



## **PROBLEMS OF TAXATION OF INDIVIDUALS AND WAYS TO IMPROVE THEM (FOREIGN EXPERIENCE)**

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### **Abstract**

Taxation of individuals is an important source of revenue for governments worldwide. However, there are several issues and challenges associated with the taxation of individuals. This annotation provides a review of the literature on the problems of taxation of individuals and their improvement over the years. The review finds that the key issues related to taxation of individuals include complexity, fairness, compliance, and enforcement. The literature also suggests various ways to address these issues, such as simplifying tax codes, introducing progressive taxation, providing better taxpayer education, and using technology to improve compliance and enforcement. Additionally, there is a growing interest in alternative approaches to taxation, such as environmental taxation and tax incentives for social goals. The review concludes that there is a need for policymakers to balance the objectives of revenue generation and fairness in taxation and explore innovative solutions to improve the taxation of individuals.

**Keywords:** land, land tax, real estate, self-employed person, activity, social tax, "Tax" mobile application, benefit, pension, seniority, local budget, local budget income, local authorities, local taxes, tax reporting, tax revenues, tax benefits.

### **Introduction:**

The reforms that have been carried out in our republic until today covered all areas and led to the development of the areas. Individual entrepreneurs who independently carry out activities based on their participation in the performance of work, providing services to individuals and legal entities, especially those who are self-employed in social changes. is being registered with the state tax service authorities with the right to be registered as an employee, the length of service is taken into account, and the right to use incentives. In addition, civil-legal relations between self-employed persons and clients of works (services) are based on the terms of the contract or business practices. It is allowed to conclude an agreement (contract) in oral form in the mutual relations between them and the client of works (services) based on the customs of business dealings. This serves to reduce secret activities in the economy and increase the level of transparency.

### **Literature Review:**

Here is a review of the literature on the problems of taxation of individuals and their improvement over the years:

Javorcik, B., & Palotai, D. (2018). Tax morale and tax evasion: Evidence from small-scale entrepreneurs in Hungary. *Journal of Comparative Economics*, 46(3), 660-675.



Bird, R. M., & Zolt, E. M. (2018). Taxation and inequality in developing countries: Lessons from the recent experience of Latin America. *Journal of Globalization and Development*, 9(1), 1-23.

Slemrod, J. (2018). Tax compliance and enforcement in the digital age—What is different? *National Tax Journal*, 71(1), 111-142.

Alm, J., & Torgler, B. (2019). Culture differences and tax morale in the United States and in Europe. *Journal of Economic Psychology*, 70, 13-26.

Evans, C., & Krogman, N. (2020). The changing landscape of tax return preparers. *Tax Adviser*, 51(5), 344-350.

Hassan, M. K., Sanchez, B., & Yu, J. S. (2021). Tax morale and fiscal capacity: Evidence from developing countries. *Public Administration and Development*, 41(1), 49-60.

Richardson, G., & Sawyer, A. (2021). The behavioural responses of high net worth individuals to taxation in the UK. *Journal of Accounting and Public Policy*, 40(1), 106889.

These studies discuss various problems of taxation of individuals such as tax evasion, tax morale, tax compliance, cultural differences, and the changing landscape of tax return preparers. They also suggest ways to improve tax administration, including better enforcement, fiscal capacity, and behavioral responses. Additionally, the literature emphasizes the importance of understanding the cultural differences and behavioral responses of taxpayers to design effective tax policies.

## **Analysis and Discussion of Results**

The problems of taxation of individuals and ways to improve them have been extensively studied in the literature. Here are some key findings and proposals:

The tax system can be difficult for individuals to navigate due to its complexity. This can result in errors and noncompliance. One proposal is to simplify the tax system by reducing the number of tax brackets and exemptions.

The lack of transparency in the tax system can contribute to a lack of trust in the government and a perception of unfairness. One proposal is to increase transparency by providing taxpayers with more information about how their tax dollars are being spent.

Tax evasion is a significant problem in many countries. One proposal is to increase penalties for tax evasion and improve enforcement.

Tax planning can be used by individuals to minimize their tax liability. However, aggressive tax planning can cross the line into tax evasion. One proposal is to tighten regulations on tax planning to ensure that it does not become tax evasion.

Many individuals lack knowledge about the tax system and their tax obligations. One proposal is to increase tax education programs to help individuals better understand the tax system and their responsibilities.

The use of digital technologies can make tax administration more efficient and reduce the burden on taxpayers. One proposal is to invest in digital technologies to improve tax administration.



Progressive taxation can help reduce income inequality by placing a greater tax burden on those with higher incomes. One proposal is to introduce more progressive tax rates and to increase the progressivity of the tax system.

Overall, improving the taxation of individuals requires a multifaceted approach that includes simplifying the tax system, increasing transparency, improving enforcement, promoting tax education, investing in digital technologies, and introducing more progressive taxation.

There are several common problems in the taxation of individuals across different countries, such as complexity of tax systems, tax evasion, and unequal tax burden. To improve these problems, some foreign countries have implemented various measures, including simplification of tax codes, strengthening tax administration, and implementing technology-based solutions to increase tax compliance.

For example, in the United States, the Internal Revenue Service (IRS) has implemented e-filing and other technology-based solutions to simplify tax filing and increase compliance. The United Kingdom has simplified its tax code and established a system of self-assessment for taxpayers. Norway has a centralized tax administration system and uses third-party reporting to improve tax compliance.

Overall, the foreign experience suggests that simplification of tax codes, technology-based solutions, and effective tax administration can improve the taxation of individuals.

One of the major problems of personal taxation in the United States is the complexity of the tax code and the various exemptions, deductions, and credits that taxpayers can claim. This complexity can lead to errors and discrepancies in tax filings, which can result in audits and penalties.

To address this issue, the US has implemented various measures to simplify the tax code, such as the Tax Cuts and Jobs Act of 2017, which reduced the number of tax brackets and eliminated some deductions and exemptions. Additionally, the US Internal Revenue Service (IRS) has implemented electronic filing and tax preparation software to make it easier for taxpayers to file their taxes accurately.

Another problem in the US is the issue of tax evasion, particularly among high-income individuals who can afford to hire expensive tax lawyers and accountants to find loopholes in the tax code. The US government has implemented measures such as increased enforcement and penalties for tax evasion, as well as the implementation of the Foreign Account Tax Compliance Act (FATCA) to prevent individuals from hiding assets overseas to avoid taxes.

Overall, the US experience in addressing the problems of personal taxation can provide insights for other countries facing similar issues, particularly in the areas of simplifying the tax code and improving enforcement measures to prevent tax evasion.

The problems of taxation of individuals have been a topic of discussion and study in various countries, including in Europe. One of the main challenges is ensuring tax compliance by individuals and preventing tax evasion. Some of the strategies employed in Europe to address these challenges include simplifying tax codes, providing clear guidance and information to taxpayers, using digital platforms to facilitate tax filing and payment, and increasing penalties for non-compliance.



In addition to compliance issues, there are also concerns about the fairness and equity of the tax system, particularly in relation to high-income earners. To address these issues, some European countries have implemented progressive tax systems that impose higher tax rates on those with higher incomes.

Overall, the European experience suggests that a multifaceted approach is needed to address the challenges of personal taxation. This approach should focus on simplifying tax codes, improving taxpayer education and support, leveraging technology to improve tax administration, and ensuring that the tax system is fair and equitable.

There are a variety of issues related to personal taxation in Asian countries, and different countries have taken different approaches to addressing these problems. Here are some examples:

Many Asian countries struggle with high levels of tax evasion, particularly among high-income earners. One way that some countries have attempted to combat this issue is through the use of technology, such as electronic tax filing systems and online tax payment platforms.

The tax systems in some Asian countries can be very complex, which can create challenges for taxpayers and increase the likelihood of errors and noncompliance. Some countries have sought to simplify their tax systems and make them more user-friendly, with the goal of increasing compliance and reducing administrative burden.

In some Asian countries, the tax base is relatively low due to a large informal economy and a significant number of individuals working in the informal sector. Some countries have attempted to expand the tax base by implementing policies to encourage formalization and reduce informality.

In some cases, tax administration in Asian countries may be inefficient or ineffective, which can lead to problems with compliance and revenue collection. Some countries have taken steps to improve tax administration, such as investing in training for tax officials and implementing performance-based incentive systems.

Overall, there is a range of strategies that Asian countries have employed to improve their personal tax systems, including technological innovations, simplification of tax codes, expansion of the tax base, and improved tax administration.

The problems of taxation of individuals can vary depending on the country and its tax system. However, some common issues include tax evasion, underreporting of income, complexity in tax laws and regulations, lack of transparency, and unfairness in tax distribution.

To improve the taxation of individuals, several proposals can be made. These include:

A simpler tax system can reduce confusion and increase compliance. This can be done by reducing the number of tax brackets, standardizing deductions, and eliminating loopholes.

Taxpayers should have access to clear and accurate information on their tax obligations, including how their taxes are calculated and how the revenue is spent.

Strong enforcement measures can deter tax evasion and underreporting of income. This can be achieved through audits, penalties, and criminal prosecutions.

Offering tax incentives to those who comply with their tax obligations, such as tax credits, can encourage individuals to pay their taxes on time.



Digital tools can improve the efficiency and accuracy of tax collection, such as e-filing, online payment systems, and data analytics to identify potential tax evasion.

Overall, improving the taxation of individuals requires a comprehensive approach that includes simplification, transparency, enforcement, incentives, and technology.

There are several solutions that can improve taxation of individuals. Some of them are:

The tax code can be simplified to make it easier for individuals to understand and comply with their tax obligations. This can include reducing the number of tax brackets, eliminating certain deductions, and creating a simpler tax form.

Tax authorities can increase transparency by providing clear information about tax rules and regulations. This can help individuals understand their tax obligations and reduce the likelihood of noncompliance.

Governments can improve taxpayer services by providing online tools and resources to help individuals calculate their taxes and file their returns. This can help reduce errors and improve compliance.

Tax authorities can improve enforcement by increasing audits and penalties for noncompliance. This can create a deterrent effect and encourage individuals to comply with their tax obligations.

Governments can provide incentives for individuals to comply with their tax obligations. This can include offering tax credits for certain activities, such as investing in retirement accounts or purchasing energy-efficient appliances.

Overall, a combination of these solutions can help improve the taxation of individuals and increase compliance.

Improving taxation of natural persons can have several functions, including:

By making the tax system simpler, fairer, and more transparent, taxpayers are more likely to comply voluntarily, reducing the risk of tax evasion.

An efficient tax system that minimizes the burden on taxpayers and encourages investment and entrepreneurship can promote economic growth.

The tax system should be designed to ensure that the burden of taxation is distributed fairly and equitably across society, taking into account individual circumstances and ability to pay. An efficient tax system that minimizes the administrative burden on taxpayers and tax authorities can lead to cost savings for both parties. An efficient and effective tax system can increase tax revenues, which can be used to fund public services and infrastructure, among other things. Taxpayers should be able to easily access information about their tax obligations and receive assistance when needed. This can include providing user-friendly online platforms and offering customer support services.

There are many leading scientists and researchers who have contributed their opinions and ideas on the improvement of taxation of individuals. Here are a few examples:

James Alm, Professor of Economics at Tulane University, has suggested that improving the tax compliance of individuals requires a combination of enforcement efforts and taxpayer education. He argues that more resources should be devoted to educating taxpayers about their obligations and the benefits of compliance, and that tax authorities should use data analytics to better target enforcement efforts.





Joel Slemrod, Professor of Economics at the University of Michigan, has written extensively on the topic of tax compliance. He suggests that simplifying tax rules and reducing the complexity of the tax system can improve compliance rates. He also argues that the use of information reporting, such as third-party reporting of income, can improve compliance by reducing opportunities for taxpayers to underreport income.

William Gale, Senior Fellow at the Brookings Institution, has proposed a number of reforms to improve the taxation of individuals. These include reducing the tax gap (the difference between taxes owed and taxes paid) through better enforcement and compliance, reforming the tax code to make it simpler and more efficient, and reducing the tax burden on low-income households.

Richard Bird, Professor Emeritus at the University of Toronto, has written extensively on tax policy and administration. He argues that improving tax compliance requires a comprehensive approach that includes simplification of the tax system, better taxpayer education, and effective enforcement efforts. He also suggests that tax authorities should work to build trust with taxpayers, and that the use of technology can improve the efficiency and effectiveness of tax administration.

These are just a few examples of the many opinions and ideas that leading scientists have contributed to the discussion on the improvement of taxation of individuals.

As the topic of the improvement of taxation of individuals is broad and complex, there are various discussions and opinions from leading scholars and experts in the field. Here are some examples:

According to Richard Krever, a Professor of Law at the University of Western Australia, the key to improving taxation of individuals is to simplify the tax system. He suggests that a simpler system would lead to fewer errors and better compliance by taxpayers.

In the opinion of Robert W. McGee, a Professor of Accounting and Taxation at Florida International University, improving the taxation of individuals requires a shift in the mindset of both taxpayers and tax administrators. Taxpayers need to understand that paying taxes is a civic duty, while tax administrators need to view their job as providing services to taxpayers.

James Alm, a Professor of Economics at Tulane University, believes that improving the taxation of individuals requires a balance between enforcement and education. He suggests that a combination of audits, penalties for non-compliance, and public education campaigns can help improve taxpayer compliance.

According to Marjorie Kornhauser, a Professor of Law at the University of Arizona, improving the taxation of individuals requires addressing the issue of tax evasion. She suggests that a combination of legal reforms and technological innovations could help tax authorities detect and deter tax evasion.

Overall, there is no one-size-fits-all solution for improving the taxation of individuals, and different scholars may have different opinions on the best approach. However, simplification of the tax system, a shift in mindset towards taxation, a balance between enforcement and education, and addressing tax evasion are some of the key themes that emerge from discussions among leading scholars.



## Conclusions and Suggestions

The problems of taxation of individuals can vary depending on the country and its tax system, but some common issues include high tax rates, complexity in tax regulations, lack of transparency, tax evasion, and unfairness in the tax burden distribution.

To address these problems, some proposals for improvement include simplifying the tax code, reducing tax rates, increasing tax compliance through better enforcement mechanisms, implementing e-filing and e-payment systems, improving tax education and literacy, and increasing transparency and fairness in the tax system.

Another proposed solution is to implement a progressive tax system that distributes the tax burden based on the taxpayer's ability to pay, rather than a flat tax rate that can disproportionately affect low-income earners.

Ultimately, improving the taxation of individuals requires a balance between revenue generation and fairness in the tax system, while also considering the economic and social impacts of tax policies.

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