

The Main Directions Of The Reforms Implemented In Uzbekistan To Improve The Taxation Of Corporate Profits

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Abstract

In this article, the reforms implemented in our country to improve the procedure for taxation of profits, their main directions and results, the current state of profit tax rates are researched, and conclusions are drawn based on the results of the research.

Keywords: budget, tax, tax system, tax concept, profit, dividend, profit tax, taxpayers, tax rate.

Introduction:

In today's era of increased globalization and competition, the developed countries of the world widely use taxes to generate state budget revenues, to ensure stable growth of the economy, to increase the volume of investments, and to improve the welfare of the population. Therefore, in our country, which is currently an important member of the world economy and directly participates in the world market, it is important to further develop the economy, create a favorable business environment for business entities, and improve the taxation administration in order to raise the standard of living of the population.

In improving the tax system of our country, improving the administration of taxation for the benefit of enterprises is of particular importance. Because profit tax is the main tax that forms budget revenues and is an effective means of ensuring the competitiveness of the country's economy. Profit tax has a positive effect on the development of the national economy based on the promotion of foreign direct investments, exports and certain sectors of the economy through a low tax rate.

Literature review:

A number of local scientists have conducted research on improving the administration of corporate profit taxation and developing the economy by reducing the tax burden. In particular, in the opinion of Professor Sh. Toshmatov, in real sector enterprises, especially in large enterprises, when the actual profit determined at the end of the reporting period is less than the amount of current payments calculated on the profit tax, an economically unjustified penalty occurs when the company's working capital is withdrawn or there is a debt for current payments. will be considered. In order to avoid confusion regarding the calculation of this tax, it is necessary to cancel the current practice of calculating payments on profit tax[5]. ProfessorAccording to J.Urmonov, it is necessary to introduce differentiated and reduced tax rates to small enterprises that pay profit tax that has passed to the general regulation [6].ProfessorAccording to N. Ashurova's conclusion, the reduction of the profit tax rate in order to optimize the tax burden leads to an increase in budget revenues, a decrease in the tax burden, and an increase in GDP [7]. Professor A.Islamkulov in his research work on the topic of improving the tax system to ensure inter-budgetary

balance proposed to attach the profit tax of legal entities to lower budgets in order to encourage the increase of financial independence of local budgets through the tax system.[8].According to Ph.D. Kh. Zaripov, it is appropriate to set a profit tax rate of 15 percent for commercial banks as well.[9].

Analysis and discussion of results:

In recent years, effective reforms have been implemented in Uzbekistan aimed at unifying the taxation procedure, reducing the tax burden, reducing the types of taxes and simplifying the calculation mechanism. In particular, in 2017, a separate Decree of the President of the Republic of Uzbekistan was adopted on the fundamental improvement of the tax administration of our country and the increase of tax collection [4]. In accordance with the amendment made to the legal document in the field of taxation based on the tasks defined in this Decree, the beautification and social infrastructure development tax in the amount of 8% collected from the net profit of a legal entity has been canceled since 2018. As a result, the type of tax on corporate profits was reduced from 2 to 1, and in turn, the tax burden on profits was reduced.

Also, the concept of tax policy improvement was accepted and put into practice. This concept is giving its positive results today[3]. In accordance with the reforms carried out within the framework of this concept, the following business entities were transferred to pay profit tax:

- business entities whose total income exceeds 1 billion soums and reached the set threshold amount during the year;
- legal entities that sell gasoline, diesel fuel and gas to their final consumers through gas stations;
- business entities that import goods;
- producers of agricultural goods with twenty-five hectares or more of irrigated agricultural land;
- legal entities carrying out activities related to the organization of lotteries;
- construction of facilities at the expense of centralized financing sources executive legal entities;
- stationary sales outlets for retail sale of alcohol products, including beer;
- markets and shopping complexes;
- organizations of tax consultants;
- auditing organizations;
- non-profit organizations and budget organizations.

Also, based on this concept, in 2019, the profit tax rate was reduced from 14% to 12%, and from 22% to 20% for commercial banks. At the same time, the additional profit tax levied on mobile phone companies, polyethylene granules and cement (clinker) producers was abolished.

The dynamics of changes in profit tax rates in Uzbekistan in 2017-2022 are presented in Figure 1.

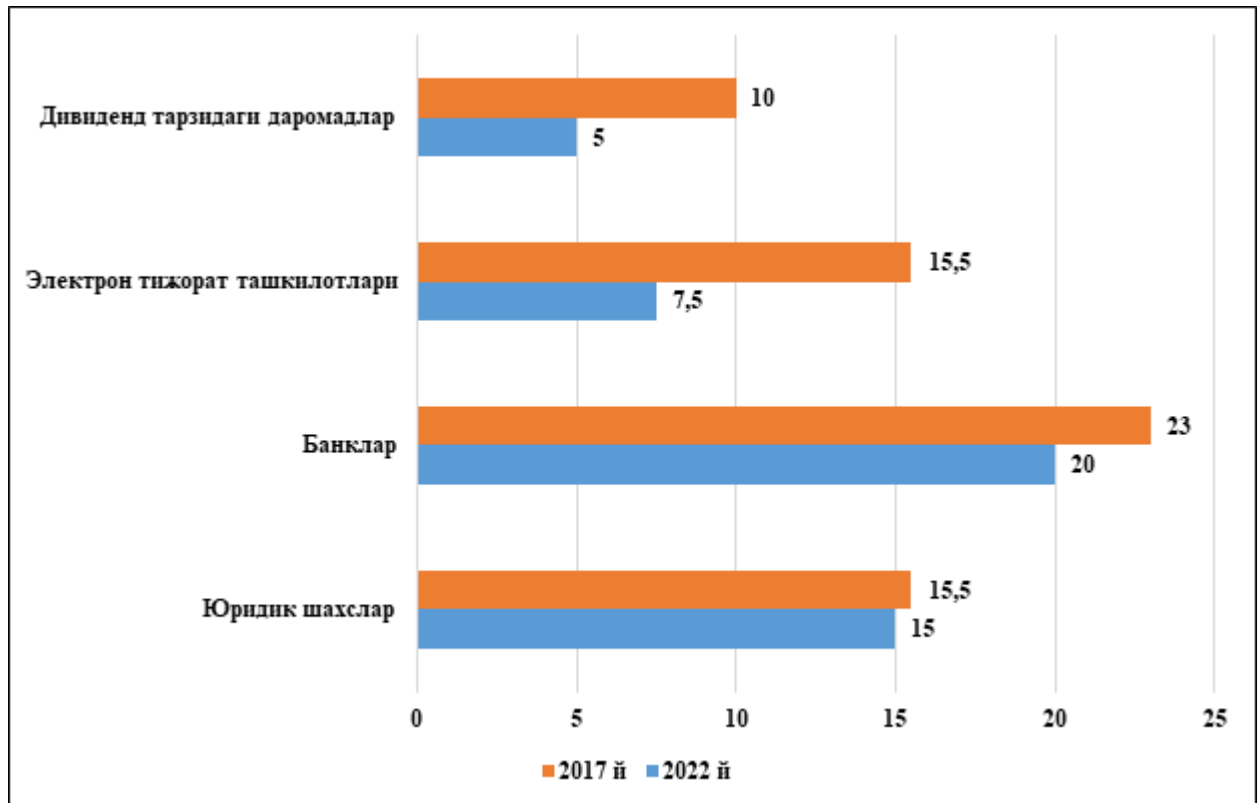


Figure 1. The dynamics of changes in profit tax rates in Uzbekistan in 2017*-2022, in %

**Note: In 2017, the profit tax rate includes the beautification and social infrastructure development tax rate.*

If we analyze the dynamics of profit tax rates in 2017-2022 based on the data in the above picture, the basic rate of profit tax during this period will be reduced from 15.5% to 15%, i.e. 0.5%, for banks from 23% to 20%, i.e. 3%. , decreased from 15.5% to 7.5%, i.e. 8% for electronic organizations. Also, the tax rate on dividend income of enterprises has been reduced by 2 times from 10% to 5%.

The impact of the reforms implemented in Uzbekistan on the increase in the number of tax payers and the reduction of the tax rate can be evaluated by the change in the income of the profit tax. Based on this, changes in tax revenue were analyzed as a result of the changes made. We can see this in the picture below.

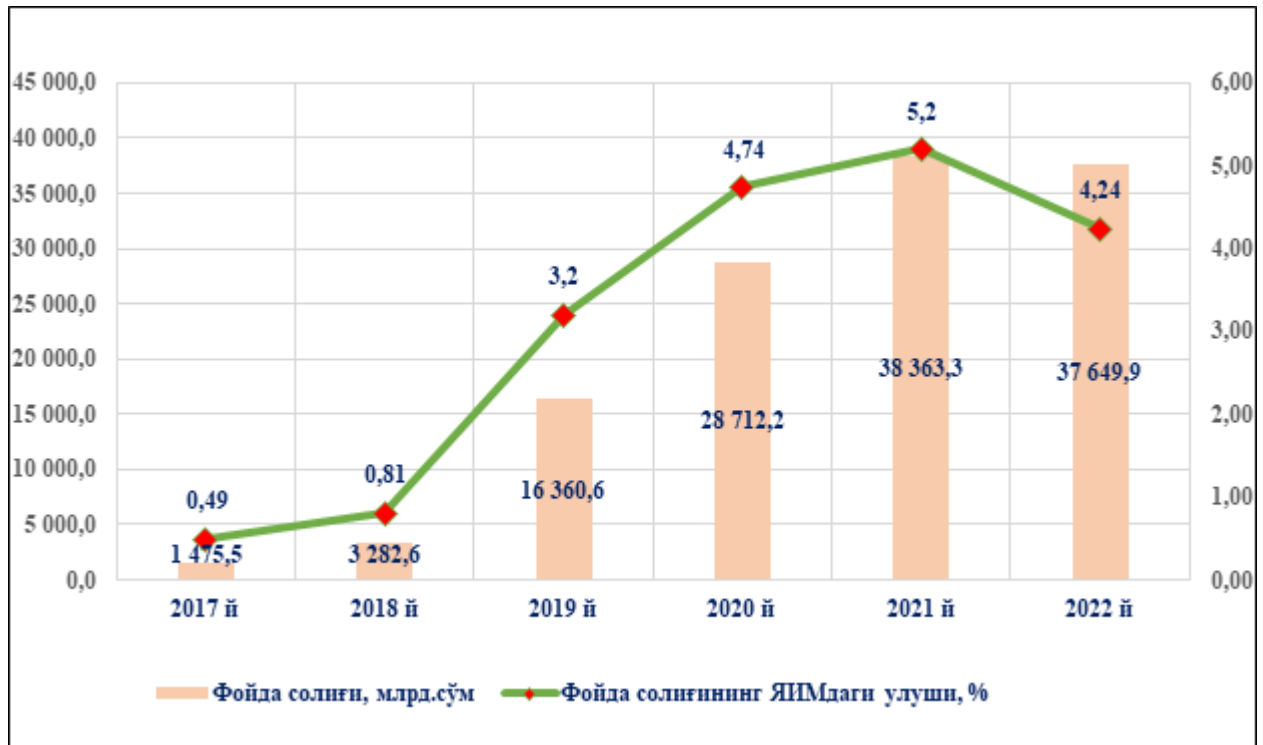


Figure 2. Analysis of changes in profit tax revenue in Uzbekistan in 2017-2022[10]

From the data in Figure 2 above, it can be seen that the profit tax revenue had an increasing trend in 2017-2022. In particular, profit tax revenue was 1,475.5 billion soums in 2017, 3,282.6 billion soums in 2018, 16,360.6 billion soums in 2019, with a sharp increase compared to previous years, and 28,712.2 billion soums in 2020. , in 2021 it was 38,363.3 billion som, and in 2022 it was 37,6498.6 billion som. During this period, tax revenue increased to 36,174.4 billion som, i.e. by 25.5 times. Also, during this period, as a result of the increase in the income of the profit tax, its share in the GDP also increased. In particular, it will be 4.24 percent in 2022, an increase of 3.68 percent compared to 2015. It can be concluded that the reforms implemented in the taxation of corporate profits have had a positive effect on the increase of profit tax revenues.

In order to understand the importance of the tax on the profits of enterprises in our country, it is necessary to pay attention to its share in the budget revenues.

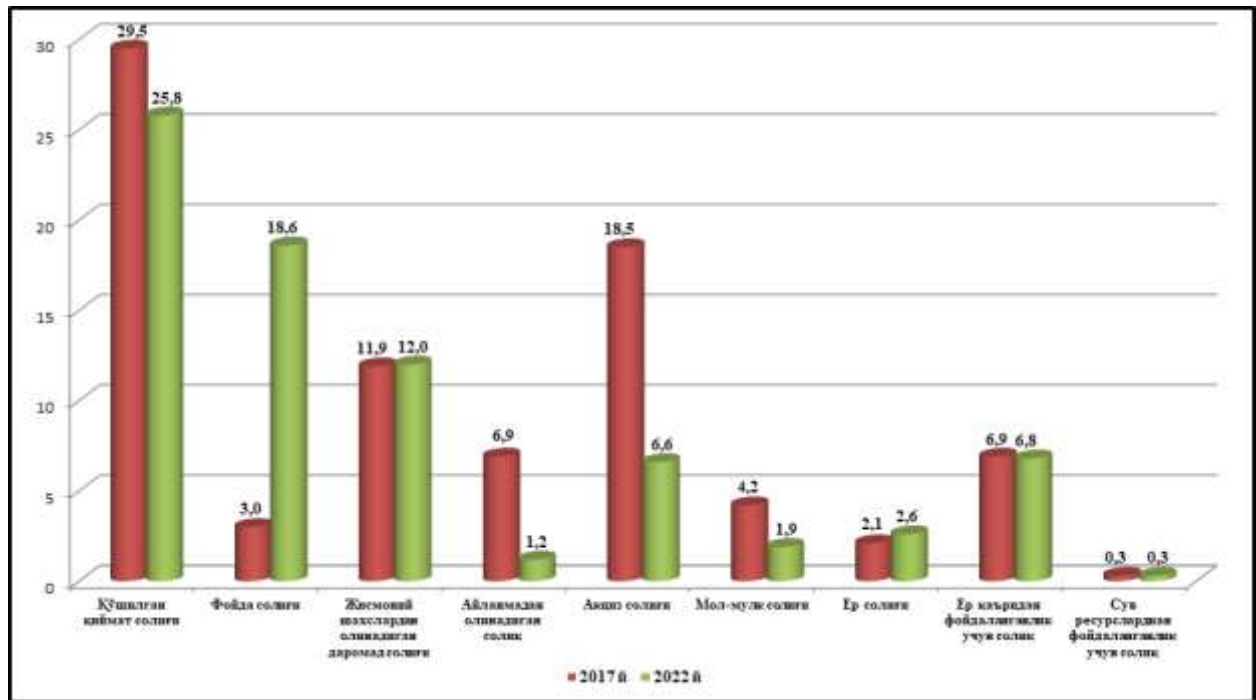


Figure 3. The dynamics of the share of tax types in budget revenues in Uzbekistan in 2017-2022, in % [10]

As can be seen from the data in Figure 3 above, the share of the main tax on the profits of enterprises, i.e. profit tax, was 3.0% in 2017, and it was one of the three types of taxes with the lowest share of taxes in the budget of our country. Value added tax, excise tax, personal income tax, turnover tax, land use tax and property tax are calculated according to this indicator. As a result of the implemented reforms, the share of profit tax in budget revenues will be 18.6 percent in 2022, which is 15.6 percent higher than in 2017. As a result, during these years, the profit tax became the second type of tax after the value added tax in terms of the share of budget revenues.

Today, calculation and payment of profit tax is regulated by the new Tax Code[1]. The rates of profit tax are defined by Article 337 of this Code. The amount of profit tax rates for 2023 by taxpayers and profit structure is shown in the figure below.

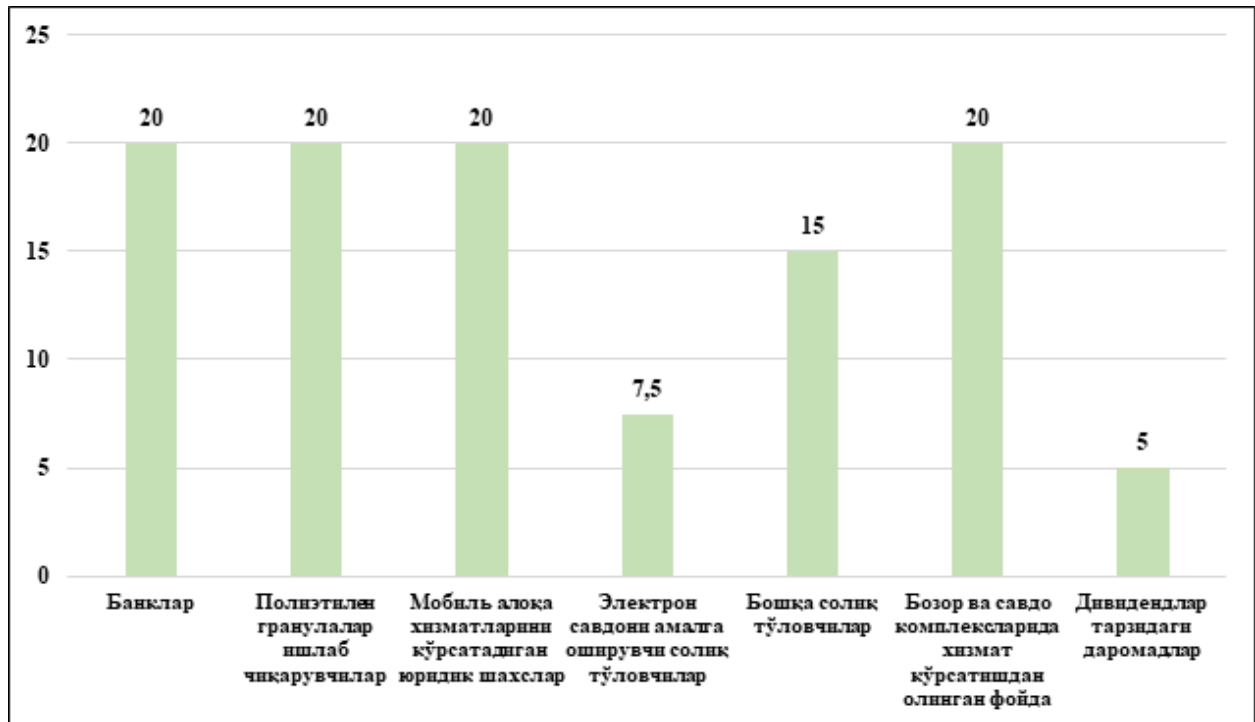


Figure 3. Profit tax rates in Uzbekistan for 2023, in %

From the data in Figure 3 above, it can be seen that the basic rate of profit tax in 2023 is 15%, 7.5% for taxpayers conducting electronic trade, banks, producers of polyethylene granules and providers of mobile communication services, services in market and shopping complexes. 20% for profit and 5% for dividends.

Also, a 0% rate of profit tax is applied to agricultural and fishery enterprises, taxpayers in the social sector, budgetary organizations, and profits from export activities.

In addition, from 2023, it was possible to reduce the profit tax rate by 2 times for 1 year for small business entities with a total income of more than 1 billion soums, and for 2 years for entrepreneurs who passed from small business to medium business category.

Conclusion and suggestions:

To sum up, in recent years, positive reforms have been implemented in our country to improve the administration of taxation of the profits of enterprises in accordance with the established measures for the reform of the tax system. In particular, in order to unify the tax burden among enterprises, a number of business entities were transferred to pay profit tax, the types of taxes collected from profit were reduced and the rates of profit tax were reduced. At the same time, the additional profit tax levied on certain categories of legal entities has been abolished. As a result, these changes have had a positive effect on the increase in profit tax revenue and the growth of its share in GDP. Moreover, the profit tax has become the main source of budget revenues after value added tax.

One of the main directions of the tax policy is not to increase the amount of tax on the profits of enterprises in the country in the following years. In particular, in the "Uzbekistan-2030" strategy, adopted in our country on September 11, 2023, in order to ensure the stability of the tax system, the task of guaranteeing that the profit tax rates for business will not be increased for three years is defined. [2]. This allows entrepreneurs to create the most comfortable environment for free activity in our country.

As a result of the reduction of taxes on the profits of enterprises and the reduction of the tax burden, the tax base will expand, and the amount of revenues to the budget will increase. Profit tax is a kind of fair tax. Because this tax is collected from the difference between the income and expenses of enterprises during the tax period, i.e. from the result of positive financial activity.

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