



PRACTICE OF TAX DEBT COLLECTION IN UZBEKISTAN

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Abstract: In this article tax debts of legal entities and individual entrepreneurs were analyzed. Opinions of foreign and domestic scholars about tax debts were studied. In addition, suggestions and recommendations are given about reducing and improving the effective collection of tax arrears in Uzbekistan.

Key words: *legal entities, individual entrepreneurs, tax system, taxes and fees, tax debt.*

1. Introduction. Today, reforms in the country are being implemented not only to support entrepreneurs but also to broadly develop the tax system as well.

The tax system, taxes - are one of the most effective tools in the regulation of the economy by the state. Accordingly, since the first years of independence, our country has undergone many reforms in the field of taxation, as in all areas of the economic infrastructure. The work on this issue is aimed not only at collecting taxes and fees, but also to replenish the state budget by reducing tax arrears.

It is known that the main part of the state budget revenues of the Republic of Uzbekistan is formed by the collection of taxes and fees. Timely and full payment of taxes will serve to timely finance the expenditure part of all measures taken at the state level, including the budget and trust funds.

Further improvement of the economic potential of business entities, creating a mechanism that is acceptable to them in the future and allows the budget to increase revenues from taxes and levies, ensuring investment attractiveness and financial stability of enterprises, Find substantiated proposals to reduce tax arrears due to receivables and payables, which directly affect the increase in revenues from taxes and fees and the development of practical advice and concrete solutions for the development of their activities is one of the current problems.

In this regard, it is important to ensure a timely and complete collection of taxes and fees. Ensuring the timely payment of taxes is done by preventing the occurrence of tax debt as much as possible and its effective collection after its occurrence.

It should be noted that the Constitution of the Republic of Uzbekistan pays special attention to this issue. According to Article 51, "Citizens are obliged to pay taxes and local fees established by law".

Therefore, one of the most important issues for the tax authorities is to reduce the tax arrears of taxpayers and prevent the emergence of new debts, as well as to control the receipt of taxes and levies in the budget on time.

2. Literature review. Priorities for improving the financial and tax system of the country, including some issues of tax collection, have been studied by several foreign and local scholars.

Margherita Ebraico (2015), a foreign scholar who has conducted research on the subject, called for the development and promotion of taxes and levies in the country, as well as strict measures against



taxpayers with tax arrears. She also emphasizes that it will have a positive effect on reducing tax arrears on taxes and levies and preventing their occurrence in the future.

In this regard, S.N. Alikhin and D.A. Levacheva (2018) of Russia has conducted research on this topic and talked about the theoretical foundations of the mechanism of tax debt collection. In their research, they noted the complexity of collecting tax arrears from the taxpayer, as well as expanding the tax base, and stressed the importance to develop a mechanism for collecting tax arrears based on the financial condition of businesses with tax arrears.

In addition, I.G. Vinokhodova (2019) also notes in her research work that increasing the process of seizing property from business entities with existing tax arrears would be effective.

One of our local scientists, Sh. Toshmatov (2008) commented on the causes of tax arrears and their elimination, saying, "The high tax burden has a number of negative consequences for businesses. Such consequences include the increase in tax arrears, the expansion of the shadow economy, the increase in accounts payable. The tax system should minimize the possibility of legal and illegal tax evasion.

Also, according to I. Niyazmetov (2008), the tax arrears are mainly due to the fact that the burden of VAT and property taxes is borne by industrial enterprises, which leads to an uneven distribution of the tax burden and a relatively heavy tax burden on industrial enterprises. This will prevent companies from ending the tax debt problem.

At the same time, A. Giyasov (2019) in his scientific article tries to explain the ways to avoid tax evasion by introducing a procedure for determining the collection of tax arrears on all other accounts of the business entity in case of full or partial non-fulfillment of the collection order imposed on the main account by the tax authorities within a month. To this end, the development of relevant tax regulations, as well as the introduction of amendments and additions to existing ones, will lead to significant results in improving tax legal literacy of taxpayers, strengthening the payment culture, and eliminating tax arrears by improving the efficiency.

In our opinion, it is important to sharply reduce the collection of tax arrears from businesses in today's pandemic situation, to provide them with tax benefits and privileges, to protect taxpayers and individual entrepreneurs from the crisis, and to avoid unnecessary tax collection costs.

3. Analysis and discussion of results.

It is no exaggeration to say that during the years of independence, the tax system has developed rapidly and reached a level where it can compete with the tax system of any developed country. The fact that the tax burden on GDP is much lower than in other developed countries (in the range of about 20 percent) is clear proof of our opinion. It is also clear that taxes remain the main source of revenue for the state budget. The share of tax revenues in the state budget of the Republic of Uzbekistan for 2015-2019 can be seen in Figure 1 below.

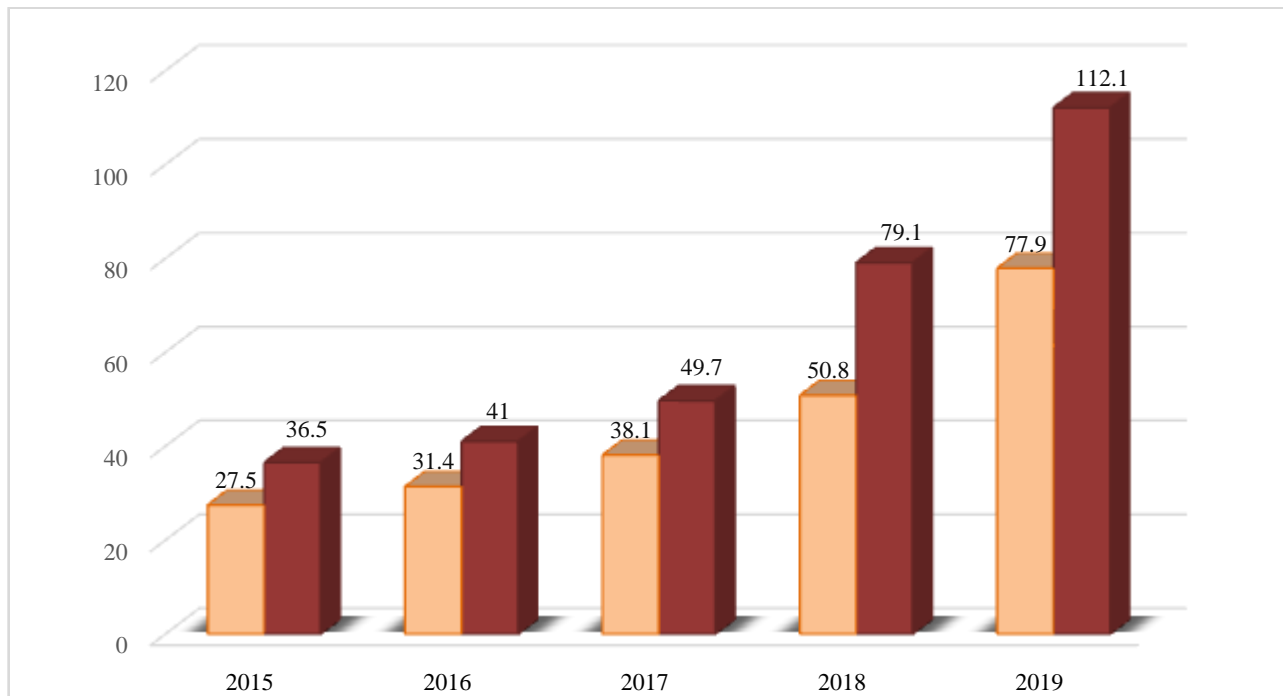


Figure 1. Analysis of the share of tax revenues in the state budget of the Republic of Uzbekistan (in trillion sums).

Source: Prepared on the basis of data from the State Tax Committee and the Ministry of Finance of the Republic of Uzbekistan.

As can be seen from the data in Figure 1 above, the main source of state budget revenues is taxes. The share of tax revenues in the state budget was 75.3% in 2015, 76.5% in 2016, 76.7% in 2017, 64.2% in 2018 and 69.5% in 2019. In 2015, taxes accounted for 75.3% of state budget revenues, while in 2019 the figure was 69.5%, and compared to 2015, the share of taxes decreased by 5.8%. The average share of tax revenues in state budget revenues over the past 5 years is 72.4%.

In recent years, the state has provided businesses with a number of opportunities, benefits and privileges in terms of taxes and fees. This includes the reduction of tax rates from year to year.

For example, if we take the turnover tax paid by small and medium enterprises, we can see the changes over the years for this type of tax from the data in Figure 2.

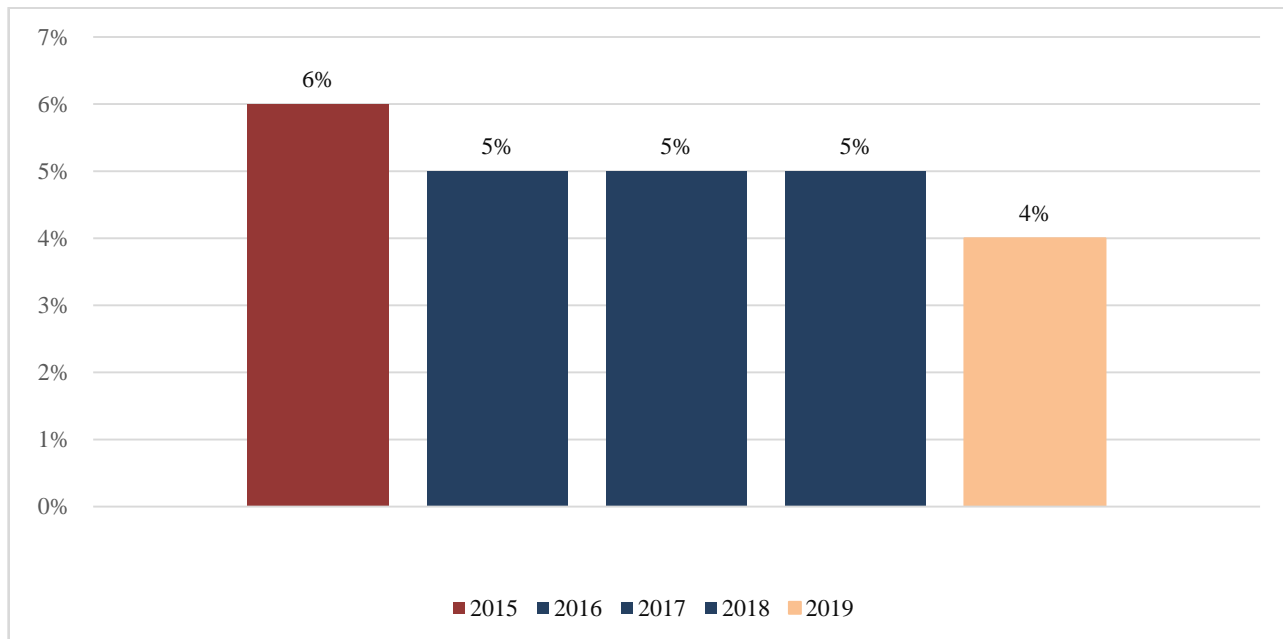


Figure 2. Analysis of the dynamics of turnover tax rates in all sectors of the economy.

Source: Prepared on the basis of data from the State Tax Committee of the Republic of Uzbekistan.

As can be seen from Figure 2 above, single tax rates have been on a declining trend over the years. In 2015, the turnover tax rate was 6 percent, while in 2016, 2017 and 2018, the rate was 5 percent. By 2019, the turnover tax rate has been reduced to 4 percent.

Gradual reduction of tax rates means reducing the tax burden on business entities, reducing their tax arrears, developing their activities, closely assisting them in carrying out their legal activities through the state registration of businesses operating in secret.

Based on what we see above, the analysis of the total number of legal entities and individual entrepreneurs registered as taxpayers in the country in 2015-2019, as well as the number of legal entities and individual entrepreneurs with tax arrears are indicated in Figure 3 below.

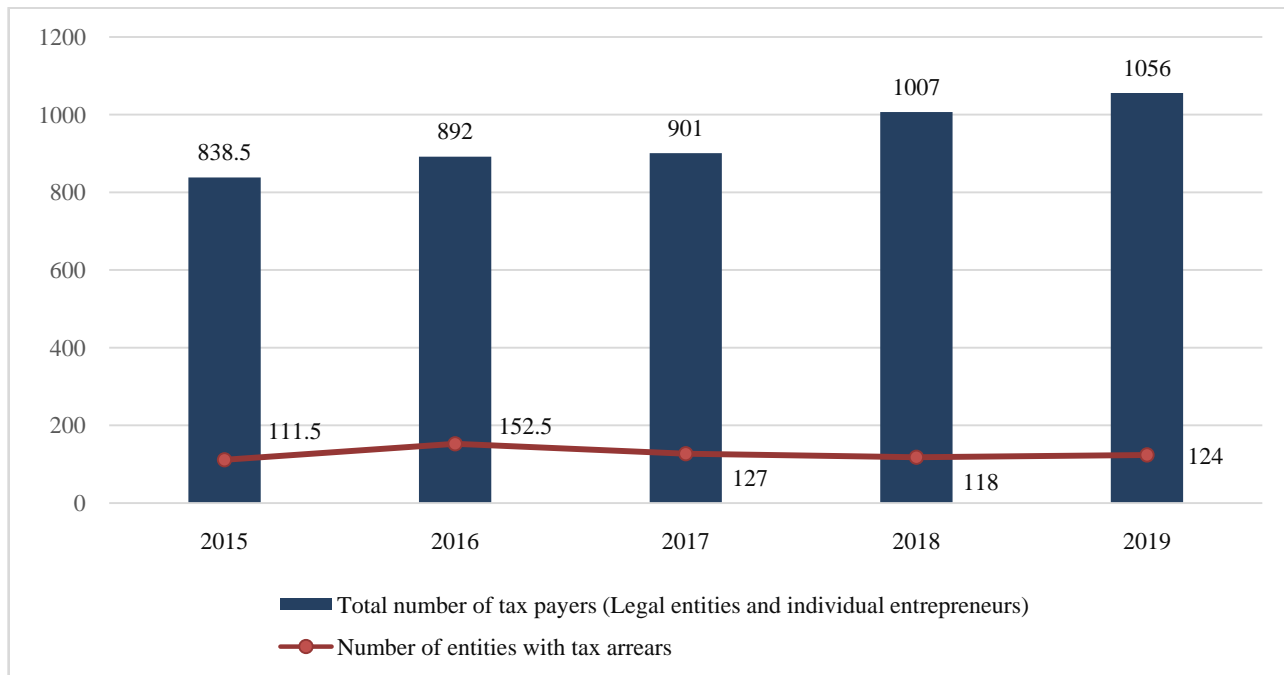


Figure 3. Analysis of the number of legal entities and individual entrepreneurs operating in the country and having tax debts (thousand units).

Source: Prepared on the basis of data from the State Tax Committee of the Republic of Uzbekistan.

From the data in Figure 3 above, it can be seen that the number of entities operating in the country is growing every year. In 2015, the total number of entities was 838.5 thousand, and by 2019 their number reached 1,056.0 thousand. Based on that, the number of entities in 2019 increased by 217.5 thousand or 20.6% accordingly. The growth rate over the last 5 years has averaged 5.6 percent.

Today, such growth rates are positive outcomes of the work being performed by the state that promises to create new jobs and decrease the unemployment rate accordingly.

However, we cannot say that all the established enterprises are working effectively. There are also business entities that are unable to fulfill their obligations to the budget. From the data in Figure 2, we can see that the number of business entities with tax arrears is declining from year to year. In 2015, the number of business entities with tax arrears amounted to 13.3% of the total number of entities, while by 2019 the number of business entities with tax arrears decreased to 11.7%.

From what we see above, we can conclude that the reduction of tax rates from year to year has a positive effect on reducing the number of taxpayers with tax arrears.

However, in practice, there are cases when a taxpayer legal entity, for subjective or objective reasons, is unable to pay the amount of taxes and fees payable in a timely manner. This unpaid amount is a tax debt under the tax legislation and is subject to mandatory collection by the tax authorities. The total tax arrears of legal entities and individuals, as well as individual entrepreneurs in the country for



2015-2019 can be seen in Figure 4 below.

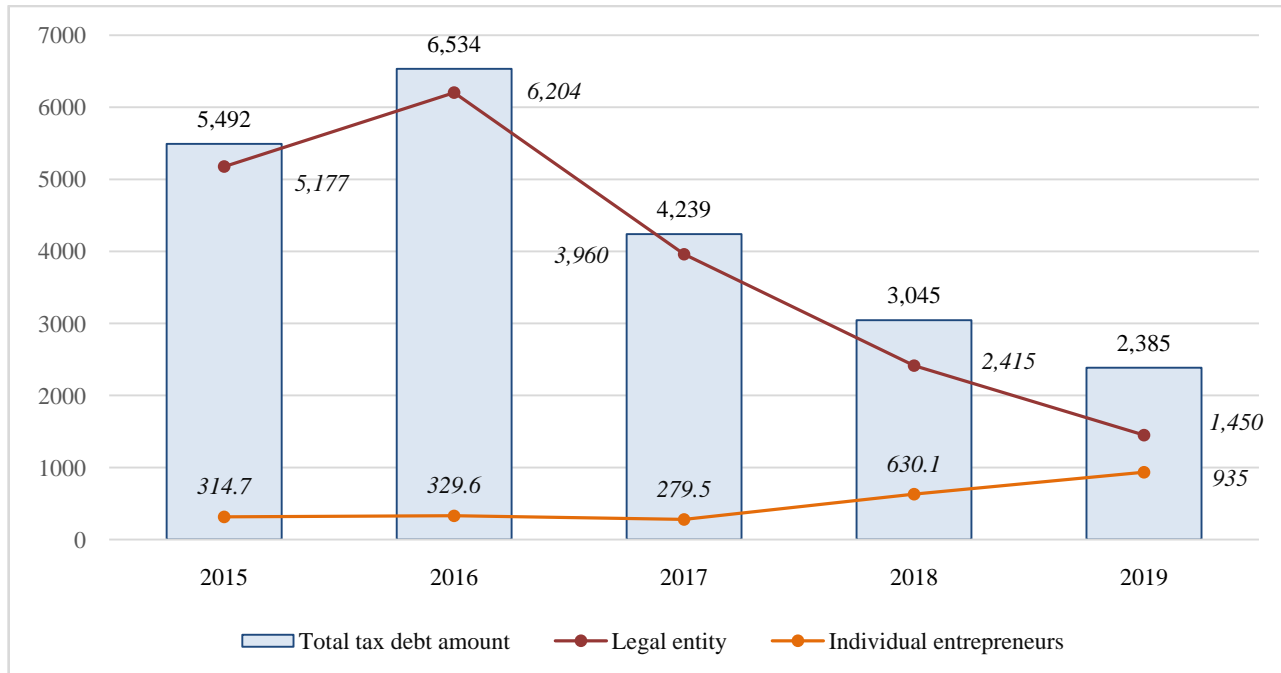


Figure 4. Analysis of the share of legal entities and individual entrepreneurs in the total tax debt in the country (in billion sums).

Source: Prepared on the basis of data from the State Tax Committee of the Republic of Uzbekistan.

Based on the data in Figure 4 above, the total amount of tax arrears in the country in 2015 amounted to 5,492.0 billion sums, following 6,534.0 billion sums in 2016, 4,239.0 billion sums in 2017, 3,045.0 billion sums in 2018, and 2,385.0 billion sums in 2019 respectively. It indicates that the total amount of tax debt has a downward trend, as an example, the total amount of tax debt in 2019 decreased by 3,107.0 billion sums or 56.6% compared to the total amount of tax debt in 2015. It is obvious that the tax authority is achieving positive results in reducing tax arrears. However, we believe that the amounts of uncollected tax arrears still indicate the urgency of researching this topic in-depth and come up with further solutions.

4. Conclusions

From what we've discussed above, we can draw a conclusion that the reduction of the tax rate in recent years has created a wide range of opportunities for business entities to conduct their activities with ease. Nevertheless, there are examples of businesses not being able to pay the taxes on time. One of the reasons for this issue is the complexity of the process for collecting tax debts in full and in a timely manner.

In our opinion, the following recommendations would be useful to increase the effectiveness of



collecting tax arrears in full without any delays:

- to disenfranchise the business owners with tax arrears of the right to use free public schools or hospitals. The reason for this is that the majority of the funds raised by taxes are spent on these government-funded organizations;

- stratification of the penalty rate towards private individuals from the big business entities;

- to use stricter penalties against businesses with tax arrears;

- to use the assistance of the media (radio, tv, or social media) to announce the list of business entities with tax arrears and further educate the general public about our tax system and the penalties for not paying taxes on time.

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