



TAXATION RELEVANCE OF INDIVIDUALS' INCOME BY MEANS OF PUBLIC DECLARATION

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Our country has chosen a management structure focused on the laws of a socially oriented market economy along the road of independent growth. The practice of taxation has been being changed for the gradual introduction of market reforms, primarily through incorporating the positive experience of developed countries for several years. There have been many positive changes due to the ongoing tax reforms in the country¹.

The tradition of the general declaration of income by people is commonly used in all economically developing countries, where the concepts of the consumer economy and freedom of entrepreneurship apply.

The study of the history of these countries and the examination of the experience of reporting the income of individuals in our country demonstrate that the process of declaring income is highly productive in holding detailed records of individuals' income and in implementing socially relevant tax deductions. It is necessary to ensure the validity of these wages, along with the growth of private enterprise and the creation of freedom to earn money, in the light of liberalization and modernization of the economy. At the same time, by the declaration scheme, citizens' income would be registered and equally charged. The adoption, in our country, of a framework of general declaration of personal income taxes and its gradual transformation to that system is necessary. The urgency of the issue is dictated by the presence of issues in the country to improve personal income taxes by declarations, the need for scientific proposals to be formulated and realistic advice to fix them.

This article corroborates the importance of personal income taxes in the country by means of the general declaration process.

The implementation of a mechanism for declaring the overall income of individuals in the country would decide the likelihood of declaration of citizens' income, hamper the shadow economy and create more favorable conditions for private entrepreneurship growth. An objective and the required prerequisite for the creation of market ties is the adoption of a mechanism to declare the gross

¹ Books 1. Application of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis. // "Xalq so'zi" newspaper December 29, 2018 № 271-272 (72297230) 3-page



annual income of people. In the tax law of the Republic of Uzbekistan, the taxation of personal income is carried out by the following methods: - withholding from the source of payment; - taxation depending on the document. Legal persons, non-residents of the Republic of Uzbekistan, and representations of foreign legal entities working by permanent institutions in the Republic of Uzbekistan, i.e. tax officers, shall be responsible for the calculation, withholding, and payment of personal income tax at the point of payment.

It is expected that the reduction of the personal income tax rate and the streamlined framework for those groups of taxpayers, the single tax advantages applicable to their operations, would promote the growth of the activities of the aim. As a result, the tax base to ensure the stabilization of the fiscal income and the sectors financed by the budget.

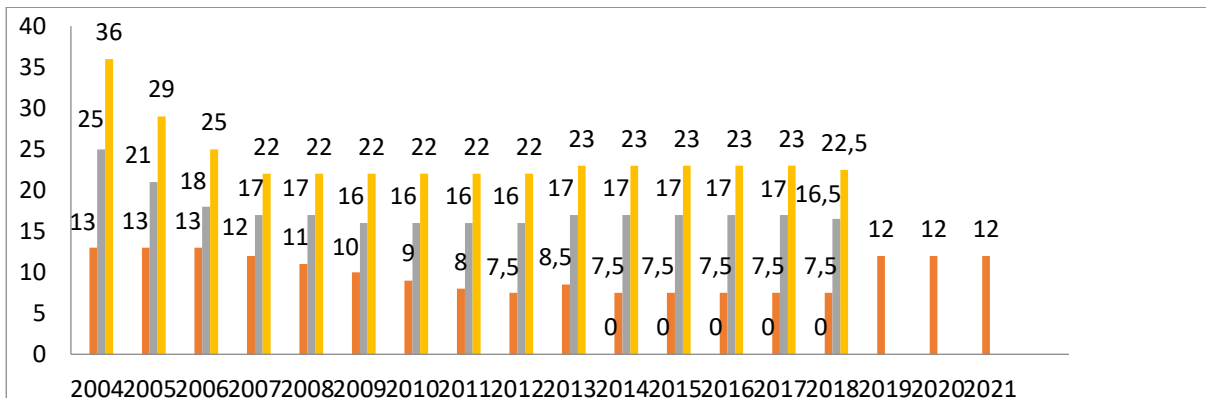


Figure 1. Analysis of income tax rates by years²

The personal income tax was implemented in 1991 by examining the data in Figure 1 above, and by 2015, we had introduced rates based on the European level, but we started to shift into a four-tier tax structure due to our unprepared socio-economic condition. Since we reduced the rates from 2-3 to 18 and 25 percent from 2001 to 2006 to stop discrimination and stratification among people, then these rates were reduced to 16 and 22 percent from 2008 to 2014, and the lower rate was reduced to 7.5 percent. In order to boost the country's socioeconomic strata, 2 times the income of the workforce was removed from income tax by 2015. The maximum tax rate was set at 22.5 percent in 2018, while the maximum tax rate was set at 45 percent in 1998, which is twice as high. At present, to maximize the income of people, this tax is set at a single 12 percent. "The implementation of a single tax rate on personal income will completely cover income and ensure revenue efficiency."³

² Soren Blomquist, Laurent Simula. Marginal deadweight loss when the income tax is nonlinear. Journal of Econometrics

³ STC data. <http://www.soliq.uz> (official site of the State Tax Committee of the Republic of Uzbekistan)



The fact that share of income from entrepreneurial practices in the income structure of the population would grow, as market connections deepen. It is therefore essential to examine the complexities of income received by people outside the primary workplace.

The number of people (which is expressed in the data in Figure 2 below) filing income tax returns in our country has risen from year to year in recent years.

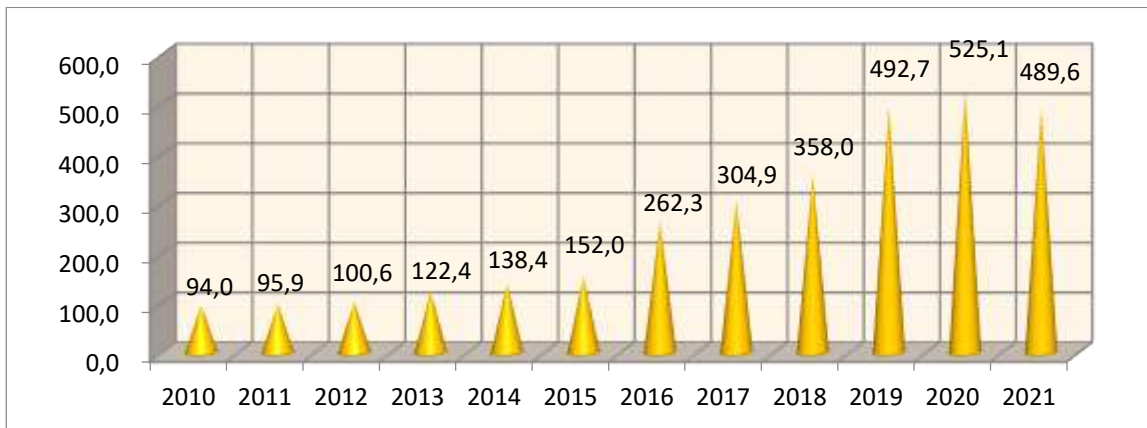


Figure 2. The number of individuals who submitted declarations for 2007-2021. (Thousandpeople)⁴

As of 1 January of this year, 489.6 thousand declarations were issued from persons, or 395.6 thousand or 5.2 times more than in 2010, or 227.3 thousand or 186 times more than in 2016, according to Figure 2 above. A 7 percent boost. The growth rate of these metrics, however, took place until 2020 and started to decrease from 2021, i.e. the number of persons who submitted a declaration in 2020 rose by 262.8 thousand, i.e. 2 times, relative to 2016. It decreased by 35.5 individuals in 2021, or 107 percent relative to 2020. The growth in the number of people who submitted statements in the world in 2016-2020 is attributed to a rise in the population's sources of revenue, as well as to an increase in income.

In our region, there is a rise from year to year in the number of persons who have submitted a declaration and in the amount of additional income tax levied on the declaration.

Table 1

Information on individuals who have submitted a declaration in the Republic of Uzbekistan⁵

T / R	Indicators	Years				
		2017	2018	2019	2020	2021

⁴ STC data. <http://www.soliq.uz> (official site of the State Tax Committee of the Republic of Uzbekistan)

⁵ Tax fraud detection for under-reporting declarations using an unsupervised machine learning approach <https://www.scopus.com/record/display.uri?eid=2-s2.085051492335>



1	Number of citizens who submitted the declaration (thousand people)	304,9	358,0	492,6	525.1	489,6
2	Total additional tax, (billion soums)	33,1	61,8	81,0	105.2	133.5
3	Collection of additional taxes (as a percentage)	100	100	100	100	100

In 2017, a total of 304.9 thousand people and in 2021, 489.6 thousand citizens filed declarations of income earned outside the main place of employment by evaluating the data from Table 1 2017-2021. It is notable that the appearance during the examined era of deferred reporting of income on the declaration confirms that there are issues that need to be resolved in the practice of the method of overall annual income declaration.

As a result of the 2017-2021 declaration, 414.6 billion extra tax credits were estimated.

Changes in some current legislation are necessary to implement a scheme of the universal declaration. The system for valuing and revaluing the property of people, for instance. This suggests that residents would be forced to exert discretion over costly transactions and spending on housing or non-residential development until the general declaration scheme is in effect.

It is evident from the experience of foreign countries that regulation over the completeness of the taxation of individuals' income can only be accomplished by verifying that the expenditures borne by them are per the income stated in the declaration. In this respect, it would be expedient to create a system for monitoring the individual spending of persons according to their income to completely assess the income stated in the individual declarations. Under the proposed framework, significant spending on cash purchases in banks, insurance, and credit agencies from related institutions and organizations is needed to ensure that individuals obtain information on the purchase of land, import, or export of products through the customs border. The details given in the declaration should be contrasted with the information provided by banks, vendors, sales agents, government departments, and other organizations that report transactions on the real profits of persons, i.e. information supplied to the tax authorities.



If the value of the expenses increases the amount of the individual's income stated in the declaration, if the tax authority has no records on the individual's income, the tax authority shall give a written order to the individual to disclose the income of the individual's expenses. Individuals, as well as foreign nationals, shall, at the written request of the tax office, be expected to supply reports specifying, in writing, the number and sources of revenue incurred in carrying out large expenses. In our view, in order not to adversely impact the willingness of the populace to make costly transactions and to use the resources of banks, lending unions, and financial institutions, it is important to limit the level of major individual expenses at 1,000 times the amount of the simple estimate.

The following is noteworthy in one foreign source: "... We show the ability of our model to minimize the number of eligible taxpayers for simplified taxpayers to classify and audit the tax returns on simplified tax returns. The findings show that our model does not evaluate tax returns as suspicious and identifies previously undetected tax returns as suspicious. To improve operational productivity in the tax audit process, we do not require traditionally classified records." ⁶

If we look at the history of developing countries, including Germany, where the tax system is perceived to be comparatively close to us, the system of declarations is driven by it. One of the most complicated structures in the world is the German tax system. It is distinguished by a strong degree of centralization between the federal center and the federally owned properties, and simple separation of obligations. The announcement of the gross income of people, which is used for both taxes and social services, is one of the best features of the government. The analysis of the German experience will help us to resolve the difficulties which may emerge in introducing the citizens' income declaration system in our country.

Before World War II, the scheme of the declaration of personal income started to exist in Germany and has a long tradition. In Germany, in withholding income tax and filing a statement of net taxable income, the family arrangement of an individual plays a crucial role. Information about him is reported on the taxpayer's card and distributed before the beginning of the new year by the society (organ self-governing) at the citizen's place of residence, based on records (for example, the population card). The tax card also provides statistics on social insurance, the amount of non-taxable minimum exemptions for

⁶ <http://www.uzbek-ninja.com>



children under 18 years of age, and religious convictions, in addition to the marital status of a resident. Where other social deductions are possible (for example, tuition for children above the age of 18), the tax authority shall, at the request of the corporation, include them in the taxpayer's card. To report the revenue, a taxpayer-individual card provided by the team has been adopted. Without this passport, it is not possible to get a job. It is important to enter on the card the details on the wage determined by the employer and the income tax levied on it. At the end of the year, the taxpayer must present it to his tax inspectorate before filing the return. Income tax is retained by a company like ours from the source of payment and added to the budget. The contractor is responsible for determining the amount of workers payroll tax in a timely and accurate way.

On the basis of the above, we can infer that our country's tax law is well known and is strengthening from year to year. However, we agree that it is important to make optimal use of the best choices open to foreign countries in the tax system. Citizens' income statements are one of the most powerful weapons in fighting the shadow economy, money laundering, graft, and other economic crimes.

The taxation of the net profits of persons engaging in entrepreneurial activity without establishing a legal organization, based on the concept of justice, is another topical issue. To calculate income tax, the tax law of emerging market economies sets incremental tax rates. They consist of a tax share, calculated as a percentage of the taxable item, which rises as the taxpayer's revenue appears. It is our view that these rates most thoroughly embody one of the most significant tax law principles - the concept of equal taxation.

In conclusion, no matter how difficult it is to implement a modern form of personal income taxes, this route is proving to be the correct option because it would ultimately be more successful and socially equal than the previous taxation process.

It is evident from the above that the general income declaration standards do not require the implementation of a less complicated framework. At the same time, however, the peculiarities of the cultures of our country's existing cultures, the institutional and organizational steps required for the implementation of this framework, entail the adoption of unique requirements in this field.