
IMPROVING THE ADMINISTRATION MECHANISM FOR TAX DEBTS AND WAYS TO ENSURE EXECUTION OBLIGATIONS TO PAY TAXES AND DUTIES

Giyosov Azizbek Azamovich,
Researcher of the Banking and Finance Academy
of the Republic of Uzbekistan

Abstract: *The article is devoted to the issues of tax debt administration and improving the ways to ensure execution of obligations on paying taxes and duties, as well as provides basic theoretical concepts and factual material on the current state of tax debt. In addition, the article represents a number of specific proposals to improve the efficiency of tax debt administration.*

In this regard, one of the significant areas of tax administration in Uzbekistan is reduction of taxes and duties, as well as growth of tax revenues while smoothing out relations between taxpayers and tax authorities which will not enable to create an excessive tax burden on taxpayers.

Keywords: *taxes, receipts, debt, improvement, administration, direction, pledge of property, surety, bank guarantee, penalty.*

Introduction. The budget system is considered to be a centerpiece in the financial system of any country. Taxes and duties represent the source which prevails when generating budget revenues of any level. In addition, their collection is regarded as one of the basic indicators of the tax system efficiency. Taxes are considered to be a systemic element of the economy that determines financial welfare of the society, and currently they can also be determined as a factor which can impact the country's economic situation.

The message of the President of the Republic of Uzbekistan to members of the Senate and deputies of the Legislative Chamber of the Oliy Majlis has highlighted that it is crucially important that our citizens are interested in the payment of taxes instead of tax evasion in due time (Message, 2018).

The collection of taxes and duties represents one of the main indicators of the tax system efficiency.

The methods of ensuring execution of the obligation to pay taxes and duties that are currently effective and applicable in the Republic of Uzbekistan have been elaborated mainly with the account of the best world practice in the field of tax policy. However, it is impossible to assert with certainty that the efficiency and effectiveness of these methods have met expected results.

In practice, a major challenge on the way to solving this urgent task is the existence of tax debts available among economic entities, which, in our opinion, can be considered as one of the significant destabilizing socio-economic factors, since its huge amount considerably limits the amount of the national financial resources.

Settlement of tax debt of entities towards the budget system is considered to be important in terms of macroeconomics as a condition for the transition to the sustainable development, as well as raising competitiveness of producers. In addition, a decrease in the level of tax debt represents one of the reserve sources for replenishing the state budget revenue.

Literature review.

The urgency of the problem is demonstrated not just in ensuring completeness and comprehensiveness of tax collection, but also in determining the prerequisites for the tax debt formation, working out efficient ways to reduce it and eliminate the reasons for its occurrence.

Research of the issues related to the tax debt settlement in financial and economic science is currently at the initial stage, as evidenced by the fact that modern literary sources almost lack their specialized and systemic developments.

The degree of scientific development of the topic. Researches devoted to the causes of non-payments, including tax non-payments, have been carried out by I.V. Gorsky (2001), R.I. Shumyatsky (2007), R.A. Meshkov (2008), A.V. Matyushina (2009), I. Jalonkina (2012), A. Aronov and V. Kashin (2007) and some other scholars and economists.

Among modern Uzbek scholars, problems of reducing tax debts have been raised and developed in the researches of Sh. Toshmatov and I. Norkuziyev (2010), A. Tangriulov and A. Homma (2010), D.Sh. Tashpulatova (2013), O. Iminov, Sh. Turaev (2014), I. Niyazmetov (2016) and others.

The forms of tax debt regulation have been studied in the scientific papers of Russian scientists and practitioners. In our opinion, in this regard the works of some Russian scientists, like Meshkov R.A. (2008) and Shumyatsky R.I. represent a particular interest in terms of this topic.

According to Meshkov R.A., there are three forms of tax debt regulation:

- voluntary-declarative;
- notifying and preventive;
- forced.

At the same time, the author adds judicial measures to regulate tax debt to the forced measures.

Shumyatsky R.I. considering forms of tax debt regulation at entities as voluntary, compulsory and judicial, misses notifying and preventive measures.

In our opinion, the following forms of tax debt regulation can be distinguished:

- voluntary;
- notifying and preventive;
- forced pre-judicial;
- judicial.

Tax debt administration methods include the following:

- sending notifications and tax payment requirements as preventive measures for tax debt administration;
- application of legislatively established techniques for the enforcing tax obligations (collection, collection due to accounts receivable, bankruptcy proceedings);
- set-off of excessively paid or collected taxes against repayment of the tax debt;
- write-off of tax debt admitted as bad debt uncollectable;
- change in the terms of tax payments in the form of deferral (installments);
- tax debt restructuring.

The theoretical basis of this article is represented by the achievements of the scientific ideas of domestic and foreign scientists, programs, concepts on the problem of tax debt settlement. Irrespective of the variety of all the issues raised in studied in economic science on improving the theory and practice of taxation, it should be noted, that scientific and applied aspects of tax debt administration, including collection mechanisms haven't been adequately researched yet.

The issues of tax debt administration in finance science are currently at the initial stage and there are practically no special scientific papers and methodological developments aimed at their solution.

At the present stage, ensuring the growth of tax revenues and raising the level of collection of tax payments is a prior goal for tax authorities. Meanwhile, the legislation governing tax relations does not present any definition to the concept of "tax collection". Most researches and scientific papers, as a rule, are of a general nature, and publications on the issues of tax debt settlement mainly tackle legal aspects, as well as certain components and thus do not have a comprehensive character.

It is obvious, that the process of formulating the state budget of the Republic of Uzbekistan at all its levels is under a great impact of smoothly-running system for ensuring the collection of tax debts held by enterprises, however, the methodological foundations for tax debt settlement have not been comprehensively studied yet.

In this regard, we can evidence the demand for methodological developments in the field of settling the debts of entities in paying taxes and duties to the state budget aimed at replenishing the revenue part of the national budget system.

Research methodology.

Various research methods such as scientific abstraction, grouping, comparison, retrospective and perspective analysis, as well as empirical analysis and other methods have been widely used in this research. In addition, carrying out a comparison by contrasting organizational and legal

foundations of syndicated lending in the world practice and in developed countries with the current situation in our country has enabled to develop relevant conclusions.

Moreover, the methodology of budget planning has not reflected the issues of receiving and accounting of tax revenues in the form of debt collection.

Introduction and further application of foreign tax regulation and tax control methods should result in the improvement of the tax administration system in the Republic of Uzbekistan. By the case-study of the Russian Federation it is possible to notice, that execution of a tax obligation can be secured by a pledge of property, a surety, a bank guarantee, interest, a suspension of operations on bank accounts and imposition of arrest on the property of the taxpayer. Imposition of arrest on the property of the taxpayer as a security measure for executing a taxpayer's tax obligation upon his application may be replaced by the bank guarantee, the pledge and the third-party guarantee.

Under authority of the bank guarantee, the bank (guarantor) is obliged to the tax authorities to execute the taxpayer's obligation to pay taxes full and complete, if the latter does not pay the due amount of tax and associated penalties in due time. The advantages of tax agreements include transparency of the situation for the taxpayer and the guarantee of the absence of unforeseen tax risks.

The Tax Code of the Russian Federation (hereinafter referred to as the Tax Code) assigns the obligation to pay tax payments by both individuals and legal entities. According to paragraph 1 of Article 45 of the Tax Code of the Russian Federation, taxpayers must make transfers on their own, if the requirements of the tax legislation do not provide other requirements.

With the aim of ensuring a stable, timely and payment of taxes in full amount, Chapter 11 of the Tax Code of the Russian Federation sets out measures that are designed to influence taxpayers and encourage them to execute their obligations in good faith. Definitions of the concept under consideration are not provided in the statutory acts, however, based on the analysis of the list of measures and their essence, these definitions can be developed.

Execution of obligations is ensured by measures established by Chapter 11 of the Tax Code of the Russian Federation applied to taxpayers. These measures encourage taxpayers to accurately and timely transfer to the budget the duties established by law, as well as stipulate adverse unfavourable consequences when neglecting obligations. Security measures are envisaged by Articles 72–77 of the Tax Code of the Russian Federation. In this regard we will analyze each of them.

The application procedure of the pledge on property is disclosed in Article 73 of the Tax Code of the Russian Federation. Property becomes the subject of a pledge upon conclusion between the person subject to tax or another person of the corresponding agreement with the Federal Tax Service (hereinafter referred to as the FTS).

The Federal Tax Service acts as a pledge holder, and the one who concludes a tax contract with a taxpayer, that is, a taxpayer or a third party acts as a pledger. The contract cannot be oral, thus it is required to be concluded in a written form. Otherwise, it is admitted as invalid, that is, there are no legal consequences in the presence of oral agreements (Article 339 Civil Code of the Russian Federation).

A pledge is formalized if the parties have changed the deadline for paying taxes, according to the rules of clause 5 of article 61 of the Tax Code of the Russian Federation. Under authority of clause 7 of Article 73 of the Tax Code of the Russian Federation, the norms of the Civil Code of the Russian Federation are applied to legal relations on pledge taking into account the restrictions that are provided in the norms of the Tax Code of the Russian Federation.

If upon conclusion of the agreement, the obligation to pay duties by the taxpayer is not executed, the Federal Tax Service has the right to foreclose on property that is the subject to the pledge. In this case any property or property rights can be the subject.

The essence of the surety is that the warrantor is obligated to the Federal Tax Service to pay tax for the debtor if he did not execute the obligation or did not execute it in full amount. A surety is formalized only if the tax authority has decided to change the deadlines for executing the taxpayer's obligation to pay tax payments.

Despite the fact that Clause 1 of Article 74 of the Tax Code of the Russian Federation indicates that a surety can be issued in other cases provided for by law, not a single normative act

setting up such cases has been adopted. To issue a surety, it is required to conclude an agreement with the Federal Tax Service. In order to undertake this measure, it is required to write consent to a surety and an application.

If upon the conclusion of the agreement the taxpayer does not make tax payments, the payment request is sent to the warrantor from the Federal Tax Service within 5 days. If the warrantor executes it, then he receives the right of claim against the taxpayer for the disbursement of these amounts.

Penalties are paid by the debtor if he has a tax debt. The accrual procedure is provided for by Article 75 of the Tax Code. Penalties must be paid for each day of delay in executing the obligation to transfer tax payments.

The possibility of imposition of the arrest on the property of a taxpayer is provided for by the provisions of Article 77 of the Tax Code. This represents the way to enforce decision on the tax collection. The ownership right of the debtor (compulsory for the entity) in relation to property is temporarily suspended, and it cannot be sold, presented as a gift, otherwise alienated. There are two reasons for arrest imposition: 1) it is imposed if the entity has not paid the tax on time; 2) the measure is applied only when the tax authorities have the information about the possibility for the debtor to undertake measures to conceal property.

If the deadlines for executing the obligation to pay tax (based on the decision of the tax authority) are amended, then the obligation can be secured by a bank guarantee (Clause 1 of Article 74.1 of the Tax Code). The guarantor (a bank) is obligated to the Federal Tax Service to pay taxes and penalties for the taxpayer upon receiving the corresponding request from the tax authority within 5 days. The list of guarantors is maintained by the Ministry of Finance of the Russian Federation. The list of credit organizations that may act as guarantors is available on the website of this government agency.

Thus, Chapter 11 of the Tax Code of the Russian Federation determines a list of ways to ensure the obligation to pay taxes. The measures mentioned above, encourage taxpayers to pay refunds established by tax legislation in favor of the government.

Denmark practices the system of paying taxes through a special company for example, PBS Company, which has access to all accounts in Danish banks which makes tax payments for those taxpayers with whom they have entered into relevant agreements. In order to accurately transfer tax payments by banks by an agreement concluded by the Danish Ministry of Taxation with the Association of Danish Banks in due time, in case of delay in transferring tax amounts, a penalty of 3% of the amount of tax withheld or sent is not applicable.

Thus, the tax norms fixed in law of Denmark are favorable and are aimed at protecting the interests of taxpayers, enabling them to rely on their appropriate behavior - to timely and fully execute their obligations to pay taxes. (Abdurakhmanov O.K. 2005).

Analysis and results.

Such research methods as qualitative analytical methods, expert assessment methods, scientific review, abstract-logical thinking, comparative analysis, as well as methods of induction and deduction have been widely used.

The statistical data obtained from the Ministry of Finance of the Republic of Uzbekistan, the State Committee for Statistics of the Republic of Uzbekistan, and the State Tax Committee of the Republic of Uzbekistan has been used in this research. In addition, the author used secondary sources of information in this scientific paper.

Despite the tendencies of the tax debt reduction in relation to revenues observed in Uzbekistan in recent years (from 18,6% in 2014, 18,2% in 2015, 19% in 2016, 10,1% in 2017 and up to 6,1% in 2018), factors causing an increase in tax debt have not been completely eliminated (Figure 1).

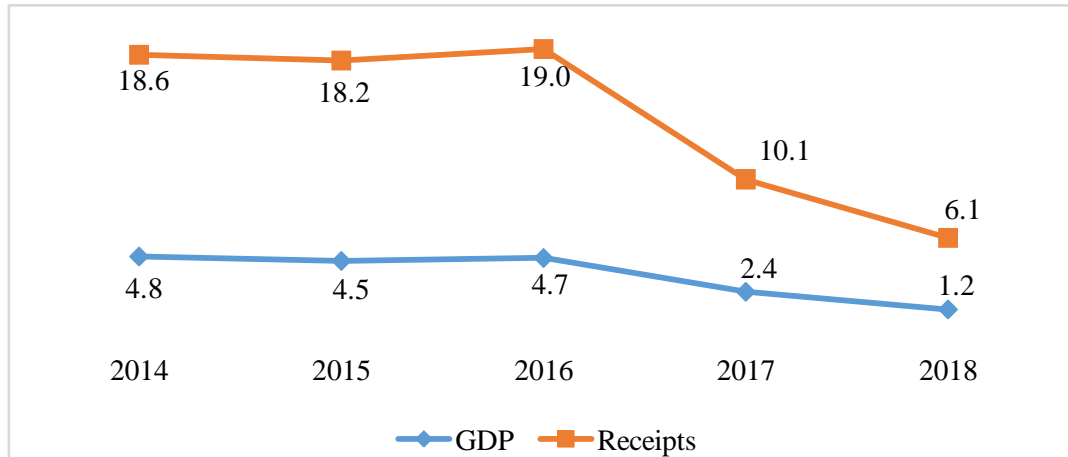


Figure № 1. The relation of the tax debt to GDP and to the receipt of taxes and duties in Uzbekistan, in per cent.
(DATA OF THE STATE TAX COMMITTEE AND THE MINISTRY OF ECONOMY AND INDUSTRY OF THE REPUBLIC OF UZBEKISTAN OVER 2014-2018)

To achieve this goal aimed at improving the mechanisms and techniques for settling the issues of tax debt of the entities, the following tasks are expected to be solved:

- reveal the essence, economic nature and causes of tax debt;
- develop a classification of tax debt settlement techniques;
- formulate a methodological approach to the settlement of tax debts of entities;
- develop scientific and practical recommendations aimed at improving the mechanisms and techniques for settling the issues of tax debt of the entities.

The share of compulsory tax debt in the overall volume of revenues to the budget and extrabudgetary funds in 2018 decreased by almost 2,3 times compared to the previous period of 2014.

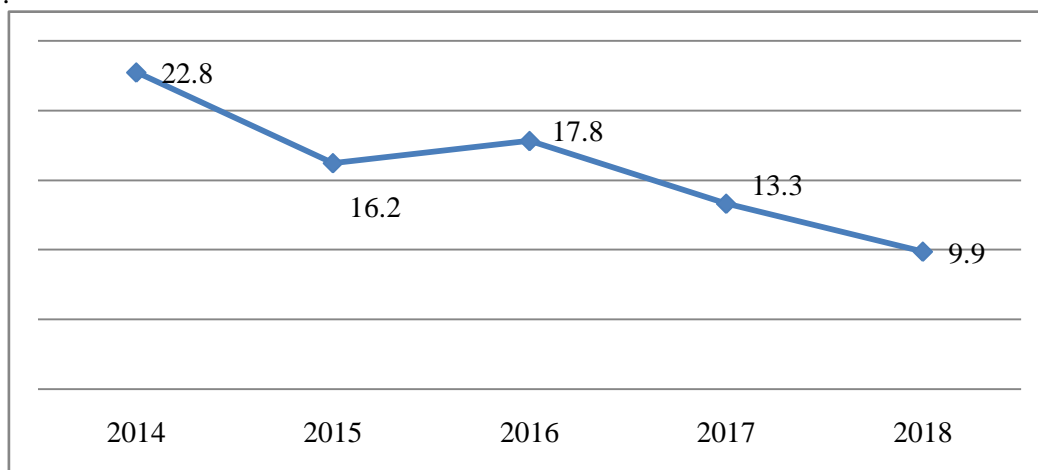


Figure № 2. The share of compulsory tax debt in the overall volume of the budget revenues in Uzbekistan.

**(DATA OF THE STATE TAX COMMITTEE OF THE REPUBLIC OF UZBEKISTAN OVER
2014-2018)**

For example, the share of the compulsory tax debt constituted 22,8 per cent in 2014 t, in 2015 it fell to 16,2 per cent, in 2016 it increased by 1,6 percentage points and amounted to 17,8 per cent, in 2017 it decreased by 5,5 percentage points and accounted for 13,3 percent, and in 2018 this indicator decreased significantly to 9,9 percent.

Indebtedness on taxes and other obligatory payments gradually increased (as it is illustrated in Figure 3), in particular, in 2014 - by 9,1% per cent in 2015 – 11 per cent, in 2016 – 20,2 per cent and in 2017 it decreased by 36,1 per cent and in 2018 - by 16,5 per cent compared to previous years.

Moreover, the application of procedures for writing off tax debts to a certain extent instigates taxpayers to apply various tax evasion schemes, deliberately delaying execution of tax obligations and encourages them to raise tax debt. Such practice eventually causes weakening competition and the loss of the benefits of fair execution of tax legislation.

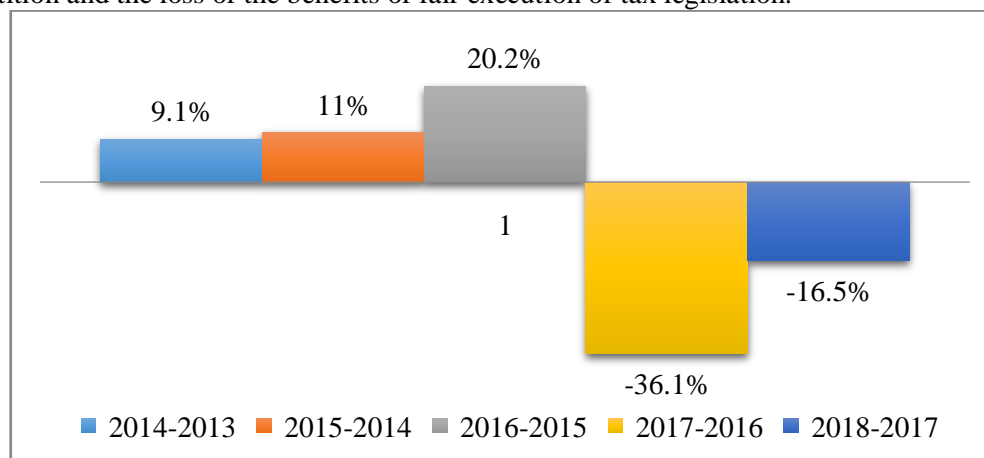


Figure № 3. Trends in changes of tax debts in Uzbekistan.
**(DATA OF THE STATE TAX COMMITTEE OF THE REPUBLIC OF UZBEKISTAN OVER
2014-2018)**

Discussion.

In addition to the general economic reasons affecting the formation of tax debt, it is required to highlight specific reasons for the organizational and managerial nature of the actions of relevant tax authorities.

Specific factors promoting the growth of tax debt can be divided into three main groups:

- debt in the form of the amount of taxes accrued as a result of undertaking the measures for the tax surveillance;
- non-payment of current (advance) payments;
- indebtedness accepted in connection with a change of the taxpayer's place of registration.

Conclusion and recommendations.

The analysis of current trends in the process of reforming and modernization of tax administration systems in Uzbekistan necessitates the urgency to solve a number of issues in order to improve the efficiency of the tax administration system:

adding a new financial and security instrument - a bank guarantee, conditions for ensuring execution of obligations to pay taxes by a pledge, surety, imposition of arrest on property and foreclosure on property of a taxpayer-debtor - in the currently operating mechanism;

optimizing the amount of the penalty equal to one three centesimal of the refinancing rate of the Central Bank of the Republic of Uzbekistan at that time, since the revision of the amount of the tax penalty distorts the stimulating and compensatory functions of this method of security and provokes a further increase in tax debt from bona fide taxpayers;

in case of failure to execute or improper execution by the bank of the obligation to fulfill the order of the taxpayer or the collection order of the tax authority within the established period of time, relevant measures are undertaken to collect the amounts which have not been transferred. Such collection shall be made at the expense of the bank's funds according to the procedure similar to the procedure stipulated by law.

Thus, the variety of reasons for the tax debt formation requires an integrated approach to their elimination, including making amendments in the tax legislation. Herein, the government, applying mechanisms, can and should regulate the amount of tax debt in order to avoid negative consequences for the national economy.

In conclusion, it should be noted that the data on a significant amount of tax debt exiting over the past years, both in the republic as a whole and by its individual regions indicate that the existing organizational and economic mechanism for collecting aggregate tax debt is not adequately effective.

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