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THE IMPORTANCE OF INTRODUCING TAX INCENTIVES FOR INDUSTRIAL ENTERPRISES

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Annotation
This article examines the role of tax incentives for industrial enterprises in the development of their production base and the views of tax scholars, the role of taxes in the activities of industrial enterprises, the content of tax incentives. It also provides scientific conclusions and recommendations on the current situation with the provision of tax benefits and the use of tax benefits by government agencies to industrial enterprises.

Keywords: industrial enterprise, state budget, taxes, tax incentives, investment, efficiency, property tax, land tax, profit tax, budget, local budget.

Introduction

Much attention is paid to the modernization, technical and technological re-equipment of industrial enterprises. The main goal is to provide the system with new technologies that will allow it to produce competitive and export-oriented products. As a result, the demand for manufactured products in the domestic and foreign markets will increase. At the same time, the economic significance of tax benefits is great.

It should be noted that tax incentives are an effective tool for industrial enterprises to develop their production base, introduce new technologies, encourage investment in income, which will lead to an increase in the tax base, which should be included in the budget in the future.

Literature Review

A.Vakhobov and A.Juraevs' "Tax benefits are various tax benefits for taxpayers, which can be provided temporarily and permanently, in full or in part, and in other forms. It was interpreted that the types of tax benefits, mechanisms of implementation, criteria for determining are determined based on the level of socio-economic development of the country [2].

According to Malikov, "Tax benefits are a complete or partial reduction of the taxpayer's tax liabilities, delays or deferrals. The incentive function of taxes is carried

out through a system of tax incentives. The tax exemption is reflected in changes in the object of taxation, reduction of the tax base, reduction of tax rates, etc"[3].

Tax incentives in the field of industrial production provide a wide range of opportunities for government agencies to carry out their duties to achieve their goals and objectives. Tax benefits vary according to their object, they can be applied to taxpayers in connection with the implementation of certain types of activities, they may vary depending on the enterprise, region or sector of the economy, and different types of costs, for example, research and can be used in a variety of conditions for development.

Research Methodology

This article uses the methods of comparison, analysis and synthesis to highlight the importance of effective use of tax benefits in industrial enterprises and the world experience in this area.

Analysis and Results

The ability to direct and use funds in the field of industrial production will increase the financial opportunities for businesses.

The main disadvantage of tax benefits is the high cost of providing them, which is typical of tax benefits in an amount that reduces the amount of tax payable, as the taxpayer has to cover research and production costs regardless of the amount of expenses. As a countermeasure to the effective use of tax incentives, its economic impact is not related to the actual cost of research and development, but governments can set costs. The tax breaks eliminate the problem of over-providing these tax breaks.

It can be concluded that tax incentives applied to industrial production have a positive impact on the development of private research and encourage investment in scientific and innovative activities in business. Today, Article 471 of the Tax Code on the use of tax benefits to encourage investment in innovative activities in industrial enterprises sets out the conditions for taxation of legal entities with direct private foreign investment.

For legal entities specializing in the production of goods on a list established with the involvement of private foreign investment and approved by law, the specifics of the application of certain tax benefits properties are considered [1].

The high positive impact of the main methods of stimulating enterprises should be optimized for the size of the budget deficit. However, it must be acknowledged that the economic literature has not paid enough attention to studying the purely social impact of tax incentives on industrial production.

Tax incentives for industrial production should be differentiated according to the amount of expenses incurred by the enterprise or research and innovation activities, for example, the introduction of limits on tax benefits for taxpayers or the establishment of different tax rates based on the activities of the organization. It is necessary to create more favorable conditions for tax incentives for organizations with a high share of debt. The attractiveness of the country is not only to increase the volume of production activities, but also to increase the economic sectors and international competitiveness, which is the main goal of the use of tax incentives for industrial enterprises by government agencies, which will help attract investment and develop innovation. Some research that has analyzed the impact of industrial tax incentives on the growth and development of innovation and the competitiveness of organizations has shown that the use of tax incentives allows businesses to develop and introduce new products and processes.

Enterprises producing high-tech products are characterized by a high share of innovative costs. Because the primary innovative product is created at a research institute, the initial stages of an innovative business usually do not require tax breaks, as the main costs are related to the cost of paying highly qualified professionals [4].

A comparative analysis of the experience of more countries is needed to obtain reliable information on the effectiveness of tax incentives. In addition, the results of the studies were largely based on an empirical approach, so applying a different approach could lead to different results in the same country. Finally, there is no fundamental research in the economic literature on the interaction between industrial tax incentives and direct subsidies. A detailed analysis conducted at the level of a research and development organization will allow to determine whether the financial performance of the organization is related to the use of funds provided under applicable tax benefits and subsidies, which will be the basis for similar research in the future. It can be [5].

Over the past decade, proposals for financial incentives to support research and development in industrial production have become a tool of public policy. The increase in the number of member countries of the Organization for Economic Cooperation and Development has resulted in tax incentives for commercial organizations to conduct research.

The use of tax incentives in industrial production allows the company to reduce the tax burden depending on the volume or increase of workload. Tax breaks reduce the cost of industrial production, although they are only delivered after work has been completed in the area. Tax incentives are an indirect means of supporting industry, as opposed to direct government funding for business, research, and development

through grants or contracts. The amount of government funding for industrial production through tax incentives can be large and at the level of direct funding.

Due to changes or alterations in the style / thematic composition of production and technological processes, a lower priority is given to the additional share of the product. However, tax breaks can also be used to achieve such policy goals. In addition to this classical logic, there are other political grounds for government support for industry. Tax breaks are often an important investment for long-term growth and national competitiveness. However, investment results are uncertain and difficult to assess by financial institutions due to financial asymmetries. As a result, it may be difficult to obtain external bank financing, and manufacturing companies may be limited to credit. Evidence of market failure is widely used to justify government intervention. However, they are powerless to explain why the government uses specific tools.

Tax breaks, such as additional discounts for government research contracts or, in some cases, businesses, are a completely different means of tax breaks. Here, fiscal policy is mobilized to support structural change in the national innovation system. Given these paradigms, government intervention in favor of industrial production should only be evaluated in terms of side effects. Changing the behavior of participants in terms of the thematic content of production and technological processes are issues that need to be considered when evaluating the effectiveness of policy programs, including fiscal incentives.

Conclusions and Suggestions

There are several options you can use to develop a tax credit for manufacturing to support business development and innovation.

1) The first refers to the type of tax credit for industrial production

2) The second is to choose the basis of accounting, which is the main option for tax benefits, either by size or in stages.

When developing a system of tax benefits, the importance of simplifying tax audits by tax authorities should not be overlooked. It is interesting to consider the experience of France and Germany in this regard. It is estimated that 30% of firms reduce the tax base from the beginning and overestimate their costs from the beginning. In Germany, it is estimated to be a very high percentage in the short term. French experts have focused on 70% of the truth recipients, and the use of a large-scale system rather than a large-scale system for overestimated or underestimated costs will not be sustainable in the long run.

3) Another important element is to identify the relevant transactions for tax benefits. For example, one interpretation of the relevant cost definition is to qualify all labor-

related labor costs, and thus the tax credit is an incentive to invest in human capital (e.g., the Netherlands). Other approaches include other recurring costs and amortization of research costs to the relevant research costs.

4) the degree of preferentiality of tax benefits is an element of the tax system that largely determines the value of tax benefits. In world practice, he identified two main elements that determine the level of preferential treatment: the percentage of deductible expenses and the maximum amount of tax benefits that can be declared. In addition, the tax credit system may vary depending on the type of firm, research and development, technology, region, or sector. The first element for tax breaks and other mandatory deductions for research is the percentage of research costs that can be deducted from the tax burden or contribution. This percentage varies widely between countries: 10% in Italy, 18% in the Netherlands, 20% in Canada and Korea, and up to 30% in Spain and France [6].

Thus, important questions in determining the feasibility of introducing tax incentives for industrial production are: Tax exemptions can be deductible from taxable income. One of the most important types of tax incentives for industrial production is a special investment agreement. Incentives for industrial production through the use of investment agreements in foreign countries have been in place for decades, while the economic impact of the countries that have entered into investment agreements has been quite different but quantitatively the same. Based on a study by the Ministry of Industry and Trade of the Russian Federation, we identified the features of the introduction of investment agreements in China and Hungary, which are listed in Table 1 below.

Table 1 Analysis of investment agreements in China and Hungary

Country	Government obligations	Investor obligations	Economic effect
China	Concessional loans provided by the Bank of China. Provision of customs duties and tax benefits for the following payments: housing, grain and export subsidies to workers and employees; Discounts on transportation, communication, etc.	More than 70% of the products are exported; It is necessary to use foreign technologies; Establishment of enterprises in legal fields	Establishing enterprises in the legal sector The annual volume of real investment increased from $ 4.4 billion to $ 45.5 billion.
Hungary	Provision of personal tax incentives	Implementation of investment projects aimed at the development of the manufacturing industry; An increase in the average number of employees by 500 people since the beginning of the project	Hungary has the highest per capita foreign investment in Eastern and Central Europe

Country Government Liabilities Investor Liabilities Economic Impact
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Hungary
Provision of personal tax benefits Implementation of investment projects aimed at the development of the manufacturing industry;
The increase in the average number of workers by 500 people since the start of the project has led Hungary to become the leading country in Eastern and Central Europe in terms of foreign investment per capita.
An analysis of world practice shows that the main purpose of providing various types of benefits and preferences is to create new jobs and develop the manufacturing industry. At the same time, China is introducing tax breaks along with other benefits, which provide a synergistic effect from the right combination of incentives applied.
Tax incentives have become the main criterion for stimulating industrial production, and it is advisable to reduce the tax burden depending on the size or growth of the costs of the enterprise engaged in production activities.

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