



IMPROVING THE PERFORMANCE OF THE FUNCTIONING OF TAX ADMINISTRATION AND CONTROL

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Abstract: The article discusses the main areas of tax administration, issues related to the principles, functions and methods of tax administration and control, their difference and interrelation, analyzes the effectiveness of the implemented methods of tax administration in the field of taxation, and also provides new directions for improving tax administration and simplifying the technical procedures of collection taxes.

Key words: tax administration, tax policy, tax legislation, tax control, tax incentives and preferences.

The tax policy of the state is an important component of economic policy aimed at stimulating economic growth and investment activity in the country. The use of tax methods of influencing investment processes allows the flexible use of indirect methods of economic management. A feature of these methods is their wide variety, versatility, impact on material interests and continuity. In addition, the stimulating function is objectively inherent in taxes as the main tool for managing the economy. In modern conditions, the reform of the tax system in Uzbekistan is aimed at reducing tax pressure on the economy.

Meanwhile, world experience shows that a solution to the problem of a significant increase in investment in economic development is impossible without such an indirect and effective method of public administration as taxes. In all developed countries, the tax system is one of the most effective and demanded tools for influencing economic processes. In a period of economic growth, states introduce tax incentives for industries that they consider to be priorities for the national economy. During industrial downturns, they introduce incentives for investors and reduce the tax burden on the population in order to support consumer demand.

Improving the tax mechanism is associated with rationalization system of tax administration, increasing the efficiency of tax control through the introduction of information technology, reducing and simplifying tax reporting, the transition to partnerships between the state and the private sector in the field of tax relations.

Improving tax administration can also reduce the level of tax burden on economic agents through structural reforms of the tax system, improving the quality of its functions. In addition, the problems of tax incentives for investments and improving the efficiency of tax administration are theoretically and methodologically insufficiently developed.

Taxes directly affect economic activity, leaving or taking away from economic agents the profits they have received. Having taken away most of the profits by taxes, the state and its fiscal authorities reduce investment activity and vice versa, by lowering taxes, increase resources for investment. The current economic situation in the country requires the tax system to solve the problems of timely replenishment of the state budget, its balance in revenues and expenditures, reducing the deficit and external debt, and ensuring financing of needs. Ensuring the collection of tax payments remains a priority task for tax authorities. On the other hand, the need to increase the efficiency of production at all its stages, eliminate the imbalances that have arisen during the restructuring of industries, as well as the task of increasing the real living standards of the bulk of the population, require

a reduction in the tax burden. Favorable conditions are needed to increase the working capital of enterprises and stimulate investment. In the system of measures to stimulate investment activity, which are successfully applied by developed countries, one of the most important is tax incentives. The growth of the stimulating role of taxation (as one of the manifestations of the economic function of taxes) in modern conditions allows us to consider it as the main form of government incentives.

The regulatory function of taxes includes: a system of tax incentives, optimization of tax rates; system of tax benefits and forms of responsibility for offenses.

As you know, the regulatory function of taxes is implemented through various tax benefits and incentives. Methods of tax incentives for investments are ways of influencing the economic interests of the taxpayer, which interest him in investing in the development of his economic activity.

Based on an analysis of the tax incentives in force in the country, one can distinguish 2 groups of methods of tax incentives: organizational, administrative and economic.

Each method of stimulation manifests itself in appropriate forms. Forms of tax incentives - a set of methods of tax incentives for investments within a separate method.

Methods of tax incentives for investments are ways to stimulate investments within the framework of a separate method and form of incentives.

Thus, the above classification of tax methods, forms and methods of stimulating investment activity allowed us to determine that not all of the listed methods stimulate investment activity.

In our opinion, it is necessary to expand the existing tax methods by introducing new ones in order to interest the largest taxpayers in investments and, accordingly, in expanding their activities, expanding the tax base in the future.

Today, a necessary condition for sustainable economic growth is the activation of investment activities. In recent years, the economy of Uzbekistan has seen a steady increase in investment activity against the background of improving the financial condition of organizations and other factors that have a favorable effect on the growth of investment in fixed assets.

In January-September 2020, compared to the corresponding period of last year, there was a decrease in investment activity, the growth rate of the development of investments in fixed assets amounted to 91.3%.

In January-September 2020, 138.1 trillion soums of investments in fixed assets were spent, of which 63.7% were financed from borrowed funds, the remaining 36.3%, from the own funds of enterprises and the population.

Of the total volume, due to centralized sources of financing, 21.8% of investments in fixed assets were used, which is 6.7 percentage points less than in the same period last year.

Accordingly, due to decentralized sources of financing, 78.2% of investments were used, which is 6.7 percentage points more than in the same period last year.

In January-September 2020, 27.5% of their total volume was mastered at the expense of the own funds of enterprises and organizations. At the expense of the population, 8.8% of investments were spent.

Due to direct foreign investments, 15 086.1 billion soums were spent, which, compared to the corresponding period of last year, is less by 5.0 percentage points, or 10.9% of their total volume.

Along with this, due to bank loans and other borrowed funds, 14.3% of the total volume of investments in fixed assets was disbursed and this indicator, compared to the corresponding period of last year, decreased by 1.4 percentage points, foreign loans under

guarantee of the Republic of Uzbekistan, amounting to 13.3%, decreased by 1.4 percentage points, other foreign investments and loans - 16.7% increased by 8.1 percentage points, the Fund for Reconstruction and Development - 1.0% decreased by 3.4 pp, the Republican budget - 6.5% decreased by 2.0 pp, the Water Supply and Sewerage Development Fund - 1.0% increased by 0.1% pp. of their total.¹

Another reason for the need to expand investment incentives is to reduce the share of own sources in the total amount of capital investments of large enterprises. The analysis showed that this was influenced by the cancellation of the investment tax credit.

The experience of economically developed countries that effectively use tax techniques to regulate the economy and stimulate investment, also confirms the objectivity of the author's proposals to expand taxes on economic incentives.

The analysis showed that in the conditions of Uzbekistan in recent years, there has been a positive trend in the growth rates of own sources of investment in large organizations.

The laws adopted in Uzbekistan play a certain role in this, since "On Foreign Investments" (dated April 30, 1998, No. 609-I), "On guarantees and measures to protect the rights of foreign investors" (dated April 30, 1998, No. 611-I), "On Foreign Economic Activity" (dated May 26, 2000 No. 77-II), as well as decrees and resolutions of the President of the Republic of Uzbekistan, since "On the Strategy of Action for the Further Development of the Republic of Uzbekistan" (dated 07.02.2017 No. UP-4947), "On additional measures to activate and expand the activities of free economic zones" (dated 26.10.2016 No. UP-4853), " On additional measures to improve the efficiency of free economic zones and small industrial zones "(dated October 25, 2017, No. PP-3356).

These laws, decrees and regulations provide tax incentives to stimulate investments: income tax and property tax.

These figures indicate that tax incentives, in general, have a certain weight in the economic indicators of large and medium-sized enterprises. However, one cannot speak of a significant impact of these benefits on investment processes.

Thus, the objective reasons identified by the author for the need to expand the incentive functions of taxes and increase tax benefits for organizations that invest in production facilities prove the importance of developing a system of tax incentives for investment in the economy.

An analysis of the systematization of existing tax benefits for the largest taxpayers in the country, an assessment of their impact on the overall investment climate in the economy allows us to conclude that the existing tax incentives for enterprises have a certain stimulating effect on investment activity. However, there is no need to talk about the high efficiency of these benefits.

¹ Data of the State Committee of the Republic of Uzbekistan on Statistics.

Table 1.

**Tax incentives in force in Uzbekistan
investment activity of enterprises**

Tax form stimulating	Action characteristic	Efficiency mark
1. Decrease in corporate income tax	Increases the amount of net profit, remaining available organization, but does not regulate the accumulation (investment) and consumption.	Does not affect the size of the investment. Organization buying new equipment or introducing new technologies, does not receive tax benefits.
2. Reduction of corporate income tax credited to the local budget	Regions pass laws that reduce corporate income tax at the conclusion investment agreements or for the payback period of the project, or with an increase in the tax base compared to the previous period or depending on the volume of capital investments.	The investment incentive is negligible. When choosing a region for investment, investors consider the general investment climate more. Tax rate is considered ceteris paribus conditions.
3. Exemption from property tax of an organization - investors, in accordance with laws adopted in the regions.	Regions have the right to determine the tax basis, procedure and terms of payment, to establish benefits in the form of a full exemption or a reduction rate.	Benefit price is low, unattractive for investors
4. Exemption from tax on profits received from the implementation of an investment project in special economic zones, liberation from income tax organizations.	With the volume of investments made, including the equivalent: From 300 thousand to 3 million US dollars - 3 years; From 3 million to 5 million US dollars - 5 years; From 5 million to 10 million US dollars - 7 years; 10 million US dollars and more - 10 years.	Valid only on the territory of free economic zones: (21 FEZ).
5. VAT exemption alienation and transfer of results intellectual activities.	The transfer of exclusive rights to inventions, utility models, industrial designs, programs for Computer, production secrets, rights	Allows you to reduce prices for scientific and technical products, stimulates the implementation of research and development work. It does not

	for intellectual property.	directly affect investments.
6. Depreciation bonus.	Included in the expenses of the reporting or tax period capital costs incurred investments.	Applies to all types of economic activities and for capital investments production and non-production character.
7. Increasing factor for depreciable funds used for scientific and technical activities.	Allows you to apply accelerated depreciation on fixed assets used in scientific and technical activities.	Reduces the income tax base in case of implementation innovation, shortens the beneficial use of scientific equipment.
8. Investment tax credit.	Provided upon request.	This benefit is practically not works.

The methodological foundations for strengthening tax incentives for investment activity of the largest taxpayers have been developed.

The theoretical justification for the need to increase the efficiency of tax incentives for investment activity of the largest taxpayers is the following objective factors

1. Revealed close correlation dependence of the industrial production index.
2. Decrease in the share of own sources in fixed assets of large and medium-sized organizations. One of the factors that contributed to the decrease in the share of own sources of investment is the cancellation of the investment benefit on income tax for organizations.

Indeed, when an enterprise is not motivated in a certain direction, of course, the residual profit will be directed to the most urgent needs, as a rule, to consumption. For tax incentives to really have a motivating effect for enterprises investing in production facilities, it is necessary to offer them targeted investment incentives. In our opinion, it is necessary for large enterprises to be able to direct at least 50% of their income tax payments to investments.

3. An economic pattern describing the dependence of the gross national product on the level of the tax burden. This pattern is called the "Laffer curve". According to this pattern, there is a certain level of tax exemptions at which economic growth is suspended. Our research also confirms the existence of this pattern in the conditions of the country.

Thus, the economic situation in Uzbekistan confirms the need to strengthen the incentive function of the tax. And the stimulating function is implemented through tax incentives and deductions for certain industries, types of activities in which society is interested. In our opinion, tax incentives currently need to be applied to enterprises making real investments in highly efficient and innovative means of production, energy-saving technologies.

4. The experience of advanced, developed countries that effectively use tax techniques to regulate the economy and stimulate investment. The modern tax policy of the leading countries of the world is aimed at using taxes as a tool capable of ensuring the redistribution of GDP in favor of the most significant, from the point of view of the state, industries and areas of economic development. Analysis of changes in tax legislation in the context of the global crisis abroad shows that more and more countries are seeking to increase demand in the economy and business activity with the help of fiscal stimulus.

5. Tasks facing the national economy for the transition to innovative ways of development, modernization and significant acceleration of socio-economic development.

Taking into account the strategic tasks facing the modernization of the economy, the state plans to introduce certain tax changes aimed at supporting investment.

First of all, it is planned not to increase contributions to compulsory medical and pension insurance funds for innovative companies in connection with the upcoming economic reforms in 2021. In addition, a reasonable line of benefits is envisaged for those companies that sell software products on the domestic market, and those that are being created today with the participation of universities, as well as for residents of technology-innovation zones.

Methods of tax incentives according to the method of implementation are subdivided into economic and organizational.

Methods of an economic nature imply an impact through a change in the economic parameters of the taxpayer's activities. Organizational methods involve actions aimed at transforming tax administration. This separation of methods of tax regulation of the economy allows us to formulate the main, most important tasks that need to be solved in order to create a system of tax incentives for the investment activity of the largest taxpayers.

In the field of tax administration, such tasks, in our opinion, are: reducing administrative pressure, reducing the volume of tax reporting, reducing tax risks, regulating transfer pricing issues, eliminating incentives for tax violations and systematic unprofitability, changing the planning parameters of tax services. In the field of economic parameters of taxation: creating incentives for industrial investments, increasing motivation to introduce innovations, encouraging banks to lend to investment projects, leveling the economic development of certain industries and territories, increasing labor productivity and competitiveness enterprises. The identification and systematization of the tasks of tax incentives for investments allows us to propose specific methods of tax influence on these processes.

With regard to tax administration of the largest taxpayers, one can cite such proposals as:

- when planning tax audits, do not include in the list of pre-established criteria "estimated amounts of additional charges", which will reduce the likelihood of violation of the law during the audit;

- improving tax control over transfer pricing. The problem of transfer pricing is connected not only with the need to simplify taxation of the largest taxpayers. The relevance of measures to regulate transfer pricing is dictated by the need for tax control over the use of transfer prices in order to minimize taxes.

In order to prevent the use of transfer pricing schemes to reduce the tax base, the author suggests:

- 1) determine the composition of the consolidated group on the basis of constituent documents and a study of the structure of the authorized capital. Moreover, the number of participants included in the consolidated group is should not be limited.

- 2) all transactions concluded between the participants of the consolidated groups to check for "pretense" (sham) and use for tax evasion.

- 3) the tax base of the holding, financial and industrial group is determined on the basis of calculating the total value added on the basis of the "input-output" principle.

Thus, the implementation of the measures proposed by the author will significantly increase the efficiency of tax administration due to: toughening the administrative and criminal liability of tax authorities for violations of the law; reducing the possibility of tax evasion by the largest taxpayers; reducing the tax burden of holdings and financial and industrial groups by consolidating tax reports and summing up the group's profits and losses; minimization of costs for the functioning of the tax system and tax control;

identifying real tax liabilities, establishing stable and transparent “rules of the game”, reducing the likelihood of tax claims from the state.

6. Methods and techniques of tax incentives for investment activities of the largest taxpayers have been developed, significantly expanding and complementing the existing tax benefits and increasing their own sources of investment, and an assessment of their effectiveness has been carried out.

Certain changes were introduced in Uzbekistan to stimulate investment and innovation activities of economic entities.

According to the legislators, these measures should attract private investment and stimulate the creation of public-private partnerships in the innovative development of regions. However, as our research has shown, the existing tax incentives do not create a unified motivational system for investors, allowing them to receive significant benefits when investing in production development. In this regard, the author proposes to significantly expand the existing tax benefits for investors by introducing additional measures. Currently, there is no single methodology for determining the effectiveness of tax incentives.

In general, given the fact that the tax incentives proposed in this work are aimed at stimulating investment activity, then, accordingly, the assessment of the effectiveness of tax incentives should be based on an assessment of direct budget losses from the introduced benefits and the resulting indirect effect - an increase in investment in the development of the region and the overall volume of production.

7. The scientific results of the study on improving tax administration and stimulating investment activity of the largest taxpayers have been brought to the level of practical application in the activities of district inspectorates.

Consistent implementation of proposals for the introduction of investment tax benefits and improvement of tax administration, firstly, will reduce the share of profits withdrawn in the form of taxes from economic agents. Secondly, this will reduce the number of payments made to the budget within one year, and thirdly, due to a decrease in document flow in tax administration and a reduction in tax reporting, the time for its registration will decrease.

In general, the effectiveness of the proposed measures should be manifested in the following:

- the inflow of investments into the region due to the reduction of tax rates on basic taxes;
- an increase in the investment and production potential of enterprises through tax savings and the multiplier effect;
- decrease in financial, incl. tax risks of enterprises and an increase in the profitability of investment projects due to the introduction of tax incentives;
- stabilization of tax revenues of the budget, reduction of tax violations through the introduction of a system of tax incentives for investments, provided by the relevant regulations and laws;
- reducing the cost of tax reporting, creating partnerships between taxpayers and tax authorities by improving tax administration.

Consistent use of these proposals for the introduction of additional investment tax incentives and improvement of tax administration, in general, will improve the investment climate, and will contribute to the following economic processes:

- increasing the investment and production potential of the enterprise;
- reduction of tax and financial risks;
- stabilization and growth of budget tax revenues;
- creating partnerships between tax authorities and taxpayers.

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