



## Analysis the Problem of Taxation in the Tourism Sector in the World

Abdullayev Zafarbek Safibullayevich

Senior lecturer, researcher of Namangan state University, Namangan, Uzbekistan  
[zafarbek.abdullayev555@gmail.com](mailto:zafarbek.abdullayev555@gmail.com)

**Abstract:** The article considers the system of special measures in the field of taxation of the tourism industry aimed at reducing the tax burden and stimulating economic growth, as well as analyzes the main directions of solutions to problems of the development of the tourism industry.

[Abdullayev Z. S. **Analysis the Problem of Taxation in the Tourism Sector in the World.** *Researcher* 2020;12(4):59-62]. ISSN 1553-9865 (print); ISSN 2163-8950 (online). <http://www.sciencepub.net/researcher>. 5. doi:[10.7537/marsrsj120420.05](https://doi.org/10.7537/marsrsj120420.05).

**Keywords:** tax system, tourism industry, structure and development of tourism, value added tax.

### 1. Introduction

One of the tasks of a science-based tax system that reflects the General patterns formed in this area, and the specifics of a particular country and sphere of taxation, is to have a positive impact on the expansion of certain types of activities, which means the areas of business activity and the development of the entire economy as a whole. There are two main concepts of building a tax system for certain types of activities: tax incentives and the introduction of a single tax. The use of tax incentives is stimulating. However, the benefits system has a number of disadvantages that overlap with its positive features: overstated volume, disordered use, and inefficiency. In this regard, there is a negative attitude to tax benefits in the world practice. According to many authors, the abolition of tax benefits leads to a number of positive consequences: simplification of the tax system, reduction of tax losses for the state, the possibility of reducing tax rates, improving the effectiveness of state aid, and equalizing the business environment.

Tourism is an important component of the economy of many countries, which provides employment for local people, loading hotels, restaurants, attendance of entertainment events, and foreign exchange. Taxation of companies in the tourism industry is the withdrawal of a predetermined and legally established part of the income of a tourist company in favor of the state. Several types of taxes are applied in the tourism sector.

Value added tax (VAT) is an indirect tax. Indirect taxes do not depend on income; they are established in the form of allowances to the prices or rates. Manufacturers and sellers of goods and services sell them at prices taking into account such allowances.

In recent years, representatives of the scientific, political and expert communities have been discussing the introduction of a preferential value-added tax in tourism, as it is practiced throughout the world. Moreover, these discussions were intensified against the background of the crisis, which exposed the problems of the tourism industry, which are a direct consequence of the fact that, despite the rich potential, the development of tourism in our Republic has not become a real priority for the structural adjustment of the economy. As a result, the measures of state support for the development of the industry recommended by UNWTO and applied in most countries – leaders of the world tourism market-do not find their application or are insufficiently applied.

### 2. Material and Methods

It should be noted that the formula used in the indicator of taxes accrued for payment, most accurately and completely reflects tax liabilities of businesses of tourism and services compared to the indicator of taxes paid, since, despite the fact that the amount allocated in the budget to some extent and reflects tax payer enterprises should take into account the factor of bad faith taxpayers: the portion credited to the payment of taxes may not be repaid, and the funds assigned for this purpose to go in other areas. The choice of the profit before tax indicator used in the formula is based on the fact that it expresses the income received by the taxpayer, minus all expenses related to the implementation of administrative and economic activities and represents the source of payment of tax obligations for its economic content. The tax potential indicator calculated according to the proposed formula expresses the ability of an enterprise to cover tax liabilities with profit for a

certain period. To avoid bankruptcy, the value of this indicator should not exceed one. And since the profit of an economic entity should not only cover tax liabilities, but also be used as income from business activities, as well as invested to expand economic activities and improve the working process, the value of the indicator should vary between 0.25–0.35 [5].

### 3. Results

It should be noted that the optimal share of tax payments of tourism enterprises in the created added value, which is favorable for the economy and safe for budget revenues, is 26-27% [1]. Let's take the average value of this indicator as the recommended value of the tax burden of an economic entity and identify it with the specific value of its tax potential:

$$0.265 = N / P (1).$$

Hence, the amount of taxes accrued to the budget will be:  $N = 0,265 \square P$ . (2) This formula makes it possible to calculate the amount of tax potential of tourism and service enterprises in absolute terms. The tax burden of tourism enterprises is defined as the ratio of all taxes paid by the enterprise to the revenue from the sale of goods (works, services). Revenue from VAT collection is "more stable and less dependent on market conditions than, for example, taxes from the oil and gas sector" [8]. Therefore, any steps to reform the value added tax must be carefully calculated in terms of potential benefits and costs.

As an example of the application of preferential value added tax in the tourism industry, we can cite a reduction in the VAT rate in the EU countries. The VAT rates applicable in the member States of the European Union are shown in table 1.

**Table 1-VAT Rates applied in the European Union member States (of 1 January 2018)**

Country	VAT rate, %			
	standard	food supply	restaurant, services	hotels
Belgium	21	6/12/21	12	6
Bulgaria	20	20	20	9
Czech Republic	20	14	20	14
Denmark	25	25	25	25
Germany	19	7/19	19	7
Estonia	20	20	20	9
Greece	23	13	13	6.5
Spain	18	4/8	8	8
France	19.6	5.5/7/19.6	7	7
Irish	23	0/(4,8;13,5)/23	9	9
Italy	21	4/10	10	10
Cyprus	5	5/15	8	8
Latvian	22	22/12	22	12
Lithuania	21	21	21	21
Luxembourg	15	3	3	3
Hungary	27	18;27	27	18
Malta	18	0	18	7
Netherlands	19	6	6	6
Austria	20	10	10	10
Poland	23	5/8/23	8	8
Portugal	23	6/13/23	23	6
Romania	24	24	24	9
Slovenia	20	8.5	20/8.5	8.5
Slovakia	20	20/10	20	20
Finland	23	13	13	9
Sweden	25	12/25	12	12
Great Britain	20	0/20	20	20

Source: Data from the European Commission on taxation and customs Union

In Sweden, VAT charged in the catering industry has been reduced from 25% to 12% since January 1, 2012. McDonald's was the first to announce that the price cuts would increase investment in new restaurants and jobs. It is expected that in 2012, due to

the decline in prices for the most popular food products, there will be an increase in demand and the employment of 600 new employees.

According to the Swedish Association of hoteliers and restaurateurs, the VAT reduction will

help create 15,000 jobs in the catering sector throughout Sweden. The organization claims that tax cuts will reduce the shadow economy and reduce unemployment among young people and immigrants. The Swedish government assumes that this will also indirectly contribute to the development of the tourism sector. In addition, the tax cut is a response to signs of the impact of the Euro zone's economic downturn on the Swedish economy. The tax cuts will cost the Swedish state budget 5.4 billion kronor (us \$ 814 million) in 2012, and 3.6 billion kronor (us \$ 543 million) in subsequent years. In Ireland, a 9% reduction in the VAT rate was introduced for certain goods and services (mainly related to tourism) for the period from 1 July 2011 to 31 December 2013. The 9% rate applies to catering services; hotel accommodation, use of sports facilities, hairdressing services, printed products such as brochures, maps, programs, booklets, catalogs and Newspapers. The Lithuanian Parliament raised the VAT rate on hotel services from 9% to 21% on January 1, 2012. The preferential VAT rate was in effect during 2011 and was introduced at the request of Lithuanian hoteliers and restaurateurs who suffered serious losses.

At the time, the preferential VAT rate allowed creating 1,600 new jobs in the industry, and in the first half of 2011, the budget received 20.8% more deductions than a year earlier. According to French law, from January 1, 2012, the VAT rate was officially increased from 5.5% to 7% for services provided to tourists (hotel accommodation, food, transport services). Starting from March 1, 2012, the Croatian government planned to increase the VAT rate from 23% to 25%, which should bring an additional \$ 435 million annually to the state budget. However, in the tourism sector, the Croatian authorities intend to apply a reduction in VAT rates for certain services in the field of gastronomy, starting next year. In Russia, in accordance with article 164 of the Tax code of the Russian Federation, 10% VAT is levied on certain food products, goods for children, periodicals and books related to education, science and culture, and medical products of domestic and foreign production. At first glance, tax incentives can give an additional boost to the tourism industry. But how will events actually develop? There are fears that the money saved will not be used for investment, but for consumption, and not for domestic goods, but for imported ones. As a result, this will increase inflation, and the level of the tourism industry will remain at the same level. In addition, if the Russian Federation introduces a preferential VAT rate in the tourism sector, should we expect a reduction in prices and the creation of new jobs? As an indirect tax, VAT is ultimately paid either directly by the consumer of goods (services), or by persons who purchase these

goods for them. At the same time, in the Russian Federation, the share of household expenditures on average in 2008-2010 was about 72% of the total amount for final consumption. Thus, the main VAT payers are households, and, consequently, the direct benefit from reducing VAT will be shared between households and producers of goods (services). In ideal conditions, namely, in conditions of perfect competition with a completely elastic supply and inelastic demand, we could talk about reducing market prices by the amount of the bid VAT, but in real terms, it is possible that prices will remain unchanged, and all the benefits of VAT cancellation will go to the manufacturer. Another aspect related to the promotion of the tourism industry is the introduction of a VAT refund system for goods and services to tourists. VAT is returned on purchases made by foreign citizens when they cross the border of the country where they were purchased. The refund amounts range from 7 to 25% of the purchase amount, depending on the value of VAT in this country. For example, in Israel, tourists who made purchases worth more than \$ 100 in stores participating in the tax refund program are entitled to a refund of value – added tax (VAT in Israel in January 2012-16%). VAT is paid on demand: by cash, credit card or Bank transfer. In Hainan (China) since January 1, 2011 a VAT refund system has been introduced, the principle of which is similar to Tax Free in Europe, GST Refund in Singapore, Tourist Refund Scheme (TRS) in Australia and other VAT refund systems for exporting goods purchased by foreigners during their stay in the country. The VAT refund rate is 11% of the purchase amount specified in the special invoice. Russia has also adopted another measure to attract foreign tourists. Now foreigners who make purchases in Russian stores will be able to recover the value-added tax. According to RIA Novosti, since 2012, foreign tourists who make purchases in Russian stores will be able to return the value-added tax after crossing the Russian border. Sellers of Russian stores, at the request of tourists, will issue a passenger customs Declaration – a document required to receive tax. To return VAT, tourists must stamp their documents at the mark prior tax-free counter. Within 3 months from the date of purchase, the money will be sent to the buyer by mail or to a Bank card. First of all, the value-added tax will be refunded at airports in Central cities. The measures taken should create conditions for stimulating the tourism industry.

#### 4. Discussions

Thus, VAT in Uzbekistan should be introduced no more or less than other taxes, which in itself should lead to a conclusion not about reducing the VAT rate, but about continuing to improve the tax system as a

whole. Creating an optimal tax system is the main task of the state.

As foreign practice shows, the development of the industry will be possible if the legislative and Executive bodies of state power realize the importance of the role of tourism in the social and economic development of the Russian Federation and begin to implement a protectionist policy towards the tourism industry.

The identified features of taxation in tourist organizations allow us to develop practical recommendations for improving the taxation system in the tourism industry as a factor in the development of the tourism industry.

#### **Acknowledgements:**

Foundation item: Namangan state University, Namangan, Uzbekistan. Author is grateful to the Department of Finance of Namangan state University, Namangan, Uzbekistan.

#### **Corresponding Author:**

Dr. Beknazarova Saida Safibullayevna  
 Doctor of technical science, professor audiovisual technologies of Tashkent University of Information Technologies named after Muhammad Al-Khwarizmi, Tashkent, Uzbekistan, 100096  
 Telephone: 998-90-3276666  
 E-mail: [saida.beknazarova@gmail.com](mailto:saida.beknazarova@gmail.com)

#### **References**

1. Kaurova O. V., Maloletko A. N. Accounting of tourist industry enterprises: textbook. Moscow: KNORUS, 2009.

2. Mityurnikova L. A. Some aspects of reforming the taxation of the tourist industry in Russia (for example, VAT) // Service in Russia and abroad. 2011. # 3. Pp. 131-141.
3. [www.nalog.ru](http://www.nalog.ru). (Accessed: 15.03.2012).
4. [www.minfin.ru](http://www.minfin.ru). (Date accessed: 03.03.2012).
5. [www.rassiatourism.ru](http://www.rassiatourism.ru) (date accessed: 03.03.2012).
6. [www.gks.ru](http://www.gks.ru) (date accessed: 03.03.2012).
7. [www.rbcdaily.ru](http://www.rbcdaily.ru) (accessed: 18.03.2012).
8. [www.tourinfo.ru](http://www.tourinfo.ru) (accessed: 18.03.2012).D. Prewer, Kitchen L. Weighted Linked Pyramids and Soft Segmentation of Colour Images // Taiwan: ACCV2000. vol. 2. 2000. P. 989-994.
9. Badayeva A. the sphere of services in the world economy: development Trends.
10. [Text] / A. Balayeva, M. predvoditeleva // World economy and international relations. 2007. - No. 3. - Pp. 23-28.
11. Balabanov I. T. the Economics of tourism: a training manual [Text] / I. T. Balabanova, A. I. Balabanov-M.: Finance and statistics, 2001. - 176 p.
12. Yu. Barlybaev A. A., Akhmetov V. Ya., Nasyrov G. M. Tourism as a factor diversification of the rural economy. [Text] // Problems predictions. - 2009. - No. 6.
13. P. Birzhakov, V. M. Introduction to tourism. [Text] / V. M. Birzhakov-SPb.: Publishing trade House "Gerda". - 2004. - 192 p.
14. Bogolyubov B.C. tourism Economics: textbook [Text]/ B.C. Bogolyubov, V. P.-M.: "Academy", 2005.- 311 p.

4/24/2020