculated depending on the increase in costs compared to the base year or the average level for a certain period. The highest volume discount was applied in Australia (150%) and Singapore (200%), i.e. taxable income deducted amounts 1.5–2 times higher than the costs of innovation activities. In the Netherlands, the volume discount is applied only to the amount of salaries of scientists and engineers employed in the field of innovation. France, Canada, the United States, and Taiwan use an incremental tax credit scheme. The maximum incremental rate is valid in France (50%); in Canada, the USA, Japan, and Taiwan, it is 20% [1]. Some countries use both schemes at the same time, but for different types of spending.

Australia, France, Italy and the Netherlands have a value cap on the tax credit. In addition, for example, in the United States, a company cannot double its investment in information technology within one year, and the average research intensity (the ratio of information technology expenses to the cost of sales) cannot exceed 16%. These restrictions are intended to prevent wild fluctuations in private sector tax payments and to eliminate the possibility of corporate reporting being manipulated to obtain unreasonably high benefits.

Regardless of the approach to the classification of tax incentives for science, the backbone and key element of any national model of these benefits is the reduction of corporate profit (income) tax. At the same time, the reduction in income tax, as a rule, is linked to the level of innovation activity achieved by the enterprise, i.e. The maximum benefits are received by enterprises that ensure the successful commercialization of R&D results and at the same time receive sufficient profit. For others, these benefits only partly compensate for entrepreneurial risk. The most universal income tax benefits are the write-off of current non-capital costs for innovation when determining the taxable base and accelerated depreciation of equipment used for innovation activities.

The most typical types of tax incentives implemented for decades by industrialized and, in recent years, by newly industrialized countries include a tax credit, write-offs from the taxable base, tax deferrals (tax credit for depreciation and temporary discounts), and the

deduction of expenses for innovations and developments made during the year from annual corporate income. Despite many years of experience in using tax credits to stimulate spending on science in the private sector, the attitude towards this type of tax incentives is still ambiguous.

The essence of the tax credit is that it allows industrial firms to reduce the already accrued income tax by an amount equal to a certain percentage of the qualified costs incurred for investment activities. In some countries (Canada, the Netherlands) this deduction is proportional to the volume of investment activity costs, in others (USA, Japan, France) it is proportional to the growth of these costs over a certain, legally established period of time. Some countries apply both schemes for calculating the tax credit. According to experts, due to the operation of the tax credit mechanism, American industry only from 1988 to 1994. received about $24 billion additionally, which is equivalent to almost 3% of federal budget spending on science over the same period. In Japan, the tax credit is 20% of the increase in qualified investment activity costs achieved in relation to one of the previous years with the maximum level of similar expenses, but does not exceed 10% of the company's tax liability.

However, the positive idea of stimulating investment activity with the help of a tax credit did not have an effective impact on the investment activity of organizations in the form of capital investments. The reasons for not using the mechanism of investment tax crediting lie mainly in the conditions of its provision. In particular, taxpayers are not entirely satisfied with the timing of this loan, as well as the limits for reducing current payments on relevant taxes. There is a serious limitation in obtaining an investment tax credit: when carrying out research and development or technical re-equipment of production, a credit is provided in the amount of 30% of the cost of equipment purchased by this organization, used exclusively for these purposes. Such conditions hinder the development of this form of investment in the economy. The timing of this tax credit should be set within the payback period of the investment project. In this regard, it is necessary to reconsider the purpose of the loan, the terms of its provision. In addition, it is desirable to expand the scope of the investment tax credit, which should be issued to organizations in the sphere of material production for the implementation of any investment projects. At the same time, the main condition for granting this loan should be that the investor has his own financial resources, as well as participation in the project of banking resources. At the same time, the list of federal taxes should also be expanded, at the expense of which an investment tax credit can be issued.

The experience of using a tax credit and the results obtained at the same time indicate that this instrument of tax incentives is by no means a manifestation of the state's charity towards private business (indeed, with an increase in companies' spending on innovative activities, this allows them to reduce their mandatory payments to the budget). The state, providing such a discount, not only encourages the innovative activity of companies, but also acts as a strategic investor, assessing the long-term consequences of applying a tax credit. In essence, it secures future revenues in this way, while placing a heavy burden of investment choice and a kind of insurance of government investments on the private sector.

Tax incentives in the form of tax deferrals are designed to solve problems that arise for enterprises that spend money on innovation and the acquisition of the equipment necessary for this, but do not yet receive enough profit to use tax benefits "owed" to them in full. The legislation of a number of countries provides in such situations the possibility of transferring the right to use tax benefits to the future (with a horizon of up to 10 years, depending on the characteristics of the investments being made).

Thus, the key and most common instrument of indirect state regulation of the sphere of science and technology in the practice of industrialized countries is tax incentives. At the same time, each country implements its own set of these benefits, the combination of which is interconnected with the national scientific, technical, innovation and industrial policy and changes depending on its goals and priorities.

However, in general, all tax incentives in relation to investment and innovation activity should have common features, in particular: the system of basic tax incentives should be tied to a single payment of companies to the state budget that exists in all developed countries - corporate income tax; income tax, regardless of the industry and nature of the enterprise, should be subject to discounts, benefits and deductions aimed at stimulating scientific and technological progress; tax system

However, one should also take into account the fact that tax regulation of innovative development should be based not only on the stimulating effect of benefits on the activities of organizations. The use of taxes as an instrument of state regulation of the economy is based on the use of the multidirectional action of the regulatory function of taxes. Within the framework of the theory of taxation, the action of the regulatory function is justified by uneven taxation of various objects and categories of taxpayers: it is assumed that the heterogeneity of the tax burden creates the desired effect: by easing tax pressure in the current direction, the state creates more favorable conditions for the development of the economy in this direction; the increase in tax pressure in another sector creates additional barriers in it that impede development. Accordingly, there are grounds to consider the possibility of applying, along with tax incentives (reduced tax rates, exemptions, tax holidays, tax rebates, etc.), disincentive measures (increased tax rates, introduction of additional taxes, restrictions on the use of benefits), which should be applied to entities that do not participate in innovation processes in the regions.

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