



ISSUES OF IMPROVING THE TAXATION SYSTEM IN THE REPUBLIC OF UZBEKISTAN

Jumaev Shukhrat

Independent Researcher, Tashkent State University of Economics (PhD)

sh.jumaev@tsue.uz

<https://orcid.org/0009-0003-4452-771X>

Abstract

This article develops proposals and recommendations on eliminating problems in the implementation of the tax system in the Republic of Uzbekistan by improving it, creating a level playing field for business activities, ensuring the stability of tax revenues, and reducing the share of the shadow economy.

Keywords: Tax, tax budget, tax administration, competition, shadow economy, electronic invoices, shadow economy.

Introduction

The adoption of a number of resolutions of the President and Government of the Republic of Uzbekistan aimed at increasing business activity and supporting entrepreneurship in the republic, as well as the approval of the new edition of the Tax Code of the Republic of Uzbekistan, has created the need to further improve the activities of tax authorities, bring service provision to a new level, and create trusting relationships between tax authorities and taxpayers in order to voluntarily fulfill tax obligations.

Taking into account these changes, in order to continue the digitization processes of the tax system, as well as to create additional conveniences for taxpayers in fulfilling their tax obligations, and in accordance with the requirements of the “Uzbekistan - 2030” strategy approved by the Decree of the President of the Republic of Uzbekistan No. PF-158 dated September 11, 2023, and to create more favorable conditions for taxpayers, continue digitization processes, ensure transparency in the activities of tax authorities, and increase the efficiency of the use of human resources, there is a need to develop a new strategy.



Taking into account the above, further improvement and increasing the efficiency of tax collection methods is one of the urgent issues today.

Literature review: Analysis of the literature on the topic

Taxation has been studied and scientific research has been conducted by several scholars. Today, improving taxation and tax administration is considered a pressing issue and is being studied as a relevant research direction by world and local scholars. In particular, according to Jusvanto and Simms [1], “The digitization of tax administration and tax procedures should create a basis for further reform of the tax system. Tax policy reform should ensure fair and sustainable taxation, adapting to economic growth for digital businesses.”

According to E.G. Shurdumova and D.M. Kankulov [2], tax administration is an organizational system for conducting state tax policy.

According to Pogorlesky and Keshner [3]: “The introduction of digitalization and information technologies into tax administration will reduce the workload of tax authorities, as well as lead to a reduction in tax debts.”

D.I. Vasilev, M.N. Kabanenko [4] analyzed foreign and domestic mechanisms for assessing the effectiveness of tax administration.

In the research conducted by Russian scientists on tax administration, the following approaches to tax administration emerged. According to I.A. Peronko and V.A. Krasnisky [5], tax administration is a system of state management of tax relations. They show that tax relations are the subject of tax administration.

According to M.S. Mishenina and L.V. Maksimova [6], tax administration is understood as a set of processes in state management of taxation. Tax administration ensures the implementation of tax legislation in a targeted manner.

N.Z. Zotikov [7] in his scientific work studied the impact of tax administration on the tax burden in taxation.

Research methodology: The article uses the logical method, analysis and synthesis, normative approach, systematic and comparative analysis methods.

Analysis and discussion of results: Today, the need of the hour is to develop the taxation system, reduce the level of the shadow economy, create equal competition



conditions for conducting business activities, automate and simplify the procedures for complying with tax legislation.

In our country, the share of the shadow economy in the construction sector is high, and cases of understating the sales price when selling real estate objects to individuals for cash are widespread.

The conducted analyses revealed that in 2022, 7,843 objects were sold by 251 construction enterprises at prices below market prices.

The experience of the Republic of Azerbaijan was studied in this regard. In Azerbaijan, it is stipulated that the sale of real estate by legal entities to individuals is carried out only through electronic invoices, that is, in a non-cash form, and 20 percent of the VAT amount paid to the budget is refunded to the buyer.

It is proposed that construction companies in the sector sell real estate to individuals only with an electronic invoice and in a non-cash form, and that 25 percent of the value added tax paid for the purchase of real estate in a non-cash form be refunded to individuals.

It is also necessary to develop a procedure for determining and applying market prices by tax authorities for turnovers carried out within the framework of transactions related to highly liquid goods, goods with mandatory digital marking.

Tax risk management system CRM (Compliance Risk Management) is a process of identifying and assessing actions of business entities related to their failure to comply with certain laws and regulations.

The main goal of the introduction of the Tax Risk Management System (CRM) is to effectively use available resources to apply impact measures to high-risk taxpayers, increase the level of voluntary tax payment by reducing the administrative burden on disciplined taxpayers, and minimize tax evasion to the state budget.

In order to take targeted measures against the shadow economy, it is proposed to introduce CRM (Compliance Risk Management) in a phased manner in 2025-2026.

It is also necessary to strengthen measures to combat the use of fraudulent schemes for tax evasion. In this regard:

1. Develop criteria for determining the risks of tax evasion.
 2. Identify the risks of VAT refunds.
 3. Introduce a procedure for maintaining a register of risks associated with tax evasion.
- As a result, the shadow economy will be reduced, cases of tax evasion will decrease, and additional revenues will be provided to the budget.



Today, automated software accounting complexes used by business entities in the retail trade and catering services are not integrated with the information systems of tax authorities.

Cases where checks are issued only through ONKT are received by tax authorities only as turnover.

Therefore, it is proposed to combine fiscal modules used by business entities into a single system.

In this regard:

1. Ensure the integration of information systems (SAP, R-keeper, etc.) used by trade and catering enterprises with the data center of tax authorities or establish the obligation for them to use IT with the same functionality.

Implement integration work on the mandatory display of the name, quantity, value (price), amount of products (goods and services), value added tax rate and amount in the case of a value added tax payer, as well as QR codes and fiscal signs in the purchase receipt provided through automated software accounting complexes used by business entities operating in the retail trade and catering sector, and enter it into the State Register as a virtual cash register.

The legislation of the Republic of Uzbekistan does not establish the obligation for individual entrepreneurs to open an account. As of March 1, 2023, 42.8 thousand of the 238.9 thousand operating individual entrepreneurs do not have a bank account.

When studying the experience of the Republic of Azerbaijan in this regard, it became clear that it is mandatory for business entities, both individuals and legal entities, to have bank accounts.

Therefore, in order to prevent the circulation of funds outside the bank, it is proposed to make it mandatory for all business entities, including individual entrepreneurs and self-employed persons, to open bank accounts.

It is advisable to develop a clear methodology for assessing the share of the shadow economy by sector and introduce the practice of publishing the results according to the results of each quarter.

There is no single methodological procedure for determining the share of the shadow economy in our republic. According to some international organizations and experts, the share of the shadow economy in Uzbekistan is estimated at 48-50 percent of GDP. In particular, according to the results of 2018, the share of the shadow economy was estimated at 75 percent in trade, 50 percent in construction, 45 percent in



manufacturing, 40 percent in agriculture, and 30 percent in services. Today, along with the implementation of tax reforms, there are a number of problems awaiting their solution, without which the fight against the shadow economy will not be effective. Individual entrepreneurs (IEOs) cease (close) their activities after their total income from the sale of goods (services) exceeds 100 million soums, open an IEO in the name of another person, and resume their entrepreneurial activities. There are also cases of suspension of the activities of IEOs that have switched from turnover to paying tax. IEOs do not transfer the daily sales proceeds to bank cash desks in full after their total income from the sale of goods (services) exceeds 100 million soums, and as a result, they pay taxes in amounts lower than the fixed tax amount.

Lease agreements for real estate objects for rent are not concluded at market prices, but in most cases, in order to avoid taxes, they are limited to the minimum monthly rent amounts established by current legislation.

There are many cases of understating the actual market price of certain types of highly liquid goods in reports. The sales amount of certain types of goods indicated in the reports is being understated compared to the actual market prices.

Therefore:

1. Form a list of certain types of goods.
2. Develop a methodology for determining the market prices of certain types of goods.
3. Identify the body (operator) that will perform this task.
4. It is proposed to introduce norms that allow for adjustments to the tax base.

The lack of instruments in the legislation to collect tax debts from business entities that do not have property or other assets to the budget also contributes to the development of the shadow economy.

Therefore, it is proposed to impose the obligation to pay tax debts directly on the founders and owners of business entities in the event that they do not pay their tax debts.

Since there is no administrative penalty for the occurrence of tax debt, the priority of paying taxes in payments remains "First priority".

In order to eliminate this situation, it is proposed to apply administrative penalties to officials for failure to pay the tax debt within three months.



Conclusions and proposals:

The above analysis shows that tax mechanisms remain one of the main instruments in combating the shadow economy and reducing its share.

As a result of the analysis, the following are proposed:

- introduce a procedure for the sale of real estate by construction companies to individuals only in the form of an electronic invoice and without cash;
- introduce a tax risk management system (CRM);
- make it mandatory for all business entities to open a bank account;
- develop a unified methodological procedure for determining the share of the shadow economy.
- develop a methodology for determining market prices for certain types of goods and determine the body (operator) performing this task.
- in the absence of a document confirming that the sources of cash funds transferred to the statutory fund have been taxed, introduce a procedure for taxation by the tax authority at a rate of 12 percent, and in this case, designate banks as the first regulator, and assign the state tax authorities as an alternative regulator.

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