



PROFIT TAX IN UZBEKISTAN

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ABSTRACT	KEYWORDS
<p>This article talks about the tax, which is one of the forms of manifestation of additional products and the main source of the state budget revenue, that the improvement of the budget and tax system in Uzbekistan is one of the central issues of economic reforms and state economic policy, the simplification of the country’s tax system and profit tax. described the procedure for its use. Also, the tax system of Uzbekistan is analyzed, and the opinions of foreign and local scientists are presented in the article.</p>	<p>tax, tax system, profit tax, budget, tax policy, tax benefits, taxation, tax burden.</p>

Introduction

Today, as part of the economic reforms implemented in Uzbekistan to create a full-fledged market economy, as an important tool for the sustainable development of our enterprises, their activity, and a positive impact on budget relations, tax policy and reform are demanded to be adapted to modern requirements. In the context of the modernization of the economy, the tax policy includes the provision of state budget revenues. is important in solving problems related to strengthening the situation.

In the first quarter of 2023, the tax authorities provided more than 37.8 trillion soums to the budget of the republic. In particular, in the section of types of taxes (compared to the corresponding period of the previous year): 9.5 trillion soums* from profit tax (392.4 billion soums or 8.6%); 8.4 trillion soums from VAT (807.7 billion soums or 10.6%); 6.6 trillion soums (for 1.4 trillion soums or 26.5%); 3.5 trillion soums* (for 82.4 billion soums or 6.4%); 1.4 trillion soums from land tax (311.4 billion soums or 28%); 1.3 trillion soums from property tax (372.9 billion soums or 39.5%); an increase of 205.8 billion soums (26.4 billion soums or 14.7%) was achieved from the tax for the use of water resources. In January-February 2023, 52,478 small business enterprises paid more than 1.8 trillion soums in taxes. Their total turnover amounted to 17.3 trillion soums, and the amount of tax benefits used was 760.8 billion soums [1].

President of the Republic of Uzbekistan Shavkat Mirziyoyev said, “Today’s tax collectors are not the tax collectors of 3 years ago. Times have changed, and they have also changed: in 5 years we have created a completely new tax system. In 2020, after many discussions, we have today’s O We have adopted a new Tax Code worthy of our Uzbekistan. Tax types have been reduced from 13 to 9. Property tax has decreased from 5% to 1.5%. VAT has decreased from 20% to 15%. We must reduce it to 12%

in 2023. We need to do a lot for this. When will people be satisfied with us? They will be satisfied when the tax burden decreases and our incomes increase” [2].

2. Literature Review

A. Hansen, P. Samuelson and others proposed to adapt the fiscal policy to the cyclical development of the economy by changing the budget and taxation system. These economists described the fiscal policy as an established “automatic stabilizer”. They attach special importance to taxes in this place. Some economists have tried to reveal the essence of fiscal policy by showing the importance of taxes for the development of society. For example, P. Samuelson sets the goal of a stable economy that creates a high level of employment when combined with fiscal policy, which deals with taxes and government spending, but does not take into account price depreciation to some extent. That he tried to assess the fiscal importance of it is one of them [3]. At the same time, they paid particular attention to expressing feasible fiscal policies as encouraging and disincentive policies based on the tasks to be solved to stabilize the economy.

Usually, in the researches of scientists in the West, the nature of fiscal policy is not defined through their functions, but the directions of the state’s use of taxes are considered. First of all, K. McConnell and S. Brewer showed that taxes appear as a part of fiscal policy [4].

Importance of local taxes, their peculiarities and their Many scholars have studied the role of budgeting it should be noted that in particular, Lars P. Feld, Friedrich Schneider in his view, state and local taxation are local at the local government level sometimes provides for voluntariness in determining tax rates and bases and funding for public services at the state and levels holds the share of all taxes and levies paid in the country in GDP represents the tax burden [5].

Scientists and experts have the same approach to determining the tax burden at the macro level. There is no consensus on its definition at the micro level, including at the level of business entities. This is because the source to which taxes are attributed is interpreted differently by the authors. That is, a number of economists determine the tax burden relative to profit or income [6].

The controversy over the micro-level assessment of the tax burden is that most scholars take into account the amount of taxes actually paid. The tax burden on business entities cannot be fully assessed by the amount of taxes actually paid during the reporting period [7].

Salvatore Bimonte, Arsenio Stabile development, regulation, various payments and that it is the responsibility of local municipalities to collect property taxes emphasizes. If these tasks are not well implemented and in a systematic way if not, between fiscal policy and urban policy an imbalance may occur [8].

These definitions represent the gross tax burden on the national economy. The economic literature emphasizes that the tax burden can be determined not only at the national level, but also for industries, regions or individual taxpayers [9].

They can be interpreted with some additions to the principle of inequality in taxes. In the scientific literature, the tax system is interpreted differently, when viewed in a narrow sense, “The sum of taxes and other payments collected in the prescribed manner constitutes the tax system” [10].

A number of other scholars have expressed certain opinions about tax principles. In particular, the Russian economist N. Turgenev recognized such specific principles as equal distribution of taxes - accuracy of taxes - convenient time of tax collection - low cost of tax collection - existence of a general rule in tax collection [11].

3. Research Methodology.

The article used the methods of structural analysis, comparative comparison, expert assessment, statistical grouping, economic statistics, multifactor econometric analysis. In addition, the scientific ideas of local and foreign scientists are cited as the theoretical and methodological basis of the research.

4. Analysis and Discussion of Results.

The transfer of the real sector to market relations requires a tax system suitable for them, which is the result of tax reforms. A new system does not appear on dry land. It means to use the old tax system that has been preserved, albeit temporarily, because in this way, income will be found for the budget. In the process of reforms, in addition to creating a new tax system, it is also intended to ensure financial stability. One of the most difficult problems and goals of the development of the country that has gained independence is to ensure financial stability, because the finances inherited from the past are characterized by their instability.

According to current tax theory and practice, giving priority to the fiscal function of taxes in order to fill the budget cannot form the basis of tax strategy. In order to achieve adequate formation of budget revenues, the introduction of new taxes and the establishment of increased standards of taxation are denied.

An excessive increase in the tax burden leads to a reduction of the tax base, which prevents the creation of new business structures and exposes existing structures to mass bankruptcy.

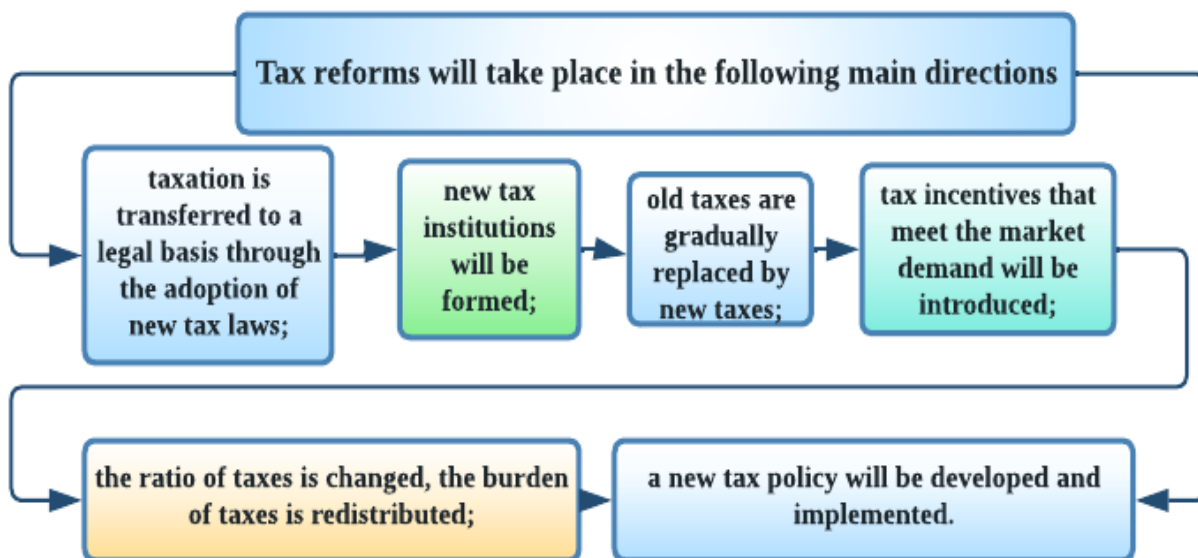


Figure 1. Tax reforms will take place in the following main directions [12]

In our opinion, taking this into account, it is appropriate to distinguish the function of applying entrepreneurship from the set of tax functions. In order to ensure the activity of business entities, it is necessary to have a reasonable tax burden. The general direction of taxation in foreign countries has been to reduce the tax burden on profits.

As the tax burden increases, the net income of citizens decreases. Every citizen will have to work harder to earn their previous income before the increase in taxes. Usually, subjects start looking for additional jobs elsewhere instead of improving their productivity in their main workplace. For this

reason, it is necessary to determine the generalized tax burden at the most favorable level of taxation. In this situation, taxes should not threaten business and investment activities, as well as the standard of living of the population, and should provide the necessary (sufficient) budget revenues.

This, in turn, leads to a decrease in production efficiency and an increase in unemployment due to layoffs. Even when trying to maintain the previous level of income, the employee seems to work more efficiently, his labor efficiency actually decreases, and in general, the economic growth of the country slows down.

The financial system is characterized not only by its components, but also by the flow of financial resources. At the beginning of the transition period, the financial situation of the enterprises is characterized by complicated reforms, economic decline, insufficient profit, high amount of overdue debts, and lack of investment resources. In addition, payments to extrabudgetary funds, if we consider them as taxes, became a factor of a significant increase in the level of taxation. During the deepening of the reforms, the reduction of the VAT rate and the expansion of tax benefits for enterprises in a number of sectors (agriculture, chemical products) were observed.

In the Republic of Uzbekistan, self-financing is somewhat limited, because the problem of finding credit has arisen due to the lack of financial resources of enterprises. Bank loans cover about 1/5 of investment needs in the real sector

While the highest share of investment has gone to industry, the role of this sector in GDP creation has been shrinking, as investment decisions have not yielded the expected results.

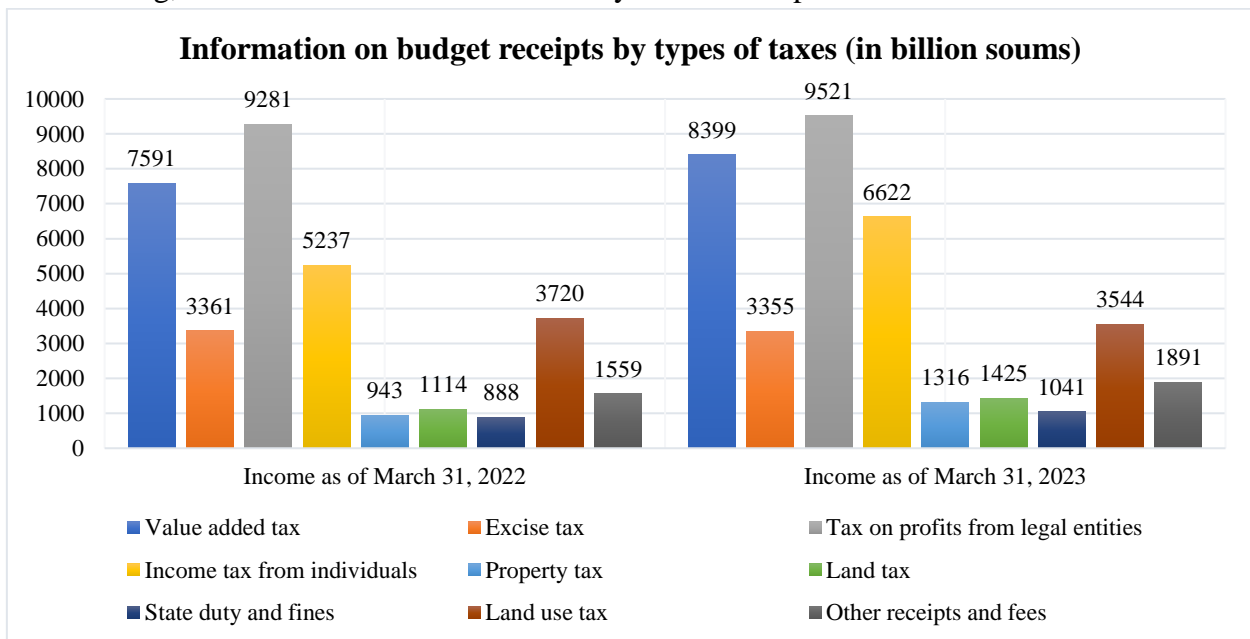


Figure 2. Information about budget receipts by types of taxes as of March 31, 2022-2023 [13]

In the above picture, we can see that in 2022-2023, the revenues received by the state budget by types of taxes are reflected, in which the value added tax in 2022 is 7,591 billion. soums, and in 2023 8,399 billion. soums, in 2022 the excise tax will be 3,361 bln. 3,355 billion soums in 2023. 9,281 billion soums, profit tax from legal entities in 2022. soum. In 2023, 9,521 billion. amounting to soum. It can be seen that the number of people doing business in our country, as well as banks, insurance companies, leasing and pawnshop organizations, is increasing year by year.

In order to simplify the taxation system in our country, some taxes with the same taxation base have been combined. The tax system formed as a result of reforms has become a factor of financial stability, but it has come into conflict with the needs of economic development. In particular, the relatively high level of the tax burden ensures the priority of the fiscal function of taxes, but hinders the development of the economy.

In this context, as a rule, the taxpayer’s expenses should be exempt from taxation. Only social taxes can be excluded from this rule. Almost half of the profit goes to the tax account, making it difficult for taxpayers to finance themselves, forcing them to take loans. The method of collecting profit tax and its amount reduces the possibility of providing expanded reproduction in enterprises at the expense of their own resources.

Here it should be noted that the stronger the financial independence of enterprises, the more they are self-financed. When an enterprise applies self-financing, it strives not only to accumulate its own funds, but also to rationally organize production, continuously renew its capital based on technological development, and apply effective management methods.

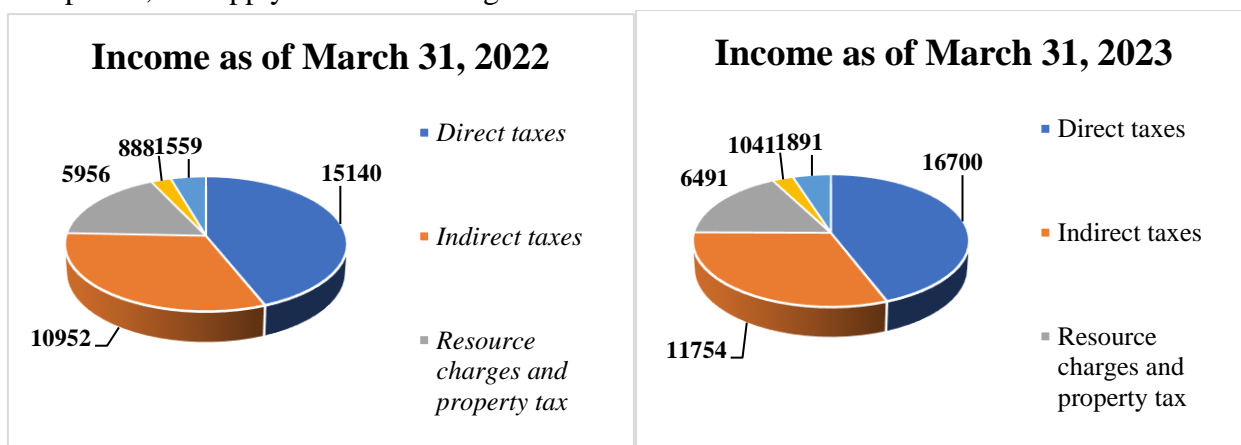


Figure 3. Revenues to the state budget as of March 31, 2022-2023 (in billion soums) [14]

In Uzbekistan, it is necessary to use foreign experience, but in this case, foreign experience cannot be transferred automatically. Uzbekistan has its own development model, features of the country’s economy. There is also the mentality of taxpayers. When using foreign experience, it is not enough to take into account only the level of economic development or the fact that the economy is in the stage of transformation. For this, factors such as the structure of the economy, the state of various industries, and the amount of the population’s income should be taken into account.

However, regardless of this, it is necessary to pay attention to the main directions of the improvement of the tax system shown by foreign experience, because the development of the tax system is characterized by general laws in addition to national characteristics.

In the transition period of the economy of Uzbekistan, its potential is not high, production is agro-industrial in nature, small-scale production is widely developed, and self-employment is widespread. The value of the main capital (fund) calculated per person is not large. Uzbekistan has not started intensive integration relations, trade is the priority in its foreign relations. Compared to the population, the number of migrants is not high. The capital that can be diverted is also not large. The mentioned characteristics should be taken into account in tax harmonization [15].

5. Conclusions and Suggestions

Based on the results of the research, the following proposals and recommendations were developed in connection with the improvement of the tax system:

1. Optimizing income (profit) tax from legal entities, reducing its rate to 9%, thus stimulating production and expanding the tax base. Determining the optimal rate of personal income tax. To gradually reduce the value added tax to 12% and thereby prevent the price of products and services from rising.
2. Losses in the state budget from taxes, in particular, profit tax, can be compensated by expanding the tax base, increasing the rate of resource and property taxes, and at the expense of those engaged in individual business activities.
3. Step by step reduction of the excise duty imposed on cotton oil necessary for the consumption of the population, and moving it to other decorative products that are harmful for consumption. Revision of benefits, determination of their effectiveness, cancellation of ineffective benefits, in particular, serious reduction of social benefits.
4. Consolidation of taxes, unification of taxes with the same object of taxation, wider application of the practice of introducing a single tax system. In cases where taxes are paid in advance, remitting a certain part of them and relying on bank interest rates to determine this part. Application of the cost-result scheme in order to determine its effectiveness in tax administration, as well as development and implementation of the tax mentality formation program.
5. We believe that if not only foreign, but also domestic investors invest in areas with very low economic development and industrial production networks are established, then the provision of benefits from profit tax will be important as it will be an important direction in expanding the financial capabilities of those areas and ensuring employment of the population. Since banks are large tax payers and entities that shape the investment environment, it is appropriate to set the profit tax rate at 15 percent.

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