

Support for Entrepreneurship is A Key Criteria for Tax Reform



Mirsobitov Mirziyod Mirzoxid og'li

Independent Researcher (PhD) of Fiscal Institute under the State Tax Committee

ABSTRACT: This article presents scientific and theoretical views on improving tax administration in creating a favorable environment and investment climate for business entities, the analysis of statistical data is widely covered, and in this regard, appropriate conclusions are made and proposals are made.

KEYWORDS: entrepreneurship, investment, investor, taxes, taxation, tax administration, tax burden, tax incentives.

INTRODUCTION

During the pandemic period in our country, the state will provide full support to businesses, eliminate the "hidden economy" in ensuring macroeconomic stability, further improve tax administration to achieve positive results in tax reform, supply competitive and quality domestic products to domestic and foreign markets. One of the most pressing issues today is to further increase the creation of new jobs for the poor through the implementation of new investment projects in the regions, increase their income and welfare.

According to the analysis of the International Monetary Fund and international rating agencies, Uzbekistan has maintained a positive growth rate among the few countries in the world. In close cooperation with the structures of the European Union, important steps have been taken to implement in our country the system of expanded trade preferences - "GSP +". In the future, this system will allow more than 6,000 types of products produced in our country to enter the European market duty-free. This, in turn, will create the conditions for increasing the annual export of textile products by \$ 300 million. State-owned enterprises and more than 500,000 business entities, as well as about 8 million. A total of 66 trillion soums of tax benefits, loan extension and financial support were provided to the citizen [1].

In the context of the coronavirus pandemic, the state continues to take comprehensive measures to support businesses. In particular, in accordance with the Decree of the President of the Republic of Uzbekistan No.-6155 of February 2021 "On the State Program for the implementation of the Action Strategy for the five priority areas of development of the Republic of Uzbekistan in 2017-2021 in the Year of Youth Support and Health" The validity of the following has been extended until December 31, 2021:

- Payment of land and property tax arrears of entities operating in the field of tourism, transport and catering as of January 1, 2021;
- Requirement of the Presidential Decree No.-5969 of March 19, 2020 to suspend the calculation of penalties for property taxes and land taxes on business entities experiencing temporary difficulties as of December 31, 2020 and not to take measures to enforce tax arrears;
- the amount of interest-free delays (installments) paid by the President of the Republic of Uzbekistan to business entities on the outstanding property tax and land tax as of December 31, 2020 during the coronavirus pandemic;
- A moratorium on tax audits of small businesses that pay taxes and other mandatory payments on time, with the gradual introduction of a system of "risk analysis" in the conduct of tax audits to reduce the share of the "hidden economy" [2].

Assistance was continued to 20,000 entrepreneurs facing a shortage of working capital during the pandemic, and their payment of land and property taxes worth 400 billion soums was extended for another year.

Tax incentives and preferences for entrepreneurs lead to a significant loss of budget revenues, but the issue of compensation is one of the most pressing issues facing the state. Because during the moratorium on tax audits (for 4 years) all business entities acted honestly and cleanly, or what tax relations should be implemented with entities that evade paying taxes during the period when such opportunities are created? In this regard, it is necessary to study the experience of developed foreign countries and consider their practical application.

Support for Entrepreneurship is A Key Criteria for Tax Reform

LITERATURE REVIEW

The issue of taxation of business entities has been widely studied by foreign and domestic scholars and is one of the topics of discussion.

According to Jason DeBacker, Bradley T. Heim, Shanthi P. Ramnath, Justin M. Ross's research, tax reforms in Kansas in 2012 led to the creation of new businesses and the expansion of existing ones.

According to the study of R. Alison Felix, James R. Hines, many U.S. local governments are introducing tax incentives for entrepreneurs in order to protect the population and increase local budget revenues. That is, local government supports the population and infrastructure by providing tax incentives to entrepreneurs [4].

There are also scholars who oppose the use of tax breaks in support of entrepreneurship. Including E.V. Shkrebel's research can be cited. It provides a number of arguments against the use of tax methods to support small businesses: tax measures are not targeted (unlike direct subsidies), so they are often used by businesses. subjects and individuals who do not need them; income tax relief measures can only have an incentive effect on income-generating businesses, many small businesses will suffer initially; tax measures can be considered unfair compared to independent entrepreneurs and other taxpayers; non-fiscal measures are more transparent and easier for the legislature to consider; often, measures to encourage small business investment result in significant losses in tax revenue rather than the amount of investment they make [5].

RESEARCH METHODOLOGY

In the course of the research, the system of taxation of business entities of foreign countries, including the United States and Sweden, was studied, along with methods such as scientific abstraction, induction, deduction.

One of the main methods of the scientific article is to study the issues of further improving tax administration in order to achieve a mutually trusting cooperation between the state tax authority and business entities in Uzbekistan.

SANALYSIS AND RESULTS

According to the U.S. Internal Revenue Service, regular and comprehensive inspections lead to a taxpayer conscientiously fulfilling its obligations. As a result, 83% of taxes paid in the United States are paid voluntarily. These figures were achieved by improving the tax system over 15 years. The current concept of improving the quality of taxation is, first of all, to treat taxpayers with courtesy and respect, secondly - to improve services for citizens in direct contact with the tax authorities, thirdly - to increase the efficiency of the organization (minimum expenditures by the state). reduction and increase in tax collection).

In Sweden, taxes and fees are paid as follows:

- clear and professional attitude of government agencies to the offenses committed, measures to inform and prevent the population;
- confidence of taxpayers in the proper functioning of the tax system and the performance of their duties by the tax authorities in accordance with the law;
- introduction of taxation rules in a way that is understandable to everyone.

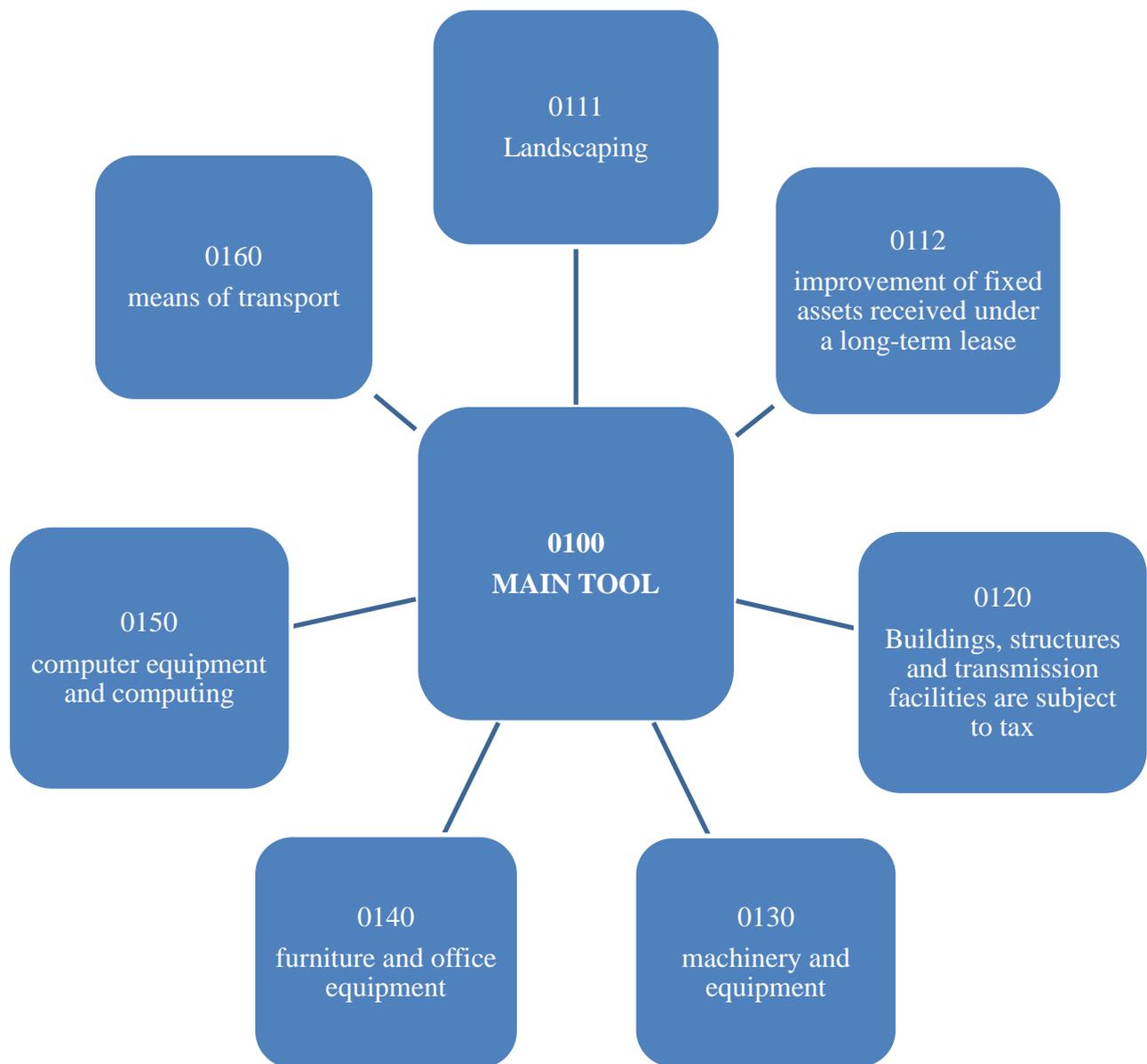


Figure 1. A method of tax evasion by including property, plant and equipment that is the object of taxation in another category (author's development).

Based on the experience of the above-mentioned foreign countries, we need to further improve the tax administration in order to achieve the establishment of mutually trusting cooperation between the state tax authority and business entities. To do this, reforms in the tax system should be continued gradually.

During the moratorium on tax audits, there were losses in budget revenues due to the use of tax evasion schemes by some business entities. In order to avoid the payment of property tax by some business entities, the company deliberately included in the category "movable property" real estate (buildings and structures) reflected in the account 0120, which is the object of taxation on the account "Balance sheet form 1" observed. In particular, according to the decision of the Economic Court of the region, 40465.3 million soums of property tax was transferred to the state in accordance with the decision of the Economic Court of the Republic of Uzbekistan. recovery was determined [6].

Fixed assets of the enterprise in accordance with the order of the Minister of Finance of September 9, 2002 No. 103 (NAS No. 21) "On approval of the plan of accounting and reporting of financial and economic activities of business entities" registered with) should be kept in the following accounts (Figure 1):

Figure 1 shows the movement of concealment of the tax object, including real estate (buildings, structures and transmission facilities) reflected in the account 0120, which is the object of taxation of the enterprise, in the category of "movable property".

Support for Entrepreneurship is A Key Criteria for Tax Reform

Annual "ACCOUNTING BALANCE" No. 1 submitted by the enterprise to the tax authority (Order of the Minister of Finance No. 140 of December 27, 2002 "On approval of financial reporting forms and rules for their completion" (No. 1209 of January 24, 2003) quoted (conditional number) (Table 1):

Table 1. Representation of fixed assets of the enterprise in the form No. 1 in the balance sheet (author's development).
thousand soums

| NAME OF INDICATORS | Line code | Per reporting period | At the end of the reporting period |
|--|-----------|----------------------|------------------------------------|
| ACTIVE | | | |
| I. LONG-TERM ASSETS | | | |
| FIXED TOOLS: | | | |
| Initial (reset) value (0100, 0300) | 010 | 3339451 | 3339451 |
| Depreciation amount (0200) | 011 | 372444 | 573399 |
| Balance sheet value (lines 010 - 011) | 012 | 2967007 | 2766052 |

If we pay attention to Table 1, it is impossible to determine the cases of transfer of fixed assets from real estate to movable property in the "Balance Sheet", which is Form 1 of the Financial Statement submitted by the business entity once a year, according to the balance lines, ie does not appear here. For this reason, some accountants take advantage of this situation in the interests of the enterprise, evading the payment of taxes to the budget, hiding from the state by transferring the object of taxation to another account. This means that businesses in some industries, which are large taxpayers, are trying to avoid tax evasion due to the high real estate tax rate (currently 2%), and it can be assumed that the occurrence of such cases is the weight of this tax burden.

In order to develop and improve the quality of road infrastructure, to develop the regional road network and road infrastructure, the Jogorku Kengesi of the Republic of Karakalpakstan, regional and Tashkent city Councils of People's Deputies The right to introduce a special fee for the development of regional roads in the amount of not more than 25 soums per unit.

In addition, the Councils of People's Deputies of districts (cities) were given the right to introduce an annual fee for the ownership of the vehicle, based on the capacity of the vehicle engine. It was decided to introduce these fees on the basis of public hearings, taking into account the level of income of the population of a particular administrative-territorial unit and in coordination with the Ministry of Finance of the Republic of Uzbekistan [7].

As you know, the amount of tax payable based on the engine capacity of a vehicle is included in the value of gasoline and diesel fuel, and each vehicle owner pays tax on the value of each liter of fuel purchased from petrol stations. The tax levied on gasoline, diesel fuel and gas consumed by individuals for motor vehicles was included in the category of excise tax in accordance with Article 229 of the Tax Code.

It is planned to determine the tax rate for each vehicle based on the working capacity of the car engine according to the following formula:

$$N = M \times K$$

N - annual payment;

M - horsepower;

K is the amount of the fee established by the district (city) council of people's deputies for each horsepower of the vehicle.

In our opinion, the introduction of this fee is not expedient, because the amount of tax for motor vehicles was included in the value of fuel, but even if it is converted into excise tax, the real payer is the final consumer, ie individuals who buy fuel. The tax burden increases in the form of both excise tax and special levy for an individual who buys fuel for motor vehicle needs. It is inevitable that it will be disproportionate to the average monthly income level.

Today, the issue of vocational training and employment of young people is one of the most important issues. President of the Republic of Uzbekistan Sh.M.Mirziyoyev at a meeting on "Youth Employment" on January 27 this year set the task of "Professional and Entrepreneurship Training" for more than 500,000 young people in 2021. In particular, only 5 non-governmental educational organizations in Khorezm, 6 in Karakalpakstan, 7 in Jizzakh and 9 in Samarkand are included in the

Support for Entrepreneurship is A Key Criteria for Tax Reform

register, and almost all of them are located in the regional center. Therefore, in 46 districts with a population of 150,000 to 200,000, at least 3 such training courses, and in 64 districts with a population of more than 5,000, at least 5 such training courses should be organized, and in the remaining 96 districts and cities, "Distance" training courses are being introduced.

It should be noted that the profession of "Accountant" is not included in the list of 40 professions in high demand in the labor market, formed by the Ministry of Labor. However, according to the State Tax Committee, 73-74% or 197,000 small business representatives in the country, including 51.3% in Samarkand region and more than 45% in Bukhara region, do not have an official accountant. This makes it difficult for the company to keep records, fulfill its tax obligations, and calculate and file taxes. Also, the fact that in 2019, 20% or 19,000 of the newly opened entities ceased operations in the first year also indicates a shortage of staff. Most businesses report "no accountant" at the place where the second signature is granted, when in fact "informal" accountants or taxpayers file an "envelope" salary with an average of 5 to 10 firms remotely documenting "vacancies" without paying any taxes. "Are unofficially busy."

According to the author, special 3-month training courses on "Fundamentals of Entrepreneurship and Taxation" and "Accounting + 1S Program for Beginners" will be organized in non-governmental educational institutions in the regions. opportunities to work in small businesses.

Today, there are many questions and problems in matters such as calculating taxes, determining the tax base, tax deductions, filling out and submitting tax reporting forms. According to the State Tax Committee, in the first six months of this year, the tax authorities received 17,584 appeals, including electronic appeals - 14,352 (81.6%), oral appeals - 2,032 (11.5%), written appeals - 1,200. (6.9%) [8].

It is clear from the data that the main part of appeals is 81.6% sent electronically. Managers and accountants of business entities are expressing their views on social networks on the problems of obtaining prompt, accurate and complete answers from the Call Center of the State Tax Committee (number 11-98), hotlines or specialists of relevant departments. It is observed that the ability to quickly answer all questions received by the DSQ telegram group "Entrepreneur and Taxpayer" (4.7 thousand members) is limited online.

Google, Yandex, and other search engines have limited access to answers to tax-related questions, or we may see offers from some businesses for "paid" services. For entrepreneurs who are just starting a business or have low financial means, a program (platform) that quickly provides free services to problematic tax issues has not yet been created. Therefore, the situation requires further strengthening of cooperation between the participants of tax relations on the basis of the principle of "Taxpayer-Assistant", bringing it to a new level with the effective use of information technology.

CONCLUSION AND RECOMMENDATIONS

The following proposals and recommendations have been developed in our country to create favorable conditions for business entities, to further increase their legal literacy, the existing problems in the tax administration and their elimination:

1. To designate all fixed assets (property) on the balance sheet of legal entities as objects of taxation and to reduce the base rate of property tax from 2% to 1% in order to prevent tax evasion;
2. To the Jogorku Kengesi of the Republic of Karakalpakstan, Councils of People's Deputies of regions and the city of Tashkent a special fee per unit of fuel (25 soums) for the sale of gasoline, diesel fuel, liquefied and compressed gas to end consumers by gas and petrol stations and districts (cities) abolition of the right of the Councils of Deputies to impose an annual fee for the ownership of a vehicle based on the engine capacity of the vehicle;
3. In order to organize the employment of young people in the accounting profession in small businesses, to include the profession of "Accountant" in the list of professions formed by the Ministry of Labor and to organize professional training courses in "finance and economics" in cooperation with the regional employment department reach
4. To ensure prompt on-line answers to questions related to tax administration of business entities from qualified professionals in television, radio, electronic newspapers and magazines, especially through social networks (Telegram, Facebook, Instagram, etc.) It is necessary to organize systematic and regular "live" conversations on "correct" broadcasts. It is also advisable to create an electronic program (platform) that will allow you to find answers to frequently asked tax questions (impartially, free of charge) through Google, Yandex and other search engines.

To some extent, the implementation of the above conclusions and recommendations will stimulate the development of entrepreneurship in the country, create favorable conditions and investment climate for businesses, ensure economic growth

Support for Entrepreneurship is A Key Criteria for Tax Reform

and budget stability and reduce the tax burden, make tax authorities a real business partner of taxpayers. which in turn serves the socio-economic development of the state.

REFERENCES

- 1) Address of the President of the Republic of Uzbekistan Sh.M.Mirziyoev to the Oliy Majlis of the Republic of Uzbekistan December 29, 2020.
- 2) Decree of the President of the Republic of Uzbekistan Sh.M.Mirziyoev No. PF-6155 of February 3, 2021.
- 3) Jason DeBacker, Bradley T. Heim, Shanthi P. Ramnath, Justin M. Ross. The impact of state taxes on pass-through businesses: Evidence from the 2012 Kansas income tax reform. *Journal of Public Economics*, Volume 174, 2019, Pages 53-75, <https://doi.org/10.1016/j.jpubeco.2019.03.008>.
- 4) (<https://www.sciencedirect.com/science/article/pii/S0047272719300386>)
- 5) R. Alison Felix, James R. Hines. Who offers tax-based business development incentives?, *Journal of Urban Economics*, Volume 75,2013,Pages 80-91, <https://doi.org/10.1016/j.jue.2012.12.003>.
- 6) (<https://www.sciencedirect.com/science/article/pii/S0094119012000824>)
- 7) E.V. Shkrebela. Improving small business taxation. Moscow - 2000. https://www.iep.ru/files/text/usaid/i5_final.pdf
- 8) Analytical data of the State Tax Committee of the Republic of Uzbekistan.
- 9) Decree of the President of the Republic of Uzbekistan dated December 9, 2019 No PF-5890 on measures for deep reform of the road infrastructure of the Republic of Uzbekistan.
- 10) <https://t.me/soliqnews/6321>