

WAYS TO IMPROVE THE MECHANISM FOR COLLECTING VALUE ADDED TAX

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Abstract

Today, based on the importance of the role of indirect taxes in the replenishment of the state budget, systematic measures are being taken to increase the number of business entities and increase the newly created added value. In this article, based on the analysis of tax rates of foreign countries, the issues of improving the mechanism of collecting value-added tax in Uzbekistan, increasing the competitiveness of the national economy with a lower tax rate are considered.

Keywords: Value Added Tax, honest taxpayer, budget revenue, indirect taxes, principal instrument, intangible asset, hidden economy, production and reproduction, invoices.

Introduction.

In today's market economy, measures are being taken to form a state budget, increase the number of honest and fair layers of business entities, as well as to improve the fair and transparent chain of value added tax.

Improving the mechanism of VAT collection will require, first of all, increasing the number of fair and honest taxpayers. This requires them to invent a convenient and simplified tax system, i.e. an updated chain of fair and transparent value added tax. Of course, when an entrepreneur makes a calculation, his main goal is to have a source of income and meet his specific biological and physiological needs.

Entrepreneurs also pay taxes on several types of taxes, depending on the type of activity. Of these, value added tax plays an important role in the formation of the state budget.

In order to increase the role of value added tax in the state budget, it is necessary to increase the number of business entities, develop production and processing, create a broad and favorable environment for business entities. Creating an environmentally sound and strong economic environment after the pandemic requires a comprehensive tax support for small businesses, access to soft loans, a fair tax mechanism that allows the workforce, skills and innovation to pursue new goals. A country that acts rapidly and sustainably in this regard will need to implement the tax mechanism fairly. It is crucial for any country to pave the way for changes in the context of the weakening of business entities that have limited financial resources and long-term growth due to the pandemic. [1]

The degree to which the problem has been studied. In his Address to the Oliy Majlis, President of the Republic of Uzbekistan Sh. Mirziyoyev said: “The value-added tax rate has been reduced from 20% to 15%. As a result, 2 trillion soums remained at the disposal of taxpayers last year. This year, this figure is expected to reach 11 trillion soums. Having so much money at the disposal of entrepreneurs in a year will definitely give them a huge additional opportunity to develop their business. As a result of our reforms, 93,000 new businesses were created last year, or almost twice as many as in 2018.” [2]

According to the official website of the State Tax Committee of the Republic of Uzbekistan "tax.uz", when analyzing the revenues of indirect taxes to the budget in 2018-2019, in 2018 the budget received indirect taxes of 20282.0 billion soums, in 2019 this figure 33156.0 billion soums, the growth rate was 163%. In 2019, the budget revenues amounted to 83266.0 billion soums, of which 33156.0 billion soums came through indirect taxes, the real share of indirect taxes in budget revenues is 40% [3].

Table 1.

Information on budget revenues by types of taxes for 2018-2019 billion soums

№	Types of taxes	2018 year	2019 year	Contribution in percent	Rise rate
	Budget revenues, total	54 203	83 266	100	154
	including:				
1	Direct taxes	17 540	22 672	27	129
2	Indirect taxes	20 282	33 156	40	163
3	Resource fees and property taxes	12 663	19 677	24	155
4	State duties and fines	1 517	1 913	2	126
5	Other taxes and fees	2 200	5 848	7	266

Source: <https://soliq.uz/page/asosiy-korsatkichlar>

In this regard, Doctor of Economics, Professor A.Juraev and A.Amanov note that the specific

features of tax rates in improving the mechanism of collection of value added tax in the economy are:

First, in a market economy, taxes are the main source of state budget revenues, as well as state regulation of the economy, financial support of priority sectors of the economy, value added tax is one of the important tools in public policy. Measures to improve the mechanism of VAT collection also play an important role in the sustainable development of the country's economy. This is because value added tax makes up about 50 percent of the revenue side of the state budget. Therefore, great attention is paid to improving the existing tax system in our country;

Second, one of the problems with indirect taxes is the high level of tax rates. It would also be appropriate to support entrepreneurs by setting a 15 percent tax rate for manufacturing and processing enterprises at 10 percent. [4]

In this regard, one of the ways to improve the mechanism of VAT collection in tax legislation today in order to increase the competitiveness of the economy and expand the scale of entrepreneurship in the post-pandemic period is to stimulate production by lowering the tax rate. In addition, the fact that value added tax accounts for about 50 percent of the state budget revenues requires the development of science-based proposals and recommendations to find optimal ways to collect this type of tax.

Research methodology. In the process of preparing the scientific article, the methods of comparative analysis of data on the basis of tables, grouping of data, statistical grouping on the basis of systematic analysis and expert evaluation were also used effectively.

Discussion and analysis. Improving the procedure for collecting value-added tax on economic activity of businesses through taxes, especially one of its most important types, increasing tax revenues to the budget and improving the calculation of value-added tax for enterprises producing and selling fixed assets and intangible assets consideration of ways is one of the topical issues of the day.

In the context of modernization and liberalization of the economy, taxes are one of the main sources of state budget revenues, as well as state regulation of the economy, financial support of priority sectors of the economy is one of the important tools of public policy. At the same time, the importance of indirect taxes, which play a leading role in the tax system and play a very important fiscal role in the formation of state budget revenues, is very high. Measures to improve tax policy also play an important role in stabilizing the country's economy. Because taxes are the main source of replenishment of the treasury. Therefore, great attention is paid to improving the existing tax system in our country.

The development of the tax system in our country requires the effective use of its incentive function. At the same time, it is important to stimulate the activities of enterprises through taxes and, as a result, to develop their economic activity. Because the development of economic activity of enterprises, on the one hand, leads to its economic growth, increase in income, on the other hand, leads to an expansion of the tax base as a taxpayer, which ultimately leads to an increase in budget revenues. Currently, indirect taxes occupy a significant place in the revenue side of the state budget.

Table 2.

Analysis of the role of indirect taxes in the revenue side of the state budget

billion soums

№	Periods	Budget revenues	Indirect taxes	The share of indirect taxes is in percent
1	2018	62 229,5	33 404,3	53,7
2	2019	102 627,6	47 029,8	45,8
3	2020	98 186,1	52 165,6	53,1
4	2021	120 231,7	60 145,9	50,0
	Total	383 274,9	192 745,6	50,3

Source: Resolution of the President of the Republic of Uzbekistan No. PQ-4555 of December 30, 2019, Resolution of the President of the Republic of Uzbekistan No. PQ-4086 of December 26, 2018, Law of the Republic of Uzbekistan No. ZRU-657 of December 25, 2020, ZRU of the Republic of Uzbekistan of December 9, 2019 Law No. 589.

According to the table above, in 2020 the state budget revenues were set at 98,186.1 billion soums, of which

Indirect taxes amounted to 52,165.6 billion soums, accounting for 53.1% [4]. Therefore, the study of the calculation of indirect taxes is a topical issue. So, now, in addition to creating conditions for the full formation of market relations in front of the tax system of our country, it is necessary to provide funding to the state budget and support priority economic activities through taxes. It is important to improve the economic activity of business entities through taxes, especially the procedure for collecting value added tax, which is one of its most important types.

The fixed assets and intangible assets of the enterprise received for its own needs are recorded in the balance sheet of the enterprise together with the amount of value added tax paid to the supplier. If property, plant and equipment and intangible assets are sold on the balance sheet, then the object of taxation on property, plant and equipment and intangible assets is the difference between the sale price and the residual value. In this case, if the enterprise sells fixed assets and intangible assets at residual value, then there will be no taxable object and no tax will be paid to the budget. There is also a special procedure for calculating value added tax for enterprises engaged in the production and sale of fixed assets and intangible assets.

As one of the important problems in the mechanism of indirect taxes, it is appropriate to cite slightly higher tax rates. As can be seen from the data in the table above, today we see that the rate of value added tax in developed economies is set at a low level. The value-added tax rate is 12 percent in Kazakhstan and Kyrgyzstan, 10 percent in South Korea, Indonesia and Lebanon, 8 percent in

Switzerland, 7 percent in Thailand, and 4-5 percent in Singapore, Saudi Arabia, and India. The fact that the economies of these countries are now among the most developed countries, and the positive participation of entrepreneurs in tax relations, contributes to the growth of the budget. [4]

Table 3. States that pay VAT and tax rates

Country name	VAT, %	Country name	VAT, %
Hungary	27	China	16
Denmark, Norway, Sweden	25	Turkmenistan, Uzbekistan	15
Greece	24 24,5	Kazakhstan, Kyrgyzstan	12
Iceland			
Uruguay, Portugal	23	South Korea, Indonesia, Lebanon	10
Italy	22	Switzerland	8
Holland, Belgium	21	Thailand	7
Great Britain, France, Austria, Russia, Belarus	20	Dominican Republic	6
Germany	19	Singapore, Saudi Arabia	5
Latvia, Israel, Tajikistan	18	India	4

Source: Prepared on the basis of the Center for Professional Development of the State Tax Committee of the Republic of Uzbekistan.

At a time when the network of enterprises specializing in production and processing is expanding, these enterprises

The reduction of the tax rate from 15% to 10% will also serve as a basis for further support for entrepreneurs. As a result, many are still doing business through the shadow economy, ultimately preventing those who have to answer to the law, ensuring the development of young entrepreneurs and ensuring the competitiveness of their products globally.

This will increase tax revenues to the budget, as well as increase the number of honest and sincere entrepreneurs. The loss of neutrality in tax policy leads to an increase in the tax burden, which in turn intensifies the desire of taxpayers to hide their income in order to avoid taxes, to turn capital into a "shadow economy." This is contrary to the interests of the state and society as a whole [5].

The second direction of increasing state budget revenues is to identify the hidden base of taxation and taxation.

In this regard, it is expedient to briefly dwell on tax evasion, the fight against it and what measures are being taken in this regard in the country and abroad.

Tax evasion is the result of striving to maximize the profits of an economic entity. All taxes and fees are costs incurred by the enterprise based on external influences, and its rise above a certain level leads to an increased interest in avoiding or reducing these taxes.

Tax evasion paves the way for the development of a "shadow economy" through the re-use of ill-gotten gains. In our opinion, there is no need to overstate the extent of the need to combat this.

Also, another problem is related to the process of collecting value added tax in the construction industry. It is known that in accordance with the provisions of the Tax Code, the value-added tax is calculated on the basis of contract prices for construction, construction-assembly and repair-construction, commissioning-adjustment, design and survey and scientific works, services, as well as ready construction of facilities. The taxable base is the value of works, services, the documents of which are submitted for payment, performed and approved by the customer, excluding value added tax. [6]

It should be noted that construction companies pay value added tax on the object under construction to the budget after the completion of construction work. However, the analysis of recent years shows that in many construction projects, due to the fact that materials are not used in accordance with the requirements of the norm, as a result of looting, the value added tax is not collected in the budget. Therefore, we think it is expedient to introduce a monthly value-added tax for construction companies in accordance with the implementation of the approved project value.

In tax policy, the main focus is always on ensuring the timely and complete receipt of taxes in the state budget. Circumstances such as untimely and incomplete receipt of taxes and other payments to local budgets, reduction of high budget allocations, untimely implementation of measures in the fiscal year lead to untimely financing of measures, which leads to a decrease in the effectiveness of economic reforms. slows growth.

According to Article 242 of the Tax Code, the date of submission of the invoice by the supplier or the date of shipment (delivery) of goods, if this date comes before the date of submission of the invoice, the date of turnover of goods. [6]

When calculating value added tax, the taxable base is the difference between the value of the newly created value, ie the value of raw materials used in the production of the goods. The value-added tax calculations shall be submitted by the enterprise to the State Tax Inspectorate at the place of registration on a monthly basis, no later than the 25th day of the month following the reporting month, and at the end of the year within the year of submission of annual financial statements. Enterprises pay value added tax based on actual sales turnover for the relevant period no later than the date of filing the tax return. If the enterprise does not transfer the assessed tax amount to the budget in a timely manner, in this case the State Tax Inspectorate will impose a penalty (financial penalty) of 0.033 percent for each day of delay in relation to the assessed tax amount. In this case, no administrative

action is taken against the company's management. This is because the definition of these processes as tax turnover reduces the incentive for the taxpayer to expand production at its own expense, and negatively affects the capitalization of banks. However, today the increase in the capitalization of banks has been identified as a priority economic policy of our state.

In this regard, drastic measures should be taken not only in relation to the amounts of taxes that are not transferred to the budget in a timely manner, but also in cases where there are interruptions in the transfer of other payments of enterprises. This is because such cases worsen the financial situation of enterprises. There is a lot of evidence in practice that prevents banks from making timely settlements, which ultimately leads to an increase in non-payments, which has a sharp negative impact on the state of money circulation in the country.

As the movement of money is disrupted within the country, in some cases it is advisable to take administrative decisions to correct it. In particular, it is necessary to strengthen the responsibility of banks to ensure the timely transfer of funds to the state budget. In particular, payment requests of the tax authorities for unconditional collection of taxes and other mandatory payments should be executed by banks in the first place.

Conclusions and recommendations. In the analysis of ways to improve the mechanism of value added tax collection, the following conclusions and recommendations should be noted:

First, today's low value-added tax rate in developed countries contributes to the growth of budget revenues and entrepreneurs in these countries. At present, at a time when the network of enterprises specializing in production and processing in Uzbekistan is expanding, it is recommended to reduce the value added tax rate for these enterprises from 15% to 10%;

Second, in order to support entrepreneurs, it is recommended to abolish the application of penalties (financial penalties) for each day of delay in relation to the amount of tax assessed by officials of state tax inspections;

Thirdly, in order to increase the working capital of enterprises, it is recommended to set a threshold amount of 500 billion soums for working capital and introduce a preferential tax rate for working capital exceeding 500 billion soums;

Based on the above recommendations, in conclusion, it should be noted that the improvement of the mechanism of VAT collection, using the experience of tax practice of foreign countries, the reduction of tax rates, the absence of penalties (financial penalties) for each day of delay in assessing the amount of tax, as a result of the implementation of recommendations such as the application of a preferential form of tax rate to the excess of working capital, further support of entrepreneurs, increase the number of honest and fair entrepreneurs, reduce tax evasion associated with value added tax and increase budget revenues.

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