



ANALYSIS OF THE IMPACT OF VALUE ADDED TAX ON THE COMPETITIVENESS OF THE ECONOMY IN UZBEKISTAN

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Abstract:

Studying the administration of value-added tax in our country is also related to the improvement of value-added tax. The article analyzes the specific features of calculating the value-added tax base, some complications and problems in its determination, and focuses on issues of improving the formation of the tax base. In addition, based on the results of the changes and additions made in determining and calculating the value-added tax base, appropriate conclusions were formed and recommendations were developed.

Keywords: value added, value added tax base, tax, budget policy, budget, tax administration, tax potential, regulatory analysis, tax burden, tax reporting, tax revenues, tax benefits.

Introduction:

In the period of rapid development of the use of digital technologies in the economy, technical and technological renewal of production in our country, support of high-tech processing directions, formation of a competitive environment for economic sectors, achievement of competitiveness of national goods in domestic and foreign markets, export reforms aimed at ensuring the stability of the national economy by diversifying its composition and geography, as well as expanding the export potential of the regions, have become more active. Also, the introduction of free market mechanisms in our country, ensuring healthy competition and the inviolability of private property, the support of entrepreneurship occupying a special place in our Constitution, established the principle of inviolability of property, justice in economic relations and further revealed democratic reforms. That is, in



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conditions of high taxes (including VAT), the law of diminishing marginal tax revenues applies - as tax rates increase, revenue growth slows down.

The burden of VAT will definitely affect the business activity and tax revenue, which will reduce the competitive advantage of the product through the price, and the price will definitely cause it to lose its place in the market. Because VAT cuts a part of business income at the initial stage. In general, the volume and complexity of indirect taxes significantly affect the financial situation of enterprises. This is especially true for small and medium-sized businesses. Because the costs of paying taxes for such enterprises are much higher than for large enterprises. In addition, small and medium-sized enterprises are a direct competitor of small business entities that operate below the minimum threshold for VAT registration and do not pay VAT. The control mechanism in VAT is mainly focused on the tax base. When determining the tax base, it is advisable to first divide its composition into criteria. The tax legislation stipulates the sales price of products (services) as the basis of VAT. That is, according to the Tax Code, "the tax base is determined as the value of goods (services) sold at the price used by the parties to the transaction, taking into account the excise tax (for goods and services subject to excise duty) and excluding the tax¹". But in reality, in the real case, the tax base is the value added in its name. Accounting of VAT paid on purchased products according to the applied calculation method means that the VAT paid by the enterprise is actually paid in relation to the added value. However, the added value indicator is not identified and shown separately in the financial statements. Therefore, from the point of view of taxation, value added is considered only as the difference between the price of purchased and sold products. It should be noted that not all purchased products are taken into account, only those for which VAT has been paid. Therefore, it is important to know what is actually included in the value added. From the point of view of economic theory, profit and wages are included in the added value. The increase in the number of taxpayers and the share of interest in the budget revenue also depends on the VAT rate. When setting taxes, annual budget parameter matrices are developed and probable surplus or deficit is estimated. In these cases, performance indicators or

¹ Soliq kodeksi. 2019-yil 30-dekabrda O'RQ-599 bilan qabul qilingan. 336-bet.



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forecast indicators are mainly relied upon. Changes in the dynamics of the tax rate have a direct impact on the increase in the number of taxpayers and the increase in tax revenue to the budget.

In the address of the head of our state to the Oliy Majlis and the people of Uzbekistan on December 20, 2022, it was stated that "from January 1, 2023, at least 14 trillion soums will remain at the disposal of entrepreneurs due to the reduction of the value added tax rate from 15% to 12%. But tax reduction alone is not enough to improve the business environment"²they emphasized.

Bilvosita turdagi bu soliq byudjet tushumlari orasida juda katta qiyosiy salmoqqa ega. Yuqoridagi raqamlardan kelib chiqib aytadigan bo'lsak, mamlakatimiz iqtisodiyotini rivojlantirishda katta rol o'ynamoqda. QQSni savdoda soliqqa tortishning muvaffaqiyatli chorasi deb tan olinib ham kelinmoqda.

In connection with the approval of the main directions of the tax and budget policy for 2024, amendments and additions were made to the Tax Code. Based on the Decree of the President of the Republic of Uzbekistan dated February 10, 2023 "On criteria for categorizing business entities and measures to further improve tax policy and tax administration", new mechanisms and opportunities are being created.

In particular, the monitoring procedure for conducting tax audits in accordance with these categories has been simplified. The minimum standard is applied to micro-enterprises as well as to VAT payers. The fact that the realization of goods, works and services is set at 1 billion soums determines the maximum amount of the turnover tax regime. From April 1, 2023, the following opportunities were created for business entities:

- Up to 50 percent of property insurance costs are reimbursed to medium-sized business entities once a year from the State Fund for Business Support, but no more than 20 times the base calculation amount;
- a 20 percent quota will be introduced in state purchases for business entities with a total income of not less than 10 billion soums, and 50 percent advance payment will be provided in contracts concluded with budget customers within the framework of these purchases. In this case, tax authorities are creating information on business

² <https://president.uz/oz/lists/view/5774> 2022-yil 20-dekabr O'zbekiston Respublikasi Prezidenti Shavkat Mirziyoyevning Oliy Majlis va O'zbekiston xalqiga Murojaatnomasi.



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entities with a total income of more than 10 billion soums and providing information exchange with a special information portal.

The following regarding the administration of value added tax have been abolished:

- the amount of value added tax is not taken into account when selecting the best offers in public procurement and evaluating the offers of participants in tenders;
- the procedure for covering up to 6% of the export value of the expenses related to the production of products and their sale to the foreign market of enterprises exporting high-added-value copper products will be canceled.

Also, a system for identifying reliable tax payers without the human factor is being introduced. Free provision of medicines to state health care institutions or sale at a reduced price due to a short shelf life is recognized as economically justified costs (losses), and it is determined that the profit is deducted when calculating the tax. From May 1, 2023, it is mandatory for business entities to install electronic measuring equipment and online video cameras at compressor stations for gas filling cars and gas filling stations for cars, as well as to integrate them with the information systems of tax authorities, raw cotton, g it was determined that the operators of information systems for receiving and accounting for alla or rice must integrate their systems with the information systems of tax authorities.

It is known to everyone that without the human factor, hiding the electronic system will prevent the economy and, moreover, corruption. In addition, today the number of users of modern services is increasing very quickly. In the past year alone, the number of personal cabinet uses by taxpayers was 40.5 million (1.3 times more than in 2020), the number of electronic invoices sent was 33.9 million (1.6 times more than in 2020 times more), the number of checks registered through online cash registers amounted to 417.4 million (4 times more than in 2020). Hyperconvergent technology has been introduced in the data processing center, and it distributes the load on information systems between servers, ensuring their continuous operation.

Value added tax payers. According to the first part of Article 237 of the Tax Code, the payers of value added tax are the following (Code, 2020):

- 1) legal entities of the Republic of Uzbekistan;



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- 2) individual entrepreneurs whose income from the sale of goods (services) exceeded one billion soums during the tax period or who voluntarily switched to paying value added tax;
- 3) foreign legal entities selling goods (services) in the territory of the Republic of Uzbekistan, if the Republic of Uzbekistan is recognized as the place of sale of goods (services);
- 4) foreign legal entities operating in the Republic of Uzbekistan through permanent establishments;
- 5) a trusted person entrusted with the task of managing the affairs of a general partnership in relation to the activities carried out within the framework of the general partnership agreement (agreement on joint activities) - a participant of the general partnership;
- 6) Persons transporting goods through the customs border of the Republic of Uzbekistan. These persons are recognized as payers of value added tax in accordance with the legislation on customs.

Procedure for registration as a VAT payer.

With the decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 595 dated September 22, 2021, a new procedure for the special registration of taxpayers as VAT payers with limited human factor influence was introduced. The main goal of this is to support honest taxpayers, and make them engage in the secret economy, and to have financial cooperation with taxpayers who plan to carry out fraudulent and deceptive transactions. aimed at preventing operations.

In this case, taxpayers and their counterparties have the right to account for the amount of VAT only if the VAT payer's certificate is active.

The period for considering applications is 7 days, if the application is not considered within this period, the certificate will be issued automatically. Certificates of active status issued to VAT payers are automatically analyzed every day according to 18 criteria (tax debt, management person, reporting, location, etc.) if the tax risk falls to a high level according to the criteria, the validity of the certificate is automatically temporarily suspended, and if the taxpayer eliminates the deficiency, the validity of the certificate is automatically restored in the program.



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It should be noted that during the temporary suspension of the validity of the VAT payer's certificate, the taxpayer and his counterparty cannot take into account the amount of VAT. Temporary suspension of the validity of the certificate is mainly carried out in the following cases:

- if there is a tax debt, this means unpaid tax debt for VAT for more than two months;
- when financial and economic activities are not carried out for more than three months (except for persons with seasonal activities);
- when falling into the category of taxpayers with a high tax risk.

In this case, it will be possible to issue and activate the VAT certificate after eliminating the circumstances and deficiencies that caused the taxpayer to have a high tax risk. According to the Decree of the President of the Republic of Uzbekistan No. PF-162 dated June 28, 2022, the validity of the certificate on the special registration of taxpayers with a high level of tax risk for VAT, there are five cases on this by the tax authorities after the notification was sent before the day and in case the shortcomings are not eliminated within this period, the suspension procedure was introduced.

The procedure for submission of an application for special registration as a VAT payer by entities and consideration of this application by tax authorities:

A taxpayer can submit an application by choosing a voluntary or mandatory procedure.

According to Articles 237 and 461 of the Tax Code, enterprises that have an obligation to pay VAT shall submit an application by choosing the mandatory procedure.

Conclusions and suggestions

In order to reduce the cost of products and increase competitiveness among consumer goods, tax payers should be treated on the basis of the principle of fairness, in the event that a benefit is applied to one type of consumer good, the benefits are also applied to the products that make up its composition, directly in the society. It is appropriate to take into account the fact that the benefits will be implemented and the prices of consumer goods will be significantly affected.



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