Principles that Build Taxation Systems in Different Developed Countries

Student’s Name

Institution of Learning
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It would be reasonable to point out that the ways through which taxation systems operate in various developed countries are exceptionally varied, especially regarding the differentiation in taxation approaches. With regard to the nuances and specifications of building taxation systems across the domain of developed countries, social welfare stands out. Preferably, the states with a considerable emphasis on social notions are grounded by taxation systems, which is generally diversified. On the contrary, developed countries that highlight individual liberties and flexible taxation modes seem to put less pressure on business entities. Developed states differ one another considerably, meaning that independent analyses are mandatory. Although one may contemplate that taxation systems and their respective principles are common in a wide range of developed states, the contexts of Scandinavia, the U.S., Qatar, and Japan are to be assessed to represent the crucial discrepancies in the foundations of taxation systems.

Scandinavian Countries

What stands out the most in the structure of the taxation system among Scandinavian states is the comprehensive emphasis on heavy taxation. One of the most prominent principles of taxation in Scandinavian countries is the high taxation of income. In particular, Denmark imposes a total of 26.4%, whereas Norway and Sweden tax 19.7% and 22.1% respectively based on income (Pomerleau, 2015). The Nordic taxation of income has often been associated with an enormous contribution to the GDP. Unlike the U.S., Nordic countries similarly impose somewhat a high top marginal income tax rate, which peaks at a total of 60.4% in Denmark (Pomerleau, 2015). However, one may speculate that most developed states have soaring income taxes, whereas the most differential element within the Scandinavian context is the parameter of
revenue flatness. The taxation system relies on taxing most people at high rates, much unlike other taxation systems that tend to tax only high-income individuals (Pomerleau, 2015). Therefore, by emphasizing the flatness of income taxes, Scandinavian states manage to obtain revenue from dozens of citizens at the top marginal rate—a phenomenon almost unseen in other developed countries.

Other than that, the aspect of value-added taxes should not be disregarded in the Nordic context since this parameter collects an immense amount of revenue. The essence of value-added taxes relies on the procedure of working similarly to consumption taxes. The only prominent distinction is that business entities are levied on value-added taxes, which is often associated with being a regressive tax because of its further redistribution and allocation throughout social welfare systems. Having reviewed the essentials of Scandinavian taxation principles, one may indicate that the increased attention over the top marginal income tax rate and value-added taxation is reasonable, which may also be widely tracked by both the quantity and quality of social welfare programs.

American Economic Environment

It would be rational to underline the fact that U.S. taxes are relatively lower than medium figures in other developed countries. More precisely, the revenue generated from taxes at both federal and state levels makes a total of 26 percent of the nation’s GDP, whereas the state-members of the Organization for Economic Cooperation and Development (OECD) have an average of 33 percent (Elkins, 2018). The most contrasting and stark difference in the type of taxation principles between U.S. and OECD members is the extent of governmental services provided, especially regarding EU countries. As for the composition of tax revenue, the U.S.
collected nearly half of all tax revenue in 2015 from personal income and business profits (Elkins, 2018). Other than that, the revenues collected from other principles of taxation in the U.S. relied on social security, which peaked at 24 percent in the 2015 fiscal year. Considering the domains of property and goods and services, the U.S. represented 10 and 17 percent, respectively.

Except for the apparent reliance on the tax principle of focusing on income and profits, the administrative division of the U.S. into federal and state domains allows states to collect taxes on consumption on-site. What should be added in this discourse is that corporate income tax provides nearly 5 percent of total state tax revenues—at the same time, being paid by large corporations that operate in multiple states simultaneously (Francis, 2016). Presumably, the corporate income tax could have generated more revenue; however, the discrepancies in the taxation guidelines across state lines force corporations to omit higher taxes by operating in the most tax-based appealing states in the U.S. Overall, the principles that build the American economic environment relate to relatively lower taxes than in other developed countries, eventually making the fiscal environment being appropriate and healthy for the development and expansion of business entities.

Qatar

One of the most outstanding taxation systems can be traced while reviewing the underlying foundation of Qatar's taxation system. More precisely, the state has no tax on personal per capita income, which means that employees receive their wages without tax deductions. Other than that, the total income of both Qatari and GCC nationals residents is exempted from paying taxes, which makes the entire taxation system an unprecedented method
of generating revenues for the state. Considering the subject matter of company taxation, one may point out that a total of 10 percent is charged with the company's total state income, which is conventionally paid annually. Similarly, commercial activity in Qatar's jurisdiction means work for profit and revenue, which is also a subject of rental income with a fixed tax rate of 10%.

The primary foundation of Qatar's tax system is its strong emphasis on tax exemptions, which include dividends, the income of companies working in specific economic sectors, and legal persons residing in the state. The key authority that controls the implementation of all taxes is the newly-formed General Tax Authority, which also bears responsibility for implementing tax exemptions (Prapatap, 2019). Although most of these tax exemptions are grounded on overwhelming macroeconomic performance, which in turn is caused by the enormous amount of exported natural resources, it seems evident that Qatar's tax system is unique in comparison with other developed states. Furthermore, the diversification of Qatar's economy is the logical consequence of being a country with low taxation rates, which makes it incredibly attractive to expatriates, individual entities, and businesses.

Japan

Japan has one of the most sophisticated and multifaceted taxation systems among developed states. The fundamental reason for the guiding principles of taxation in Japan being highly complex is the differentiation of national income tax and residential tax. The taxation system also underlines consumption taxes and excise taxes on a national level, which are accompanied by both enterprise and vehicle taxes within the prefectural domain. Another cause
of the system to be sophisticated is the presence of the administrative division in terms of municipalities, which impose property taxes.

One of the most peculiar notions regarding Japan's tax principles is the progressive essence of the system. For instance, individual income tax rates vary from 5% up to a total of 45% depending on the brackets of taxable income. What is more, Japan also established the departure tax, which is included in the travel fare for foreigners (Watanabe, 2019). Similarly, the uniqueness of the system is also apparent while reviewing the features of the gift tax and inheritance tax. More precisely, Japan's taxing principles are firm, even considering inheritance and gifting, which are believed to be taxed within both domestic and foreign domains. A brief recap of Japan's tax system and its respective principles allowed to shed light on sophisticated taxation concepts, which mostly rely upon administrative divisions.

Conclusion

It would be reasonable to say that taxation principles in developed states vary based on the allocation of revenue withdrawn from multiple channels of taxation. Having reviewed the geographical contexts of developed states and their respective taxation principles, one may refer to the decency of the Scandinavian system, which underlines the flatness of income taxes and the importance of value-added taxes. The American context has proven to be the least taxed in comparison with other developed states, whereas much of the revenue is generated from personal incomes and business profits. Qatar was chosen for the review as a unique country in terms of low taxation, which serves as being the core of the state's rapid development. As for Japan, the administrative divisions and complexity of tax sources make the system the least flexible taxation system of all reviewed cases. Though the taxation principles that form the core of
sustainable development among the reviewed developed countries may vary, they share the joint
function of generating enough revenue for maintaining the stable growth of macroeconomic
figures and citizens' well-being.
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