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## THE TAX AND TAXATION POLICY IN THE REPUBLIC OF UZBEKISTAN

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**Abstract:** This article discusses tax policy and reformations of this sector of the Republic of Uzbekistan and provides some related proposal for further improvements in this sector

**Key words:** taxation, tax policy, conception, the tax burden, classical taxation

**Introduction:** The problem of tax and tax rates have always been one of the major significant social issues in any country. In recent years the system of tax policy has gained importance from the government policymakers. Tax policy is the choice by a government as to what taxes to levy, in what amounts, and on whom. Since it has both microeconomic and macroeconomic level, in our Republic reformations are being made in this sector. Exactly, a presidential decree № PD-5468 as of June 29, 2018 which is aimed at elimination of existing problems and finding solutions required for the adaptation of this Concept [1].

### Materials and Methods

Yakhyoev states in his textbook "Tax" that he mechanism of tax collection, although run-in, but practice raises the question: what should be the tax in a particular economic situation. The current tax legislation is a mosaic, laid out from separate fragments borrowed from the legislation in western countries. Our economic strategists at the same time proceeded from the best interests intent - with the most similar tax laws as quickly as possible integrate into the global economy[2].

According to Nikulkina, in the Western economy, many economic mechanisms are focused on curbing overproduction and driving weak producers

out of the market. On this is the case with high rates of both income tax and value added tax cost[3]. So there is nothing surprising in the fact that moved to the Western tax system does exactly what it is intended to do on domestic soil. Adapted-reduces production volumes and displaces the weak from the market manufacturers (with the only clarification that by the will of circumstances we have almost all manufacturers are weak, which means that all of them are prepared for Libra sad fate-to fall victim to the transition to the market). In this situation and hyperinflation-according to all the laws of the market economy with constant as the supply of goods decreases, prices are balanced by more and more high mark.

S.G. Pepelyaev notes[4] that there is no bad or good tax system regardless of the specific economic situation. Therefore, when designing a particular integral concepts need to be formulated and initial statements that will put in its Foundation. Therefore, it is necessary to proceed when choosing a tax mechanism from those the main challenges facing the domestic economy and can be solved with a rational correction of tax policy. Here are the main requirements for the tax system. Of course, these include: financial stabilization achieved by coordinated impact of the entire

range of economic regulators (taxes, customs duties, budget system, etc.); modernization of the economy; stimulating business activity, promoting the growth of production and its efficiency; creating favorable conditions for many hundreds of people thousands entrepreneurs who annually join the ranks of tax payers. However, the current situation requires new approaches, ideas, and even new ones economic views.

According to J.R.Zaynalov et al. [5] , one of the most popular measures in tax practice today is the introduction of electronic invoicing. This process is not necessarily simple, along with the goal of avoiding the barriers associated with wasting extra time and cost. This process will be further simplified through the use of blockchain technology, which will allow obtain information on the turnover and indirect tax accounts through invoices without receiving tax returns from taxpayers, which will allow to check the taxpayers' reports on the spot and in time.

### **Methodology of Research**

The methodology includes historical analyzes, systematic analyzes, and graphic methods. Statistics have been made by the help of official statistics of Uzbekistan

### **Results**

The current situation, in our opinion, will generate a lot of non-trivial views on the economy and can become the breeding ground on which more in total, something constructive and useful will grow, Therefore, with the help of this articles, current situation and problems are analyzed.

Studies showed that the current level of taxation is excessively high and has a strong impact on production. This circumstance is one of the reasons for its General decline and, which is negative

affects the formation and growth of new economic structures character. Additionally, the level at which the total tax burden is on the order of a quarter of the taxpayer's income, contributes to accelerated processes expanded reproduction and high business activity. Withdrawal level about half of the income is already the border beyond which is even the simple reproduction.

Researches also revealed that low taxes are typical for dynamically developing countries. The motivation for this was the desire to promote production growth and the competitiveness of their countries ' products in the foreign market. With regard to the domestic economy, the tax was rated up to 1977 [6]. Overstepped all critical points are level of tax pressure on businesses. However, it has been defined that the tax reform to lower tax rates did not mean a reduction the volume of tax collections. On the contrary, the role of positive consequences associated with increased economic activity, increased production and inflows foreign capital, the narrowing of the shadow economy, as well as losses, related to criminal tax evasion, was prevailing. The direct application of the above approach was hindered by the following circumstances such as the irrationality of structural economic proportions, lack of coordination of all basic elements of the market economy, inconsistency control mechanism. Under these conditions, the greatest effect was not so much lowering the General level of taxation (although it was necessary), how much changing the very structure of the tax system.

The basis of ideas on structural issues was the belief in the role of the regulatory and incentive tasks of the tax system it was underestimated and this is still the case. For shifting the focus to incentives in the

traditional system of tax relations are very important problematic: the policy of active provision of benefits, as a rule, the result is that such a stream flows into the resulting tax gaps means that forces immediate measures to be taken to stop it, constantly redrawing legislation. However artificially formulated tax attractiveness distorts objective performance estimates investment, ability to identify priority investments, ability to determining priority (preferential) industries and strategic directions.

Researches revealed that stimulating the focus of tax tasks should ensure growth production and business activity. First, this task is the basis for the structure of the tax mechanism and, secondly, this mechanism should provide maximum possible freedom for market regulators to act in the direction of distribution of capital flows and competition. For the purpose of reducing the overall level taxation should stimulate the business activity of subjects that it can serve as a basis for solving the problem under consideration is more important structural modernization of the tax system. To state this question it is necessary to focus on tax classification approaches.

Existing classification methods do not currently represent any useful information for such analysis. For example, splitting taxes into direct ones (i.e., which, according to the factors of this classification, pays producer) and indirect (presumably paid by the consumer) requires scientific reservations, conventions, and no clear interpretation that it confuses the essence of the characterization of the nature of the formation of indirect taxes. Studies showed that the current tax Code of the Republic of Uzbekistan, VAT is considered indirect tax but in the case the price of the product "rests" on effective demand. Of course, now

VAT reduces the profit of the manufacturer, i.e. it becomes less the existing classification is like a direct tax. Therefore, concept tax classification is a broader concept, since here all possibilities of tax flows in terms of value are taken into account. Therefore, for a steady income flow to the budgets of the tax stream, there must be compliance, on the one hand, with the nature of taxes, and on the other, opportunities for their formation and payments to budget revenues.

With this in mind, it is necessary to systematize modern approaches and basics of tax classification. At the same time, the classification should be based on put factors that allow you to assess the impact of each tax on the motives economic behavior of the manufacturer. From this position, you should subdivide current taxes apply to two groups. The first category is recommended to include only fixed taxes, i.e. not directly dependent on the level of production, sales and other economic indicators related to business activity (for example, property tax, use of natural resources, fixed taxes for certain types of activities, etc.), the essence is similar to conditionally constant costs in the cost of producer payments in proportion to growth production volumes. Such taxes do not "punish", but rather encourage manufacturer for its activity.

The second group can be conditionally variable or distributive taxes. They have mobile control over current economic activity (all types of income taxes, excise taxes, VAT, etc.). These taxes are focused on to equalize the results of the activities of subjects, support outsiders as in both in production and consumption.

According to the researches the traditional approach to currently applied taxes makes the main source of budget revenues is conditionally variable, because

they are oppressive manufacturer and consumer. Within this logic, all options are discussed building a tax system is reduced to choosing one of two options mutually exclusive alternatives: "low taxes - high business activity when budget deficit" or, on the contrary, high taxes-hopes for a surplus or on the effective budget filling, but with a sharp deterioration in economic conditions prospects due to the downturn in business activity. The second option, taken as a basis implementation of the current tax policy, in the current conditions is disastrous for the domestic economy.

Given the complexity of the classification problem under consideration from for example, we can suggest the logic of the third group. More important recent tax reform concepts can be considered as proposal to eliminate the current tax mechanism and replace it the system of "rent payments for the use of natural resources". This it the system is due to the reduction of the role of tax stress in its pure form and brings up to the logical limit. We only note that despite the very attractive arguments, this approach in the current conditions is practically not it is realized that it is "revolutionary" and lacks methodological support. So instead, it only limits tax service change of conditionally variable to conditionally constant (fixed) tax rates payments. The distinctive properties of these tax groups are shown in the following in particular, in conditional income taxes:

- these taxes encourage the flow of capital from less efficient ones areas of application are more efficient, i.e. they are structure-forming;
- they focus on extracting profit from labor, encourage efficient use of labor resources by expanding production capacity

areas and curbing the growth of unemployment;

- they stimulate business activity and counteract against monopolization of production, do not allow the manufacturer to cover only their own minimum requirements;

- create a guarantee for a certain part of the budget, since they are charged regardless of the results of the activity taxpayer.

As a result of study the main features of conditionally variable taxes are shown in the following:

- create for all taxpayers, the same amount (i.e. proportional to the level of economic success) and a limited load, and in in this sense, they mitigate social tensions;

- they favor manipulation-related activities significant amounts of property and resources, in particular, extraction from them profit through resale, not from employment( and thus may contribute to the growth of unemployment);

- they are directly stabilizing and affect on the existing capital structure.

It should be borne in mind that relative "demanding" is conditional permanent (in a sense, fixed) tax payments are due to the fact that they (when used in a "pure" form) do not take into account industry specifics. They are merciless to low-profit resource-intensive industries and do not take into account to how objective certain circumstances that determine them are low economic efficiency. Therefore, the formation of conditional constants this may lead to an aggravation of some social problems and contradictions. It will speed up the destruction of inactive industries, with one on the other hand, it will provide additional benefits to the most effective divisions of the economy.

Based on the above, of course, the determining role in the tax the system should play conditionally permanent taxes (i.e. taxes on property, on land, for the use of natural resources). Their action should be supplemented under the influence of the variables conditionally taxes. In this case, tax payer should note that conditionally fixed taxes can undoubtedly encourage narrow strata population through resale of natural resources and property in the process intermediary speculative operation, and the rest of the population may be located in on the verge of poverty, unable to use their powers in an ever-shrinking production. Under these conditions, the orientation of conditionally constant taxes on push for expanded reproduction in the manufacturing sector undoubtedly, it turns out to be relevant. We believe that the role of property tax in the system of conditionally fixed taxes needs to be raised.

Carried researches also revealed that property tax rate has been changed. Exactly, in 2016-2017 years property tax rate was calculated depend on inversion value but, from 2018-year property tax rate has been calculated based on the cadastral value. In fact, property tax rate was 1,5% in 2016, and 1,7 % in 2017 for individuals[7].

Studies showed that according to the Law “On the State Budget of the Republic of Uzbekistan for 2020” [1], two major innovations have been introduced in the taxation of individual entrepreneurs. First, individual entrepreneurs with a trade turnover of up to 100 million soums have the right from 2020 to choose the procedure for paying income tax on individuals. Secondly, fixed tax amounts for individual entrepreneurs have significantly decreased from 2020.

Research analyzed Uzbekistan’s 2018 State Budget and following Table 1 illustrates basic parameters of Uzbekistan’s 2018 state budget related to taxes [8].

**Table1**  
**Basic budget parameters of taxes in 2018[8]**

№	Basic tax parameters of Uzbekistan's 2018 state budget	Revenues, in billion soums
1	Direct taxes	12,805.4
2	Corporate income tax	2,510.9
3	Unified tax payments contributions from trade and catering enterprises	1,907.6
4	Personal income tax	5,198.8
5	Fixed tax on certain types of entrepreneurial activity	1,077.6
6	Indirect taxes	33,404.3
7	Value added tax	22,019.4
8	Excise tax	8,343.8
9	Tax on consumption of gasoline, diesel fuel and gas	1,323.2
10	Resource and property taxes	9,714.5
11	Land tax	1,266.6
12	Excess profit tax	1,367.7

It is clear from the above given table 1 that basic tax forms had significant contribution to the State Budget in 2018.

The current situation, in our opinion, will generate a lot of non-trivial views on the economy and can become the breeding ground on which more in total, something constructive and useful will grow. Therefore, with the help of this articles, we would like to explain the problems of taxation

- High level of the tax burden for payers of general established taxes
- An inflated rate and an inefficient system for levying value-added tax
- A high rate of taxes on the wage fund which leads to concealment of the real number of employees

- and the wage funds by the taxpayers
- Lack of a price system of analysis and management of risk in the implementation of monitoring activities

6. <https://tradingeconomics.com/uzbekistan/corporate-tax-rate>
7. <https://mfa.uz/en/press/news/2018/10/16513/>
8. <https://mfa.uz/en/press/news/2019/07/19872/>

## Conclusion

Summing up, it can be said from the above given information that taxation policy is being reformed in Uzbekistan in recent years. However, some related proposals are given below for further improvements in this sector based on the above revealed problems:

- Lowering level of the tax burden for payers of general established taxes
- Multiplying price system of analysis and management of risk in the implementation of monitoring activities
- Providing sufficient level of collection of local taxes and fees

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