# On the Issue of Exempting Dividends Received from the Participation of Individuals in Company Capital from Taxation

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*The article discusses the economic consequences arising within the context of disproportionate double taxation of corporate profits under legal regulation. These consequences are associated with investment transparency, risk factors in investment promotion, and specifically with the accumulation of unsubstantiated capital reflected in corporate financial statements. This is especially relevant in situations where limited alternative investment opportunities lead to the distribution of profits (dividend payments) and reinvestment in charter capital without proper documentation of these operations, as prescribed by regulation. The avoidance of taxing (withholding tax on) dividends paid to individuals participating in a company's capital may become grounds for legal regulation violations. This could lead to forensic financial-economic expertises within criminal or judicial proceedings through the submission of special questions. However, in the subtext of presenting an expert opinion in this article, it is argued that companies and individuals accountable under current legal regulations is unjust, given the inadequacies in tax policy and existing legal frameworks. Discussions on the methodology for clarifying the above issue in financial and economic expert investigations are currently important, as the effective and targeted reinvestment of capital directly impacts both the company's ability to meet obligations and* *maintain financial stability, as well as the protection of shareholder interests and the organization's future development goals. Scientific methods (analysis and synthesis, generalization, logical and structural, etc.) have been applied.*

***Keywords:*** *double taxation of profits; tax disproportion; dividends; investors; capital accumulation; tax credit; tax exemption; financial and economic expertise.*

## Research Problem Formulation

The disproportion of double taxation of profits refers to the situation where profits are taxed twice at different levels, leading to an unequal distribution of the tax burden between companies and individuals participating in capital.

Efforts to neutralize the situation of double taxation disproportion involve key theories focusing on tax fairness, investment promotion, tax neutrality, reduction of double taxation, and minimization of international disparities. The mechanisms activated within this framework (such as tax credits, tax immunization, and reduced rates) support the formation of fair tax systems and the strengthening of international economic cooperation, allowing for the avoidance of tax burden accumulation and promoting equitable redistribution of capital flows.

The *double taxation immunization* term typically refers to the mechanisms or arrangements that avoid or reduce double taxation. In this context, it should also be acknowledged that double taxation occurs when the same income is taxed two or more times across different jurisdictions, such as in different countries or tax levels.

The purpose of double taxation immunization is to reduce or eliminate this double taxation. This system can take various forms depending on a country's tax legislation. Generally, three main mechanisms related to double taxation immunization are commonly applied:

1. *Tax Credit*: In this mechanism, shareholders receive a tax credit for the tax that the company has already paid in the form of profit tax. Thus, shareholders can reduce their personal income tax by utilizing this credit.
2. *Tax Exemption*: In this case, dividends are fully or partially exempt from personal income tax for individuals.
3. *Reduced Tax Rate*: In some countries, dividends are taxed at a reduced rate, which also helps mitigate double taxation.

The purpose of universal immunization is to ensure that the income received by individuals or companies is not subjected to double or multiple taxation. To achieve this goal, various countries enter into Double Taxation Avoidance Agreements (DTAAs), which outline specific methods, such as the allocation of tax jurisdictions, the credit method, or pure exemptions.

## Analysis of Essential Researches and Publications

Agreements have been signed between the Government of the Republic of Armenia and the governments of several countries to exclude double taxation on income and property and to prevent tax avoidance. Specifically, these agreements involve the

Kingdom of Denmark, the Grand Duchy of Luxembourg, the Islamic Republic of Iran, the Government of Romania, as well as countries such as Indonesia, India, Hungary, Greece, Italy, Kazakhstan, Lebanon, the Republic of Lithuania, the Republic of Latvia, and others [1].

The taxation of income from dividends received by individuals from their participation in corporate capital, specifically through shares, equity interests, and investments in stocks, is fundamentally linked to the fact that these are often subject to double taxation. Dividends paid by companies to shareholders are already taxed at the corporate level. This leads to the phenomenon of double taxation: first, taxation occurs at the company level, and then income tax is withheld from individuals when they receive dividends from those same funds. Exempting dividends from income tax would help eliminate this double taxation of capital, making investments more attractive.

James Mirrlees [2], in his article *An Exploration in the Theory of Optimum Income Taxation*, presents the key principles of optimal income taxation theory. He argues that high tax rates on capital, imposed on income from investments or dividends, can reduce overall investment attractiveness. This is because investors will demand a higher return to compensate for the losses incurred due to taxation or may completely avoid making investments. Such a situation could decrease the level of investments in the economy, which would, in the long run, slow down economic growth.

It should be noted that double taxation in the discussed situation can arise at two levels of taxation:

1) *Corporate Level*: The company that pays dividends to shareholders has already taxed its profits at the corporate level and paid profit tax to the state budget (in Armenia, the profit tax rate is currently 18 %);
2) *Individual Level*: When an individual receives dividends, they are taxed as income (in Armenia, the current income tax rate for dividends received by individuals is 5 %).

Thus, it follows that in these situations, the dividend, which has already been taxed at the corporate level as profit tax, is taxed once again during the individual's income taxation. This effectively can be viewed as double taxation.

Article 149, Part 1 of the Tax Code [3] of the Republic of Armenia provides the following provision: *"For the purpose of determining the tax base, the following income shall also be considered as reduced income: <...> 4) income received from shares, bonds, or other securities evidencing investment listed on the stock exchange operating in the Republic of Armenia, except for bonds issued by banks that have a maturity period of less than two years from the date of placement".*

1 Agreements between the Government of Armenia and the governments of several countries to eliminate double taxation on income and property and to prevent tax evasion / Ministry of Finance of the Republic of Armenia : Of. web. URL: https://minfin.am/hy/page/krknaki_harkman_hamadzaynagrer/ (date accessed: 25.10.2024).

2 British economist and representative of neo-Keynesianism James Alexander Mirrlees was awarded the Nobel Prize in Economic Sciences in 1996 for his research on information asymmetry. Mirrlees J. A. An Exploration in the Theory of Optimum Income Taxation. *The Review of Economic Studies*. Apr 1971. Vol. 38. No. 2. Pp. 175–208. URL: https://www.uib.cat/depart/deaweb/webpersonal/amedeospadaro/workingpapers/bibliosecpub/MirrleesRES1971.pdf (date accessed: 25.10.2024).

3 The Tax Code of the Republic of Armenia, adopted on October 4, 2016 (number HO-165-N), in force since January 1, 2018. URL: https://www.arlis.am/DocumentView.aspx?docid=145780 (date accessed: 25.10.2024).

Moreover, according to Part 2 of the same article: *"For the purpose of determining the tax base, the income specified in Part 1 of this article shall not be considered as reduced income (shall not be deducted from gross income) if <...> 4) it is received as dividends, except for dividends received from shares listed on the stock exchange operating in the Republic of Armenia"*.

According to Part 8 of Article 150 of the Tax Code of the Republic of Armenia, *"The income tax on dividends is calculated at a rate of five percent, taking into account the deductions specified in Article 149 of the Code".* Additionally, it is important to reference the provision outlined in Part 4 of Article 159: *"Income received in the form of dividends will be reimbursed from the state budget in the amount of the investment made in the charter or share capital of the same organization that pays the dividends – provided that the investment is made in accordance with the legislation during the tax year in which the dividends are received – up to the amount of the taxes paid from dividends to the state budget, according to the procedures established by the Government"* (This provision came into force on January 1, 2017).

It should be noted that the provisions of the Tax Code of the Republic of Armenia regarding the taxation of dividends received by citizens of Armenia apply to profits attributed to periods after January 1, 2018, as a distribution of profits on the dividends received by participants.

Regarding profit distribution, that is, the type of dividend policy adopted by the company, R. Brealey and S. Myers consider it one of the top unresolved issues in finance theory. According to their perspective, dividend policy should be isolated from other financial management issues. In this context, the primary question will be about the expected effectiveness of changes in dividend policy, taking into account the company's capital budgeting, borrowings, and the issuance of new shares. This is necessary to clarify how dividend policy impacts the market value of the company [4].

Domestic and foreign economic literature on dividend payments generally converges on the statement that a company is entitled to decide at its discretion on the issue of dividend payments. This means that the legislation does not obligate the company to pay dividends; rather, it imposes certain restrictions that prohibit the company from declaring (or making a decision to make) dividend payments.

As is well known, extensive scientific discussions on issues related to dividend policy were sparked by the joint article of M. Miller and F. Modigliani, in which the authors demonstrated that under perfect market conditions, the value of a company is not dependent on the choice of dividend payments, but rather on the wealth of shareholders. According to them, the decision regarding the company's ability to generate profits is more dependent on the effectiveness of its reinvestment policy than on the characteristics of profit distribution. In other words, dividend policy is not a factor that affects the market value of the company, leading to the conclusion that dividends should be calculated (declared) on a residual basis after financing acceptable investment projects. Shareholders can create their own dividends by selling their shares based on the need for cash. This approach is known as the Dividend Irrelevance Theory [5].

4 Brealey R. A., Myers S. C. Principles of Corporate Finance. 7th Ed. The McGraw-Hill Companies, 2003. P. 433. URL: https://www.passeidireto.com/arquivo/157292980/brealey-myers-principles-of-corporate-finance-7th-ed-e-book (date accessed: 25.10.2024).

5 Miller M. H., Modigliani F. Dividend Policy, Growth, and the Valuation of Shares. *The Journal of Business.* 1961. Art. 34 (4). Pp. 411–433. DOI: 10.1086/294442 (date accessed: 25.10.2024).

## Research Methods

Scientific methods (analysis and synthesis, generalization, logical and structural, etc.) have been applied.

## Article Purpose

In this context, exempting dividends received by individuals from taxation already implies an important economic concept that is, of course, directly related to the optimization of the tax burden on income derived from capital. From a fundamental economic perspective, this claim can be examined through the theories of efficient resource allocation and investment promotion. Exempting dividends from taxation for individuals can particularly stimulate growth in investments within the securities market. In this sense, it is logical that a reduction in the tax burden increases the net return on investments, making them more attractive to investors. In turn, the growth in investments contributes to the increase in corporate capital, which can lead to enhanced economic activity and improved efficiency in resource allocation.

It should also be noted that a reduction in the taxation of income from investments can lead to an increase in state budget revenues in the long term by expanding the tax base. In the context of the Laffer curve, excessive taxation leads to a decrease in economic activity and, consequently, a reduction in tax revenues. Exempting dividends received by individuals from taxation, on the contrary, can stimulate economic growth and, in the long run, increase state revenues through indirect taxes and an expanded tax base.

According to A. Laffer, the optimal tax rate begins at 35 % for income taxation. When the tax rate reaches 40–50 %, the growth in budget revenues starts to slow down. If the rate rises above 50 %, entering what is called the “prohibited zone”, there is a sharp decline not only in budget revenues but also in savings and investments.

The Laffer Curve [6] has been empirically confirmed in the United States at least three times over the past 100 years: during the Harding-Coolidge tax reform in the mid-1920s, the reduction of tax rates under President Kennedy in the mid-1960s, and the tax reforms under President Reagan in the early 1980s. In other words, the Laffer Curve’s effect directly improves the country’s economic growth indicators – not only in the U.S., but also in the United Kingdom during the 1980s, Ireland in the 1990s, and beyond.

## Main Content Presentation

Logically, countries that encourage business development – aiming to ensure economic growth by diversifying investments in theory – can implement tax incentives or special regulatory frameworks that lower tax rates on dividends.

Thus, in summary, the thesis of “exempting dividends received by individuals from income tax” can be justified from the following key fiscal and socio-economic perspectives.

1. *Double Taxation of Capital*: Dividends from shares originate from the profits generated by a company’s economic activities, which have already been subject to corporate income tax. If these dividends are further taxed at the individual level through income tax, it leads to double taxation of capital, reducing investors’ profitability. Such double taxation can result in fundamental economic distortions, such as

6 Laffer A. B. The Laffer Curve: Past, Present, and Future. *Backgrounder*. 2004. June 1. No. 1765. 16 p. URL: https://iife.edu.vn/wp-content/uploads/2020/04/Laffer-Couver-Last-Present-and-Future-bg1765.pdf (date accessed: 25.10.2024).

reduced investment and slower economic growth.

2. *Accumulation of Capital*: When retained earnings are neither reinvested – meaning the share of equity capital is not increased – nor distributed among individual investors in the form of dividends to avoid dividend taxation, capital accumulation primarily occurs within small and medium-sized enterprises.

3. *Transparency of Investments*: Exempting dividends from income tax ensures transparency in investments in company shares and protects shareholder interests. This is an economically important tool, as timely payment of dividends enables the efficient and equitable allocation of capital, fostering the development of financial markets.

4. *Risk Factor in Investment Promotion*: Unlike deposits or bonds, stocks carry higher risks. A shareholder may lose their investment without receiving any income if the company does not make a profit. From an investment promotion perspective, taxing dividends in the presence of such risks can be disproportionate, reducing individuals' motivation to invest in stocks that are riskier but potentially more profitable.

Taxing dividends received by individuals from investments in a company's capital can harm the investment environment by reducing economic growth potential, distorting capital allocation, and hindering high-risk, high-return investments. Therefore, a tax policy that exempts dividends from income tax for individuals not only eliminates the inefficiencies associated with double taxation but also promotes economic growth by attracting long-term investments and strengthening the financial stability of companies.

Continuing this line of thought, it is important to note that exempting dividends received by individuals from participation in a company's capital from taxation can also be viewed through the lens of additional economic aspects and mechanisms that reinforce the arguments in favor of this tax policy.

- First, it should be noted that taxing dividends negatively impacts private savings. The high tax rate on income generated from capital investments does not provide incentives for individuals to direct their savings towards investment opportunities. Exempting dividends from taxation promotes an increase in the level of private savings, which, according to neoclassical economic theory, contributes to the growth of capital in the economy. Ultimately, this can enhance productivity and lead to long-term economic growth.
- High tax rates on dividends can drive investors to employ capital concealment mechanisms, such as offshore schemes. This, in turn, contributes to the growth of the shadow economy and reduces the transparency of financial flows. Notably, exempting dividends from income tax encourages the repatriation of capital from the shadow sector, which, in the long term, can enhance macroeconomic stability.
- Modern tax systems implement various approaches to dividend taxation. Countries where dividends are either completely exempt from taxation or taxed at reduced rates demonstrate higher investment activity. Some countries utilize *double taxation immunization* and tax credit systems, thereby reducing the tax burden on investors and providing positive signals for attracting foreign investments. This, in turn, reflects the characteristics of the country's economic policy and investment environment.

The provision of a tax credit is based on the principle that taxes should be collected only once-during the phase of direct profit generation, rather than being taxed again at the stage of dividend distribution. It is important to note that the mechanism for providing a tax credit typically operates as follows: if a company's profit has already been taxed with corporate income tax, then the dividends received by an individual may either not be taxed additionally or the individual may be granted a tax credit that is equal to the corporate income tax paid by the company [7].

Additionally, the tax credit system is often aligned with the principles of shareholder neutrality and tax neutrality, aimed at ensuring that shareholders do not bear a heavier tax burden. On the other hand, the provision of tax credits is also based on the theory of mitigating double taxation disparity, within which governments implement legal and economic interventions to provide investors with a fair tax environment [8].

Below are examples of some countries that employ specific approaches to dividend taxation:

In *Hong Kong, Malaysia, Saudi Arabia*, and *Brazil*, dividends are exempt from personal income tax and are not taxed in any way, which adds special appeal to the investment environment. This approach increases capital flows by encouraging both domestic and foreign investments [9].

*Estonia* and *Latvia* also stand out by exempting dividends received by individuals from taxation, which is connected to their unique tax systems where tax is levied only upon profit distribution. Instead of annual corporate profit taxation, taxes are applied only when profits are distributed among shareholders. If a business earns a profit in a given year, the owners can choose to reinvest that profit into the business's growth without incurring tax. This is equivalent to providing the full value of new investments. This system has been in place in Estonia since 2000 and in Latvia since 2018 [10].

In *Singapore*, dividends are not taxed at the individual level if they are received from resident companies operating under Singapore's "one-tier tax system". This aims to avoid double taxation and encourage investments by making dividends more accessible to individuals. However, certain exceptions, such as dividends from real estate investment trusts, are taxed due to regulatory requirements [11].

In *Cyprus*, the tax rate on dividends for resident individuals is set at 0 %. This means that regardless of whether the dividends are received from Cyprus or abroad, individuals who are tax residents of Cyprus (defined as those staying in Cyprus for

7 Musgrave P. B. Tax Policy in a Global Economy : Selected Essays. Cheltenham, UK ; Northampton, MA : E. Elgar Publ., 2002. 488 p. URL: https://archive.org/details/taxpolicyingloba0000musg/page/n5/mode/2up (date accessed: 25.10.2024).

8 Avi-Yonah R. S. Globalization, Tax Competition, and the Fiscal Crisis of the Welfare State. *Harvard Law Review*. 2000. Vol. 113. No. 7. Pp. 1573–1676. URL: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=208748 (date accessed: 25.10.2024).

9 Taxes & Duties. Profits Tax / GovHK. URL: https://www.gov.hk/en/residents/taxes/profits/index.htm (date accessed: 25.10.2024).

10 Bunn D. Better than the Rest / Tax Foundation. Oct 9 2019. URL: https://taxfoundation.org/blog/estonia-tax-system-latvia-tax-system/ (date accessed: 25.10.2024) ; Estonia. Corporate – Taxes on corporate income / PWC. Worldwide Tax Summaries. July 19 2024. URL: https://taxsummaries.pwc.com/estonia/corporate/taxes-on-corporate-income (date accessed: 25.10.2024).

11 What is taxable, what is not. Dividends / A Singapore Government Agency Website. URL: https://www.iras.gov.sg/taxes/individual-income-tax/basics-of-individual-income-tax/what-is-taxable-what-is-not/dividends (date accessed: 25.10.2024).

183 days or more) are exempt from taxation on the dividends they receive. However, there is a special defense contribution that applies, which is 17 % for dividends received from Cyprus and 30 % for those received from abroad [12].

In *Australia*, there is a "franking credits" system that allows shareholders to receive tax credits related to income from dividends. By reducing the tax burden on investors, this system encourages both domestic and foreign investments [13].

In the *United States*, dividend taxation is implemented through a "tax credit" mechanism. This system allows for a partial reduction of double taxation on dividends by offering tax credits for corporate tax and personal income tax (with rates ranging from 0 % to 20 %) [14].

In Canada, a *double taxation immunization* mechanism is in place, under which investors are granted tax credits related to taxes already paid at the corporate level (with rates ranging from 15 % to 33 %) [15].

In the United Kingdom, a *double taxation immunization* system is applied, which reduces the impact of double taxation on dividend taxation policy. Domestic investors can benefit from certain allowances, providing a relatively favorable environment for investments (with rates ranging from 7.5 % to 39.35 %) [16].

Thus, the examples of the aforementioned countries demonstrate that more lenient approaches to dividend taxation can enhance investment activity and particularly increase the interest of foreign investors [17].

In Ukraine, for example, dividends received by individuals are not entirely exempt from income tax. They are subject to an 18 % income tax rate and a special military tax of 1.5 %, resulting in a total tax obligation of 19.5 % for individuals. However, taxation rules may differ in certain cases, such as when dividends are received from a non-resident legal entity. From the perspective of preventing double taxation, Ukraine has international agreements with several countries that help avoid double taxation. This means that if the source of the dividends is in a country where the tax treaty specifies a lower tax burden, the tax obligation in Ukraine can be adjusted according to that agreement [18].

Many member countries of the Organisation for Economic Co-operation and Development (OECD) establish criteria for tax incentives aimed at determining the significance of investments (strategic

12 Tax on dividends in Cyprus / Estate of Cyprus. URL: https://estateofcyprus.com/tax-on-dividends-in-cyprus/ (date accessed: 25.11.2024) ; Cyprus Tax Facts 2024 / Deloitte. 29 Feb 2024. URL: https://www.deloitte.com/cy/en/services/tax/perspectives/cyprus-tax-facts-2024.html (date accessed: 25.10.2024).

13 Franking credits / Australian Government. Australian Taxation Office. 23 June 2024. URL: https://www.ato.gov.au/search-results#q=franking %20credits (date accessed: 25.10.2024).

14 Tax Credits / IRS. URL: https://www.irs.gov/site-index-search?search=tax+credits&field_pup_historical_1=1&field_pup_historical=1 (date accessed: 25.10.2024).

15 Tax credits and benefits for individuals / Government of Canada. Nov 15 2024. URL: https://www.canada.ca/en/services/taxes/child-and-family-benefits.html (date accessed: 25.10.2024).

16 Search GOV.UK / GOV.UK. URL: https://www.gov.uk/search/all?keywords=double+taxation+immunity&order=updated-newest (date accessed: 25.10.2024).

17 Worldwide Tax Summaries Online / PWC. Worldwide Tax Summaries. URL: https://taxsummaries.pwc.com (date accessed: 25.10.2024) ; Strong action is needed to make retirement systems more inclusive, resilient and innovative : Press release / OECD. 2 Dec 2024. URL: https://www.oecd.org/en.html (date accessed: 25.10.2024).

18 Tax Code of Ukraine of Dec 2 2010 No. 2755-VI (as amended and supplemented). URL: https://zakon.rada.gov.ua/laws/show/2755-17?lang=en (date accessed: 25.10.2024).

participation). These criteria primarily include requirements for a minimum level of participation in the capital of the dividend-paying company and a minimum holding period for the shares.

In some countries, an investment value threshold in the dividend-paying company is also applied. For instance, in Belgium, a minimum investment of 2.5 million euros is required to qualify for dividend tax exemption, regardless of the percentage of ownership in the company. Meanwhile, in Luxembourg and Switzerland, an alternative condition allows a minimum investment of 1.2 million euros or 1 million Swiss francs, respectively, provided that the investor holds at least a 10 % participation.

By the way, an interesting and promising approach is seen in Indonesia, where dividends received from abroad can be exempted from taxation if the funds are reinvested in the national economy within a specified period. This approach could potentially not only attract foreign investments into the country but also stimulate the development of the national economy's real sector.

Notable examples also include several other countries where dividends are taxed as income.

**The tax rates on dividend income in several developed and developing countries** [19]

| Country | Tax rate, % |
|---|---|
| Ireland | 51 |
| Denmark | 42 |
| France | 30–34 |
| Germany | 26.38 |
| Philippines | 10–25 |
| Japan | 20.32 |
| South Africa | 20 |
| Indonesia | 10–20 |
| Turkey | 15 |
| Russia | 13–15 |
| Argentina | 7–13 |
| China | 10 |
| India | 10 |
| Mexico | 10 |
| Slovakia | 7 |
| Norway | 5.2 |
| Greece | 5 |
| Armenia | 5 |

One of the most frequently cited arguments against exempting dividends from taxation is that this approach may deepen income inequality, as higher-income households typically have larger capital investments in stocks. Nevertheless, a policy of tax exemption could also encourage middle-class participation in investment processes, enabling broader demographic engagement.

Expanding access to investment opportunities can contribute to a more equitable distribution of capital income, which, in the long term, may reduce income inequality. However, such measures should be complemented by a comprehensive tax policy aimed at reducing overall inequality through alternative taxation mechanisms.

One important consequence of exempting dividends from income tax could be an increase in corporate governance efficiency. When dividends are not subject to income tax, individual shareholders have a stronger incentive to demand that management distribute profits as dividends rather than reinvest them in less efficient projects.

This approach promotes a more efficient allocation of capital within the company. Logically, companies that have adopted a policy of regular dividend distribution and

19 Strong action … . URL: https://www.oecd.org (date accessed: 25.10.2024) ; Worldwide Tax … . URL: https://taxsummaries.pwc.com (date accessed: 25.10.2024) ; Leading in an evolving tax and business landscape / KPMG. URL: https://home.kpmg/xx/en/home/services/tax.html (date accessed: 25.10.2024) ; Welcome to Deloitte International Tax Source / Deloitte. Oct–Nov 2024. URL: https://www.dits.deloitte.com (date accessed: 25.10.2024).

accordingly distribute their profits tend to demonstrate a higher level of transparency and accountability toward investors.

Thus, *exempting dividends from income tax not only stimulates investment but also enhances corporate governance and ensures a fairer distribution of capital income*.

Based on the analysis presented, the key factors that could influence the adoption of a unique dividend taxation policy in a given country's economy have been identified.

- *Level of Economic Development*: The degree of economic progress significantly impacts the formation of tax policy. Developed economies typically implement more advanced tax systems, which include dividend taxation to ensure state budget replenishment and to stimulate the flow of investments.
- *Risk Component of the Investment Environment*: In countries where the investment environment is stable and balanced, governments often apply favorable conditions for dividend taxation, encouraging capital inflows and economic development. Conversely, in more risky investment environments, dividend taxation may be tightened to create alternative sources of financing.
- *Level of Social Welfare and Social Equity*: In countries with a high standard of living, favorable conditions for dividend taxation may be applied as a tool for social development. Stimulating investments supports economic diversity and welfare, which contributes to the strengthening of the social component of public policy.
- *Mechanisms for Ensuring Social Equality*: In some countries, tax policy is built on the principles of social equality. Dividend taxation or its absence can contribute to the fairness of resource distribution within society or support the funding of social programs, based on theories of public cohesion.

## Conclusions

In light of the above, the issue of unjustified accumulation of capital reflected in companies' financial statements becomes particularly relevant in the context of existing tax legal regulations, especially regarding the implementation of *financial and economic expertise*. This relevance arises from the limited alternative investment options and the economic consequences resulting from the lack of proper documentation for profit distribution (dividend payments) and reinvestment operations in the charter capital.

Avoiding taxation (withholding tax) on dividends paid to individuals participating in the company's capital can constitute a violation of legal regulations. As a result, financial and economic expertise may be initiated and conducted, particularly in cases involving criminal proceedings and bankruptcy court proceedings, to provide an interim evidentiary basis for determining the characteristics of insolvency.

Discussions regarding the methodology for addressing the aforementioned issue in financial and economic expert research are important, as the effective and purposeful reinvestment of capital directly impacts both the company's ability to meet its obligations and its financial stability, as well as the protection of shareholders' interests and the organization's future development goals.

Discussions regarding the application of methodology in expert research should specifically address the following:

- *Analysis of the Company's Financial Condition:* This includes examining the structure of retained earnings and the dynamics of their accumulation over the years;

- *Analysis of Profit Distribution Policy:* This involves assessing the possibilities for reinvesting profits to clarify future investment opportunities;
- *Assessment of Economic Consequences:* This entails observing the potential negative impacts associated with the mismanagement of accumulated capital and determining the "real insolvency» features of the organization.

Thus, the discussion of the aforementioned issues is crucial at the relevant stages of selecting and applying methodology, ensuring the quality of financial analysis and the reliability of the results of expert research. However, in the subtext of expert opinion, it is important to raise the following question: to what extent is the disproportionate definition and application of liability measures against companies and individuals justified by legal regulations within the framework of tax policy, given the current level of economic development, socio-economic situation, and the ongoing improvement of an adequate tax policy in the Republic of Armenia?

## Щодо питання звільнення від оподаткування дивідендів, отриманих фізичними особами від участі в капіталі компанії

***Карен Маміконян,***
***Ануш Арутюнян***

*Розглянуто економічні наслідки, що виникають через непропорційне подвійне оподаткування прибутку підприємств в умовах правового регулювання. Ці наслідки пов'язані з інвестиційною прозорістю, чинниками ризику в разі залучення інвестицій і, зокрема, з накопиченням необґрунтованого капіталу, відображеного у фінансовій звітності компаній. Особливо це стосується випадків, коли обмежені можливості альтернативного інвестування призводять до розподілу прибутку (виплати дивідендів) і реінвестицій у статутний капітал без належного документального оформлення цих операцій згідно з нормативно-правовими актами. Ухилення від оподаткування (утримання податку з чогось) дивідендів, виплачених фізичним особам, що беруть участь у капіталі компанії, може стати підставою для порушення законодавства. Це може потребувати проведення судових фінансово-економічних експертиз у межах кримінального або судового провадження шляхом постановки спеціальних питань. Однак у контексті викладення висновку експерта наголошено на тому, що відповідальність компаній і фізичних осіб за чинними правовими нормами є несправедливою з огляду на недосконалість податкової політики й наявної нормативно-правової бази. Дискусії щодо методології з'ясування окресленого питання у фінансово-економічних експертних дослідженнях сьогодні є актуальними, оскільки ефективне та цільове реінвестування капіталу безпосередньо впливає як на спроможність компанії виконувати свої зобов'язання й підтримувати фінансову стабільність, так і на захист інтересів акціонерів і майбутні цілі, пов'язані з розвитком організації. Застосовано наукові методи (аналізу та синтезу, узагальнення, логіко-структурний та ін.).*

***Ключові слова:*** *подвійне оподаткування прибутку; податкова непропорційність; дивіденди; інвестори; накопичення капіталу; податковий кредит; звільнення від оподаткування; фінансово-економічна експертиза.*

**Фінансування**

Це дослідження не отримало жодного спеціального гранту від фінансових установ

у державному, комерційному або некомерційному секторах.

**Відмова від відповідальності**

Засновники не грали жодної ролі у розробленні дослідження, добиранні й аналізуванні даних, рішенні про публікацію або підготовку рукопису.

**Учасники**

Автори зробили свій внесок винятково в інтелектуальну дискусію, що є основою цього документа, дослідження судової практики, написання та редагування, і беруть на себе відповідальність за її зміст і тлумачення.

**Декларація щодо конфлікту інтересів**

Автори заявляють, що в них відсутній конфлікт інтересів.

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