

## SIMILARITIES AND DIFFERENCES OF TAXATION OF LEGAL AND INDIVIDUALS

**Turayev Alijon Akmal o'g'li**

Associate Professor of the Department of "Investment and Innovations" of the Samarkand Institute of Economics and Service, Acting PhD.

[alijon.turayev@mail.ru](mailto:alijon.turayev@mail.ru)

**Kushmanbekova Shahzoda Kamilbekovna**

Student of the Samarkand Institute of Economics and Service

+998915212899

[kushmanbekovashahzoda@gmail.com](mailto:kushmanbekovashahzoda@gmail.com)

### Abstract

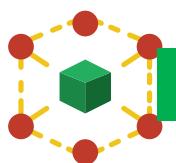
This article examines the similarities and differences in the taxation of legal entities and individuals. It explores the fundamental principles of taxation that apply to both groups, including the purpose of tax collection, compliance requirements, and the impact of tax policies on economic behavior. The article also highlights key distinctions, such as tax rates, deductions, exemptions, and reporting obligations. By analyzing these aspects, the article aims to provide a comprehensive understanding of how taxation frameworks operate for both legal and individual taxpayers.

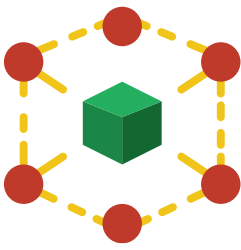
**Key words:** *Taxation, Legal Entities, Individuals, Corporate Tax, Personal Income Tax, Tax Compliance, Tax Rates, Deductions*

### INTRODUCTION

Taxation is a fundamental aspect of modern economies, serving as a primary means for governments to generate revenue necessary for public goods and services. Both legal entities, such as corporations and partnerships, and individuals, or natural persons, are subject to taxation, yet the frameworks governing their tax obligations exhibit both similarities and differences. Understanding these nuances is crucial for taxpayers, policymakers, and economists alike, as they influence compliance behavior, economic decisions, and overall fiscal health. One of the primary similarities in the taxation of legal entities and individuals lies in the overarching purpose of tax collection. Both types of taxpayers contribute to the funding of essential public services, including infrastructure, education, healthcare, and social welfare programs. Moreover, both are required to adhere to compliance requirements that mandate accurate reporting of income and the timely payment of taxes owed. This shared obligation underscores the principle of fiscal responsibility that underpins tax systems worldwide.

Despite these similarities, significant differences exist in the specifics of how taxes are levied on legal entities compared to individuals. For instance, corporate tax rates are typically distinct from personal income tax rates, often resulting in lower effective tax rates for businesses. Additionally,





legal entities may benefit from various deductions and credits that are not available to individual taxpayers. These can include deductions for business expenses, depreciation of assets, and credits for research and development activities. Conversely, individuals often have access to personal exemptions and standard deductions that reduce their taxable income.

Another notable difference is the complexity of tax reporting and compliance requirements. Legal entities often face more intricate regulations and must navigate a more extensive set of rules concerning accounting practices, financial disclosures, and audit requirements. In contrast, individual taxpayers generally have simpler reporting processes, although this can vary significantly based on income levels and types of income earned. Furthermore, the impact of tax policy on economic behavior can differ markedly between legal entities and individuals. For example, corporate tax incentives may drive investment decisions and influence business expansion strategies, while individual tax policies can affect labor supply decisions and consumer spending habits. While the taxation of legal entities and individuals shares common goals and compliance obligations, the differences in tax rates, deductions, reporting requirements, and behavioral impacts highlight the complexity of tax systems. A nuanced understanding of these similarities and differences is essential for effective tax planning and policy formulation.

## ANALYSIS OF LITERATURE ON THE TOPIC

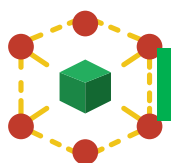
The taxation of legal entities and individuals has been a subject of extensive research by various scholars in the fields of economics, law, and public policy. Here are some notable researchers and their contributions to the understanding of this topic: Richard Musgrave: A prominent economist, Musgrave is known for his work on public finance and taxation. His theories on the functions of government and the role of taxation in resource allocation have laid the groundwork for understanding how both individuals and corporations contribute to public revenue.

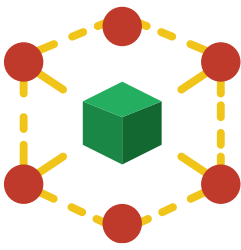
Joseph Stiglitz: A Nobel laureate in economics, Stiglitz has extensively studied taxation's impact on economic behavior. His research emphasizes how tax policies affect both individual taxpayers and corporations, particularly in terms of investment decisions and income distribution.

Edward Kleinbard: Kleinbard, a former chief of staff of the U.S. Congress's Joint Committee on Taxation, has written extensively on corporate taxation. His work often contrasts the tax obligations of corporations with those of individuals, highlighting issues such as tax avoidance and the implications of different tax structures.

Alfredo Garcia: Garcia's research focuses on the comparative aspects of tax systems across different countries. He examines how legal entities and individual taxpayers are treated under various jurisdictions, providing insights into the similarities and differences in tax obligations.

Michael Graetz: Graetz has contributed significantly to the discussion on tax reform and the complexities of the U.S. tax system. His analysis often includes comparisons between corporate and individual taxation, emphasizing the need for a more equitable tax structure.





Lars P. Feld and Klaus F. Zimmermann: These scholars have explored the economic implications of taxation on both individuals and businesses. Their work discusses how tax policies can influence labor supply and corporate investment, shedding light on behavioral differences between legal entities and individuals.

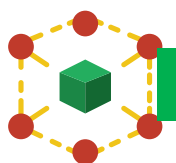
Daniel N. Shaviro: Shaviro's research often focuses on tax policy design and its implications for both personal and corporate taxation. He addresses the challenges of creating a fair tax system that adequately addresses the needs of different taxpayer categories. These scholars have contributed to a deeper understanding of the similarities and differences in the taxation of legal entities and individuals, exploring themes such as compliance burdens, economic impacts, and equity considerations in tax policy. Their work underscores the complexity of tax systems and the importance of informed policy-making to balance revenue generation with fairness and efficiency in taxation.

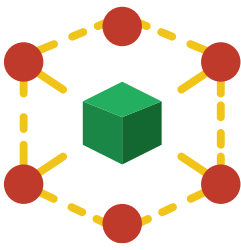
## METHODOLOGY

This research aims to analyze the similarities and differences in the taxation of legal entities (corporations) and individuals. The methodology employed for this study encompasses both qualitative and quantitative approaches to provide a comprehensive understanding of the subject.

The first step involves a thorough review of existing literature on tax law, public finance, and economic theory. This includes academic articles, books, and government reports that discuss the principles and practices of taxation for both legal entities and individuals. The literature review will help identify key themes, trends, and gaps in the existing research.

A comparative analysis will be conducted to examine the tax structures applied to legal entities versus individuals. This will involve analyzing tax rates, compliance requirements, deductions, credits, and exemptions. Data will be collected from various jurisdictions to highlight how different countries approach taxation for both categories. To illustrate practical applications, specific case studies of different countries will be examined. These case studies will focus on notable tax reforms, enforcement practices, and the economic impacts of taxation on both individuals and corporations. This qualitative approach will provide insights into real-world implications and outcomes of different tax policies. Surveys will be distributed to tax professionals, accountants, and business owners to gather firsthand insights on their experiences with tax compliance and planning. Additionally, interviews with experts in tax law will provide qualitative data regarding perceptions of fairness and efficiency in the tax system. Quantitative data analysis will be performed using statistical tools to evaluate the impact of taxation on economic behavior among individuals and corporations. This may include examining correlations between tax rates and investment decisions or labor supply. By employing this mixed-methods approach, the research aims to provide a nuanced understanding of the similarities and differences in the taxation of legal entities and individuals, contributing valuable insights to policymakers and scholars alike.





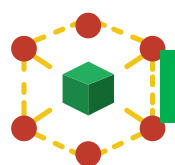
## RESULTS AND DISCUSSION

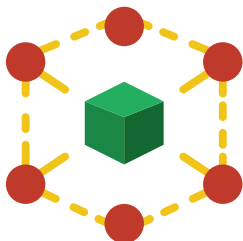
Taxation is a fundamental aspect of modern economies, impacting both legal entities (such as corporations) and individuals. While there are notable similarities in how taxes are structured for these two groups, significant differences also exist that reflect their distinct roles in the economy. Both legal entities and individuals are subject to taxation to generate revenue for government expenditures. This revenue funds public services such as education, healthcare, and infrastructure, benefiting society as a whole. In many jurisdictions, both individuals and legal entities may be subject to progressive tax rates. This means that higher income levels are taxed at higher rates, aiming to ensure that those with greater financial capacity contribute more to public finances. Both groups can benefit from various deductions and tax credits that reduce their overall tax liability. For individuals, this might include deductions for mortgage interest or education expenses, while corporations may deduct business expenses or research and development costs.



The fundamental difference lies in the tax structure. Individuals typically pay income tax based on personal earnings, while legal entities are subject to corporate tax on profits. This distinction can lead to different effective tax rates and compliance requirements. Individuals are taxed on their total income, including wages, salaries, and investment income. In contrast, corporations are taxed on net profits after deducting allowable expenses. This difference can result in varying tax liabilities for similar levels of economic activity. Corporations often face double taxation- once at the corporate level and again when dividends are distributed to shareholders. Individuals, on the other hand, generally do not experience this phenomenon, as their income is taxed only once.

Tax	Payments
Tax is compulsory to the government without getting any direct benefits	Fee is the payment for getting any service
If the element of revenue for general purpose of the state predominates, the levy becomes a tax	While a fee is a payment for a specific benefit privilege although the special to the primary purpose of regulation in public interest.
Tax is a compulsory payment	Fee is a voluntary payment.
If tax is imposed on a person, he has to pay it; otherwise he has to be penalised	On the other hand fee is not paid if the person do not want to get the service
In this case, tax payer does not expect any direct benefit. Example: Income tax, gift tax, wealth tax, VAT etc.	Fee payer can get direct benefit for paying fee. Examples: stamp fee, driving license fee, government registration fee





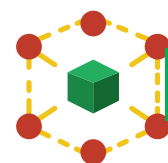
Legal entities usually face more complex compliance requirements than individuals. Corporations must adhere to extensive reporting standards, including financial statements and audits, which can impose a greater administrative burden. Governments often provide specific tax incentives to encourage business investment and economic growth. These incentives may not be available to individual taxpayers, who typically face a more standardized tax regime. While there are foundational similarities in the objectives of taxation for legal entities and individuals, the differences in tax structures, treatment of income, compliance requirements, and potential for double taxation highlight the complexities of the tax system. Understanding these similarities and differences is crucial for policymakers to create equitable and efficient tax policies that address the needs of both individuals and businesses in the economy.

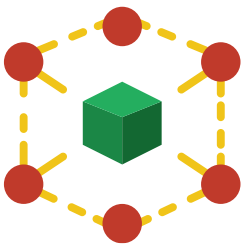
## CONCLUSION

Taxation of legal entities and individuals shares the fundamental objective of generating government revenue to fund public infrastructure and social services. Both categories are bound by statutory compliance, mandatory filing periods, and potential audits. However, the mechanisms of assessment differ significantly. Individuals are typically subject to progressive income tax rates based on their total earnings, often including social security contributions. In contrast, legal entities are taxed on net profits (revenue minus deductible expenses) at corporate rates, which are often flat. Furthermore, corporations face more complex reporting requirements, such as Value Added Tax (VAT) and corporate transparency standards. While individuals focus on personal exemptions, businesses utilize depreciation and operational deductions to manage their tax burden. Ultimately, balancing these two tax streams is essential for maintaining a fair and stable national economy.

## REFERENCES

1. Bird, R. M., & Zolt, E. M. Tax Policy in Emerging Countries: A Comparative Study of Individual Income Tax and Corporate Tax Structures in Developing Economies. World Bank Publications. 2011, pp. 15–45.
2. James, S., & Nobes, C. The Economics of Taxation: Principles, Policy, and Practice-An Analysis of how Governments Tax Individuals and Corporations. Dennis Nelley Publishing. 2020, pp. 112–140.
3. Kay, J. A., & King, M. A. The British Tax System: A Detailed Examination of Personal and Corporate Fiscal Responsibilities and their Economic Consequences. Oxford University Press. 1990, pp. 55–80.
4. Mirrlees, J., Adam, S., Besley, T., & Blundell, R. Tax by Design: The Mirrlees Review of Modern Taxation focusing on the Integration of Personal and Business Tax Systems. Oxford University Press. 2011, pp. 210–235.





5. Musgrave, R. A., & Musgrave, P. B. Public Finance in Theory and Practice: Examining the Distribution of Tax Burdens across Legal Entities and Natural Persons. McGraw-Hill. 1989, pp. 250–275.
6. OECD. Tax Policy Reforms: OECD and Selected Partner Economies-Comparing Corporate and Personal Income Tax Trends in the Global Market. OECD Publishing. 2021, pp. 45–68.
7. Slemrod, J., & Bakija, J. Taxing Ourselves: A Citizen’s Guide to the Debate over Taxes for Individuals and Businesses in the United States. MIT Press. 2017, pp. 130–155.
8. Stiglitz, J. E., & Rosengard, J. K. Economics of the Public Sector: Principles of Taxation and the Impact of Fiscal Policy on Individuals and Legal Structures. W. W. Norton & Company. 2015, pp. 480–510.

