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INTERNATIONAL PRACTICES OF LARGE ENTERPRISES TAXATION IN THE CONTEXT OF DIGITAL TRANSFORMATION

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Abstract
This article investigated the international practice of taxing large enterprises. It conducted a comparative analysis of the criteria for determining large enterprises, types and rates of taxes in different countries, and tax optimization strategies.

Keywords: Tax, taxation systems, large enterprise taxation, transfer pricing, criteria of large enterprises

Introduction

Digital transformation has significantly reshaped global economic activity, revolutionizing how businesses operate, deliver services, and interact with customers. In this rapidly evolving digital economy, large enterprises have embraced new technologies to expand across borders and optimize operations. However, this transformation has also exposed gaps in traditional taxation systems designed around physical presence and tangible goods.

As a result, tax authorities worldwide are grappling with how to appropriately tax the income of multinational enterprises (MNEs), especially digital giants that generate significant value without a physical presence in many markets where they operate. The OECD's Base Erosion and Profit Shifting (BEPS) initiative and global digital tax reforms underscore the urgency to modernize tax systems for the digital age. This essay explores the international taxation practices for large enterprises, highlighting their features, challenges, strategic behaviors, and policy considerations in the digital context.

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Large enterprises (LEs) typically face complex taxation due to their scale, geographic spread, and involvement in cross-border transactions. Key characteristics include:

1. Multi-jurisdictional tax obligations, including compliance with domestic and international tax laws.
2. Exposure to double taxation or non-taxation due to gaps and mismatches between tax systems.
3. Sophisticated tax planning structures utilizing transfer pricing, intra-group financing, and holding companies.
4. Greater scrutiny by tax authorities and civil society is driven by demands for transparency and fairness.
5. Obligations for detailed reporting under initiatives such as Country-by-Country Reporting (CbCR) and Pillar Two's global minimum tax.

RESEARCH METHODOLOGY

SWOT, Pestel, and comparative analysis of tax policies of different countries were used in this research, as well as induction and deduction methods and statistical and structural analysis methods.

Criteria for defining large enterprises for taxation

Taxation is a key element of economic policy in any country. Modern international practices demonstrate a wide range of approaches to tax regulation that consider the specifics of national economies and global trends.

International taxation practice is a set of principles, rules, and agreements governing transnational transactions and income taxation. The main areas of international tax practice include:

- International Tax Treaties: Many countries enter into double taxation agreements to prevent the same income from being taxed in different jurisdictions. These agreements regulate income taxation between countries, such as dividends, interest, and royalties.

- Residence and Source Principles: International tax systems generally use two main principles of taxation - residence (individuals or companies are taxed in

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the country where they reside) and source (income is taxed in the country where it is earned).

Transfer pricing is the practice of setting prices for transactions between related companies in different countries. The purpose of transfer pricing is to prevent price manipulation and shift profits to countries with low tax rates.

The rise of the digital economy has created new challenges for international taxation. Traditional tax rules are difficult to apply to companies that can earn profits in a country without having a physical presence there.

These and other aspects of international taxation practice help to harmonize different countries' tax systems, minimize conflicts of interest, and combat tax evasion globally.

Large enterprises are typically defined using quantitative and qualitative criteria for taxation and regulatory purposes. These thresholds differ slightly across jurisdictions but generally include revenue, assets, and workforce size metrics. The criteria for determining large enterprises in international practice are based on several key characteristics, including turnover, size of assets, number of employees, and market power. Different international organizations and standards use their approaches. Large enterprises are defined based on international regulations, which involve using quantitative and qualitative criteria. The main classification criteria are listed below:

1. European Union (EU) criteria

According to EU recommendations, large enterprises are defined based on:

• Number of employees: more than 250 people.
• Annual turnover: more than €50 million.
• Book value of assets: more than €43 million.

2. The Organization for Economic Co-operation and Development (OECD) offers the following key indicators:

• Revenue: more than €50 million per year.
• Number of employees: more than 250 people.
• Asset value: more than €43 million.

3. International Financial Reporting Standards (IFRS)

• Transparency of financial statements: large enterprises are required to comply with international requirements for financial disclosure.

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• Assessment of the company's scale through revenue, assets, and capital.
• Compliance with the level of international operations, such as participation in cross-border trade.
4. The World Bank and other international organizations
Some indicators may vary depending on the region and industry, but the main ones are:
• Significant amount of capital.
• Participation in global markets.
• Ensuring a significant level of employment in the economy.
5. Qualitative criteria
In addition to quantitative indicators, international acts take into account:
• The influence of the enterprise on the market.
• Role in international trade and investment.
• Innovative activity and sustainable development.

Table 1. Different criteria for defining large enterprises

Criteria	Common Thresholds	Jurisdiction Examples
Annual Revenue	€50 million or more	EU, OECD countries
Number of Employees	250 or more	EU, U.S. (IRS thresholds)
Total Assets	€43 million or more	IFRS, Basel standards
Global Presence	Operating in 3+ countries	UNCTAD, OECD

When classifying large enterprises, it is essential to consider:
• Economic sectors, since criteria may differ depending on the industry (e.g., IT vs. manufacturing).
• International standards and recommendations are applied flexibly, adapting to regional and industry conditions.
• In Uzbekistan, as a rule, they focus on the number of employees and annual income corresponding to the local economic situation.

ANALYSIS AND RESULTS

Large enterprises deploy various legal tax optimization strategies to minimize their global effective tax rates. These strategies are often complex and tailored

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to the company's structure, the jurisdictions in which it operates, and the nature of its business. Common methods include:

1. Transfer Pricing: Setting prices for intra-group transactions (goods, services, intellectual property) to allocate income across jurisdictions tax-efficiently.
2. Use of Tax Havens: Shifting profits to low- or no-tax jurisdictions through establishing subsidiaries or intellectual property holding companies.
3. Treaty Shopping: Structuring transactions to take advantage of favorable provisions in tax treaties.
4. Interest Deduction Strategies: Utilizing intra-group loans to shift profits via deductible interest expenses.
5. R&D Tax Credits and Incentives: Locating innovation centers in jurisdictions with generous research and development tax credits.
6. Digital Service Structuring: Exploiting gaps in digital tax laws where physical presence is not required to generate revenue.

International double taxation practices for large companies cover many aspects related to the taxation of income earned in different countries. The main points include:

1. Double Taxation Agreements (DTA): Many countries sign agreements to avoid double income taxation. These agreements determine which country has the right to tax particular types of income.
2. Methods of eliminating double taxation:

• Exclusion method: one type of income is excluded from taxation in one country.

• Credit method: the taxpayer receives a credit for the tax paid in another country.

3. Transfer pricing: Large companies operating in several jurisdictions must comply with transfer pricing rules to avoid manipulating the prices of goods and services between related companies.
4. Repatriation taxes: repatriation taxes may apply when profits are transferred from subsidiaries to the parent company.
5. Reporting and Compliance: companies must comply with local and international reporting standards, which may include tax disclosure requirements.

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6. Risks and Strategies: large companies often develop strategies to minimize tax risks, including optimizing the structure of their international operations.
The following SWOT matrix outlines the internal strengths and weaknesses and the external opportunities and threats that large enterprises face in international taxation.

Table 2 SWOT analysis of taxation large enterprises

Strengths	Weaknesses
- Strong financial and legal teams - Access to global tax experts - Advanced tax planning tools	- Complex compliance requirements - Greater exposure to audits and fines
Opportunities	**Threats**
- Utilize digital tools for efficiency - Engage with international forums (OECD)	- Increasing global regulatory pressure - Public criticism and reputational risk

The PESTEL framework helps analyze the macro-environmental factors influencing the taxation of large enterprises worldwide.

- Political: Growing global coordination (OECD Pillar I & II) and political pressure to close tax loopholes.
- Economic: Economic recovery needs post-pandemic increased pressure for tax revenue from MNEs.
- Social: Demand for fair taxation and transparency in corporate tax behavior.
- Technological: Advancements in tax reporting, data sharing, and enforcement (e.g., e-filing, digital audits).
- Environmental: Green tax policies affecting investment decisions (carbon pricing, sustainability credits).
- Legal: Implementing global minimum tax and stricter anti-avoidance rules (GAAR, BEPS).

The global landscape reveals a variety of approaches to tax-based support for innovation and capital investment among large taxpayers. Notable examples include:
- France: Offers a research tax credit (CIR) covering up to 30% of eligible R&D expenditures, considered one of the most generous in the EU.
- Canada: The SR&ED (Scientific Research and Experimental Development) program provides refundable credits and grants for both small and large firms.

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- Israel: Combines tax benefits with grants and matching funds under its Innovation Authority.
- China: Provides super deductions of up to 175% for R&D expenses and tax reliefs for High and New Technology Enterprises (HNTE).
- United States: The R&D tax credit under IRC §41 and FDII provisions support innovation in multinational firms. These systems reflect the need for robust frameworks to encourage sustainable development, high-tech growth, and digital transformation within large enterprises.

Different countries adopt unique tax policies to balance revenue generation and global competitiveness. The table below compares major jurisdictions:

Table 3 Comparative Analysis of tax policies in key countries

Country	Corporate Tax Rate	Digital Services Tax	Incentives	Notable Features
United States	21%	No federal DST	R&D credit, FDII	GILTI regime for global income
Germany	30% avg.	Proposed	Investment deductions	Strict audit & reporting rules
Ireland	12.5%	No	Patent box regime	Popular for tech MNEs, facing EU scrutiny
Singapore	17%	No	Tax holidays, IP schemes	Simple territorial system, pro-investment
Brazil	34% eff.	No	Few incentives	Complex cascading tax structure

Encouraging innovation is a priority for many countries seeking to enhance global competitiveness and industrial resilience. Tax incentives are among the most widely used tools to promote research and development (R&D) activities, especially within large enterprises that can scale new technologies.

Governments offer both direct and indirect incentives to promote innovation:
- R&D Tax Credits: Allow deduction of a portion of qualifying R&D expenditures from corporate tax liability (e.g., U.S., France, South Korea).
- Super Deductions: Some countries allow enhanced deductions (e.g., 130% of eligible expenses) for innovation-related investments (e.g., China, UK).
- Patent Boxes: Taxation of income from patents at reduced rates (e.g., Netherlands, Belgium).

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- Accelerated Depreciation: For equipment and technology used in innovation processes.
- Tax Holidays and Exemptions: For newly established tech enterprises or innovation hubs.

The effectiveness of these tools depends on ease of access, transparency, and alignment with national innovation strategies. Enterprises can leverage these mechanisms by maintaining strong documentation, utilizing government support services, and aligning innovation with tax strategies.

Tools and Models for Optimizing Tax Burden for Large Taxpayers in Transformation

Tax burden optimization has become increasingly sophisticated in the face of economic digitization and regulatory tightening. Large enterprises must balance tax efficiency with transparency and risk management. Key tools and models include:

- Transfer Pricing Documentation Tools: Automated platforms for compliance with OECD guidelines and real-time monitoring of intercompany pricing.
- Country-by-Country Reporting (CbCR): Analytics tools to detect potential tax inefficiencies and avoid red flags during audits.
- Group Structuring Models: Use holding companies, regional headquarters, and IP centers for functional alignment and tax savings.

Advanced Tax Rulings and APAs (Advance Pricing Agreements) Reduce uncertainty in the tax treatment of complex operations.

- Blockchain for Tax: Real-time tracking and audit of transactions to support transparency in tax reporting.
- AI and Machine Learning: For predictive analysis of tax positions and strategic scenario modeling.

These instruments allow large enterprises to manage tax positions while proactively ensuring regulatory compliance and sustainability.

Large enterprises in the real sector (manufacturing, energy, logistics, infrastructure) differ significantly from digital firms' tax structures. Their taxation reflects tangible assets, physical operations, and broader economic footprint. Key features include:

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- High Capital Intensity: Assets such as machinery and real estate often lead to significant property and depreciation-related tax deductions.
- Environmental Levies: Real-sector industries are subject to carbon taxes, excise duties, and pollution penalties, which affect net tax burdens.
- Location-Based Incentives: Governments provide tax reliefs for enterprises in economic zones or under public-private partnership (PPP) agreements.
- Sector-Specific Taxation: Industries like mining, oil, and gas face royalties, severance, and resource rent taxes.
- VAT and Customs Duties: Manufacturing firms often face complex indirect tax structures, especially for cross-border operations.

Therefore, real-sector taxation is both an economic policy instrument and a regulatory mechanism for guiding sustainable industrial development.

CONCLUSION

The digital economy has outpaced traditional tax systems, requiring coordinated international responses and corporate agility. Large enterprises face a dual challenge: remaining compliant amid rising scrutiny while pursuing efficient tax strategies. Governments must invest in digital infrastructure for real-time tax reporting and collaborate on inclusive frameworks such as OECD's Pillar I (reallocating taxing rights) and Pillar II (global minimum tax).

Recommendations for governments include:
- Introduce incentive-based regimes that promote innovation and sustainability.
- Improve transparency through mandatory disclosures and public CbCR.

Recommendations for enterprises include:
- Shift toward integrated tax risk management and ESG alignment.
- Invest in digital tax governance systems (e.g., blockchain for invoicing).

Tax systems can foster growth and trust in the digital age by striking a balance between revenue assurance and business competitiveness.