

Some Issues on Perfection of the Tax System of the Republic of Uzbekistan

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Abstract-- *The article gives an analysis of the development of the economy of the Republic of Uzbekistan in recent years, discloses the role of individual and small business in this development, analyzes the adopted new Tax Concept on reforming the tax system, identifies certain omissions and shortcomings, offers suggestions for further improvement of the Tax Policy.*

Key words-- *taxes, tax system, concept, development, improvement, criteria, individual entrepreneur, small business, efficiency.*

I. INTRODUCTION

Over the years of independence, owing to the sovereign and effective economic and tax policy, the economy of the Republic of Uzbekistan has moved from a one-sided single-layered economy to a comprehensively developing multi-layered economy, which continues developing at a stable and fast pace.

It should be noted that a significant impact on the growth rate of the economy was exerted by the outstripping growth rates of production of small businesses and private entrepreneurship. Now they have become the leading sector of the economy of Uzbekistan, their share in the country's GDP increased to 57%, the share of people employed in this area is 77% of all people employed in the country {7}.

This was largely facilitated by the tax system being systematically improved during the years of independence.

During these years, a simplified taxation procedure was developed specifically for small businesses, which was associated with the objective need to simplify the taxation mechanism in order to reduce the number of tax calculation forms submitted to the tax authorities, to facilitate their concept and execution, to reduce the number of reports and the frequency of their submission in tax authorities and, ultimately, the achievement of the best option for the tax burden, which allows maximally combining the interests of both the state and tax payers.

It is known that on conditions of transitional period tax system is considered to be a mobile system and it depends on the level of development and perfection of the structure of the economics, changing of terms of time and place. It changes and perfects systematically.

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Taking this into consideration the President of the Republic of Uzbekistan Sh. M. Mirziyoev issued decree №5468 “On conception of perfection tax policy in the Republic of Uzbekistan” from June 29, 2018. A new tax conception was carried out on its basis including achievements of world’s experience on taxation and our experience achieved during independent years.

It is important to note that the concept of taxation is based on one of the important principles of market relations - the principle of strong social policy, especially in 2019, announced in the Republic of Uzbekistan - “Year of active investment and social development”, i.e. economically weak should pay taxes less, and economically more powerful should pay more. For example, individual entrepreneurs with annual turnover:

- up to 100 million soums, pay fixed taxes;
- from one hundred million to one billion soums, switch to a single tax payment;
- over one billion soums, go to the payment of generally established taxes.

The role of a strong social policy is felt in the Resolution of the President of the Republic of Uzbekistan “On measures to further improvement of the tax policy of the Republic of Uzbekistan” adopted on September 26, 2019, according to which from October 1, 2019 the value-added tax (VAT) rate was reduced from 20 to 15 percent, despite the fact that the share of VAT accounts for one third of all revenue returns to the state budget of the Republic of Uzbekistan. Replenishment of budget losses by reducing the VAT rate is provided by expanding the tax base of this tax.

In addition to the above, in terms of a strong social protection, the Concept provides for transition tax for individuals on a single-stage system of taxation income at the rate of 12%, instead of the previously applied the four steps (Table 1).

Table 1 Individual income tax rates in 2018, in % of income

Taxable income	Tax rate in%
In total up to 1 minimum salary	0
In total from 1 + 1sum to 5 minimum salaries	7,5
In the amount from 5 + 1 soums to 10 minimum salaries	16,5
Over 10 minimum salaries	22,5

It should be noted that in addition to the above taxes, another 8% on pension insurance was withheld from personal income.

Along with the above positive aspects, in our opinion, the Concept has certain points that cannot be agreed:

1. In the “Concept”, the idea of equalizing the tax burden of the subjects of individual, small and large business is a common thread.

In our opinion, this idea is not correct, since:

- this would lead to a maximum decrease in the interest of local investors who want to open “their own business” in places that are well aware of the specifics of their small settlements, i.e. the availability of production skills and the needs of the local population in individual commodities and in various types of services, as well as the availability of local capabilities - raw materials for the production of the above items, infrastructure;
- large enterprises have the opportunity to increase the efficiency of their production through the effective use of such forms of social organization of production as concentration, specialization, combination and cooperation, which cannot be used by subjects of individual and small business;
- it is impossible to place large enterprises in small settlements, but small businesses and individual entrepreneurship in them can be placed,
- the development of small business and individual entrepreneurship is also of great social importance (in the conditions of the Republic of Uzbekistan, which is among the labor-surplus countries), because it allows you to create new jobs, develop infrastructure and increase the cultural level and well-being of the local population.

In our opinion, it is necessary to continue all kinds of incentives, especially in terms of providing tax and other benefits, to small and individual entrepreneurship, as the appearance of each new entrepreneur means the emergence of a new workplace (social factor) and a new taxpayer, without any costs from the state

2. In the new concept of improving the tax system, some criteria and concepts that meet the specific requirements of this stage of the country's development are changing. For example, the Concept does not say anything about the concept of “small business”, i.e. whom to relate to small business, what indicator or set of indicators may be a criterion for giving business entities the status of “small business entity”.

Prior to the beginning of 2019, in the Republic of Uzbekistan, the criterion for classifying business entities as small business, as in all CIS countries, was the indicator “number of employees” in the Republic of Uzbekistan.

Our analyzes showed that there is no single approach to this issue in the world. For example, there are three such indicators in the UK:

- number of employees .;
- balance sheet size;
- volume of annual turnover.

In the Concept, as a criterion that gives business entities the status of "small business", the indicator "annual turnover - up to 1 billion soums" is recommended .

In our opinion, the use of such a single indicator as a criterion for giving business entities the status of "small business" would not be very correct, because:

- a business entity, with the number of employees even 1-5 people using precious raw materials (producing jewelry from gold) can achieve a turnover of one billion soums in a few months or even days;

- a business entity having a high level of profitability can also achieve a turnover of one billion soums in several months or even days;

- the constantly changing inflation rate taking place in the Republic of Uzbekistan will not correctly reflect the content of one billion soums.

Based on the foregoing, it would be advisable to propose, as a criterion for giving business entities the status of "small business", not a single indicator, but a set of indicators that characterize comprehensively the essence of this criterion.

Taking into account our comments will improve the tax policy, increase its efficiency and develop a new Tax Code of the country on its basis, which will accelerate the pace of economic development, further improvement of its structure, increase its efficiency and increase the welfare of the country's population steadily.

REFERENCE

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Appendix 1 Fixed tax rates in 2019, in soums per month [2]

№	Kind of activity	Fixed tax rate			
		Tashkent city	Nukus city, cities and regional centres	Other cities	Other populated areas
1	Retail				
	food and non-food products	1 000 000	750 000	400 000	300 000
	agricultural products in dehqan markets	400 000	200 000	100 000	50 000
	newspapers, magazines and books	500 000	250 000	100 000	50 000
2	Consumer services	350 000	200 000	100 000	50 000

3	Production and sale of own products, including implementation of natural sweets and bakery products, manufacture and sale of certain types of piece dishes without organizing seats at home or in places specially designated by decision of local authorities	300 000	200 000	100 000	50 000
4	Children's slot machines	300 000	200 000	100 000	50 000
5	Other activities	300 000	200 000	100 000	50 000
6	Transportation services:				
	trucks with a loading capacity up to 3 tons	200 000			
	trucks over 3 tons	300 000			

Appendix 2 Single tax payment rates, in % of gross income [2]

№	Payers	Tax rates, %
1	Taxpayers of all sectors of the economy, except as provided in paragraphs 2-12	4
2	Legal entities providing customs clearance services	5
3	Pawn-shops	25
4	Legal entities receiving income from the organization of mass entertainment events by attracting legal entities. and physical persons (including non-residents) licensed to be engaged in concert and entertainment activities	5
5	Brokerage offices (except as provided in clause 6), as well as legal entities that provide intermediary services under a commission agreement, instructions and other mediation agreements	25
6	Legal entities engaged in brokerage in the securities market and commodity exchanges	13
7	Juridical persons whose main activity is the provision of property for rent (except for leasing companies)	30
8	Catering facilities depending on the location:	
a	cities with a population of 100 thousand or more	8

б	Other populated areas	6
в	Non-accessible and mountainous areas	4
	Among them:	
	specialized public catering enterprises serving secondary schools, boarding schools, specialized secondary vocational schools and higher educational institutions	75 % from set rate regarding location
9	Retail taxpayers, depending on location, in	
а	cities with a population of 100 thousand or more	4
б	Other populated areas	2
в	in remote and mountainous areas, regardless of location	1
г	turnover from the sale of alcoholic products, tobacco products, gasoline, diesel fuel, liquefied and compressed gas	4
10	Trading enterprises engaged in wholesale as well as wholesale and retail trade (except for those in clause 11)	4
11	Wholesale and retail pharmacy organizations located in:	
а	cities with a population of 100 thousand or more	3
б	Other populated areas	2
в	Non-accessible and mountainous areas	1
12	Storage organizations engaged in buying up, sorting, store and pre-packing of agricultural products	4% from commodity circulation or 25% from gross income