



THE NEW PRELIMINARY DEVELOPMENT OF THE TAX SYSTEM OF THE REPUBLIC OF UZBEKISTAN

TOLAKOV U.T. – a senior teacher of Termez State University

BOYPULATOV A. – a student of Termez State University

ANNOTATION: *This article highlights the ongoing reform of the taxation system in Uzbekistan over the past two years. In particular, they discussed the reduction of the tax burden, the drafting and adoption of a new Tax Code, simplification of the taxation system, and improvement of the tax administration system to a new level.*

KEYWORDS: *taxation, tax burden, types of taxes, tax reform, tax concept, tax administration, tax and mandatory payments.*

From the moment of gaining its independence, Uzbekistan needed funds for state building, independent economic and social policy, and strengthening its sovereignty. The country had to rely only on his strength. The former Soviet Union's state-of-the-nation budget allocation and distribution system, which has been operating for more than 70 years, has failed and there was a need for funding for national resources. In 1991 and 1992 the state budget deficit was up to 50 per cent.

When transferring to market economy system, it was necessary to establish all from 'zero' on tax legislation, to establish tax authorities, to train and form a community of taxpayers. All of these have been accomplished under the conditions of compulsory submission of taxes to prevent the sudden transference in social life.

When Uzbekistan gained its independence, the tax system began to be formed. Taxation was crucial in the setting of statehood - the fate of a young sovereign state largely depended on the effective solution of the task. In a very short period of time, two tasks had to be done at once. First, forming a tax system that is consistent with socioeconomic and political conditions of the younger country and adopting the necessary legal acts on it. Secondly, to create an appropriate system of tax administration.

Despite all the stages of the formation and development of the independent state, the tax system has successfully solved the tasks on the budget, the provision of necessary financial resources, and the provision of economic and social development, a number of systems preventing the level of solvency of economic development in the field ,



entrepreneurship and the increase in investment activity, shaping healthy competition atmosphere as well as taxation and supporting acceptance of other compulsory payments showed problems. The main directions of the concept of improving the tax policy of the Republic of Uzbekistan in order to eliminate existing systemic problems, to simplify the tax burden and simplify the taxation system, to improve the tax administration, identified in the Action Strategy for the Five Priorities of the Republic of Uzbekistan in 2017-2021. Consequently, the investment capacity of the Republic of Uzbekistan and the creation of a modern taxation system that stimulate the regular growth of the revenues of the state budget. This has led to a new level of taxation of the Republic of Uzbekistan.

The development of our country's tax system for the period up to 2018 has been studied by dividing it into three periods by economists [2]. There are four main stages of the evolutionary development of the national tax system of the Republic of Uzbekistan.

The first stage (1991-1995) is the stage of formation of the tax system. The tax system has been formed under difficult economic conditions: interruptions in economic relations, transition to market relations under centralized distribution of resources, with high level of inflation. All this has affected the results of economic activity, and ultimately, the impact on the budget.

The second phase (1996-2005) - the adaptation of the tax system to market relations. The Government's policy on liberalization and promotion of private businesses has contributed to the economic growth, the increase in the number of taxpayers, and the expansion of the tax base. In contrast to the first stage, our state has been actively promoting its stimulating function, along with its fiscal and redistribution functions for rewards.

The third stage (2006-2017) - Improving the tax system in the context of market reforms and modernization of the economy. At this stage, the market reforms that led to the liberalization of economic activity and the development of small and private businesses became the basis for the development of the tax system.

The fourth stage (from 2018 up to now) is the stage of further improvement of the taxation system on basis of international norms and standard requirements, which is characterized by consistent reduction of tax burden, simplification of taxation system,



improvement of tax administration, rapid development of the economy and improvement of investment attractiveness of the country.

From January 1, 2018, measures have been taken to improve tax administration radically, increase tax collection and other compulsory payments, and introduce new tax administration mechanisms [3].

At the same time, the rights of taxpayers began to be systematized. Today, the taxation system is facing new challenges that meet modern requirements [4].

Based on the objectives and measures set forth in the above [5], within the framework of the Concept of Improvement of the Fiscal Policy of the Republic of Uzbekistan, from January 1, 2019 [6]:

a) Firstly, the tax burden on the labor payment fund was reduced by:

the single rate of income tax for all citizens was introduced at the rate of 12 percent, of which 0.1 percent were directed to personal accumulative pension accounts. At the same time, certain categories of citizens will retain the current tax exemption tax rate of 4 times of the minimum monthly wage. At the same time, the insurance premiums were canceled which were deducted from off-budget Pension Funds to citizens' wages

In 2018, if a monthly wage was from one to five times the minimum, the monthly tax was 7.5 per cent, from five to ten times - up to 16.5 per cent and higher than ten it was 22.5 per cent of monthly wages, it would be too complicated to mess with the raising scale.

In addition, 8% compulsory insurance premium was collected from the salary for off-budget Pension Fund.

According to this arrangement, a large part of the wage tax burden falls on employers - private businesses, small businesses, and entrepreneurs. Let's say that the employee receives a wage of 1 million sums a month from which 300 to 450 sums off for taxation. As a result, excessively heavy tax burden also reduces the employer's ability to create new jobs and to pay current salaries to existing employees as he wishes. In order to avoid these payments, they went on the way to hide the number of real staff and cash payments with the money in "envelope".

The situation has reached such a level that the number of people paying taxes in the country turned up 4.6 million people out of more than 13 million able-bodied population. The remaining millions of our compatriots, who earn money by providing themselves with



money, but have never been officially registered, have survived such a clandestine economy. They can not use trade unions provision, buy mortgages, have no future retirement, and the most ardent, the labor law discrimination does not affect these employees. Worse, in the case of untaxed tax, the state budget will be damaged to billions of soums.

Changes in tax policy have now changed dramatically: the tax burden has been drastically reduced, making it simple, transparent, and equally important for employers and workers.

From 1 January 2019 the single tax rate for personal income tax is set at 12 percent, while the average rate of tax on the world is 20 percent.

In particular, the reduction of the single social payment rate up to 12% and the abolition of mandatory deductions to the State Targeted Funds from legal entities created conditions for additional funds to be invested by enterprises.

b) Secondly, the common and simplified taxation of taxpayer taxation, as well as the transition to simplified taxation, with the optimization of taxes on turnover (gross receipts) has been improved through the followings:

obligatory deductions from the turnover (gross receipt) of legal entities have been canceled at the State Targeted Funds;

corporate income tax rate from 14% to 12%, 22% and 20% for commercial banks, as well as lower mobile communication, mobile communication service of legal persons (companies), based on the level of profitability for them to cancel the procedure for calculating the profit tax from 14 increased by 20%;

profit tax rate deducted from from 10 to 5 percent for sources of income on dividends and interest income;

All businesses, including turnover (gross revenue) for legal entities - 1 billion corporate property tax, land tax and tax on the use of water resources has been issued;

The system is improved through the procedure of calculation and payment of excess profit tax, including royalties;

In accordance with the amendments made to the Tax Code from January 1, 2018 the tax on income of legal entities has been combined with the taxation of greening, cleaning system and social infrastructure development, and since January 2019 the tax on usage of



gasoline, diesel fuel and gas has been abolished. At the same time, the tax on gasoline, diesel fuel and gas was introduced into the object of excise tax.

c) Third, the tax on a simplified procedure for taxpayers to reduce the negative impact on the improvement of tax policy is carried out through the following measures:

The property tax rate is reduced while preserving the order of 5% to 2% by using a higher rate of tax for legal entities calculated for legal entities, buildings and facilities, including the previously privatized inefficient use of facilities by subjects. The uniform tax regime for the single land tax payers has been maintained.

d) fourth, the procedure for calculation and payment of value added tax (VAT) and excise tax has been improved through as in followings:

the current 20 percent rate of VAT taxation is preserved by introducing a full value-added tax system, clarifying the tax base and reducing the number of benefits, as well as reducing the tax rate by the end of 2019.

Since January 1, 2019 the value added tax of the tax system of Uzbekistan has begun to be widely introduced. VAT is fundamentally different from the previous types of taxes and, of course, leads the country's economy to positive results. By introducing the "value chain" of value added tax, the taxpayer has been able to organize cooperative and nonviolent taxpayers and introduce a simplified taxation procedure by taxpayers' paying voluntary value added tax. Taking into account international experience, it is envisaged introducing the second criterion for introducing entrepreneurship subjects to small businesses group of taxpayers. It will be a taxpayer's income. When it comes to the small business, it pays off additional tax obligations remaining in a simplified taxation system.

As a result of the reforms, in 2018, 19 types of taxes, other mandatory payments and fees were reduced to 15 in Uzbekistan. Also, in the first quarter of 2019, there has been an increase in the number of taxes, the number of payers and the amount of revenue in comparison with the same period of last year. In particular, according to the data of the State Tax Committee, the number of taxpayers was about 7 thousand, but today their number has increased by 35 thousand to 5.2 times more than the previous year. 1.4 trillion soums of value added tax, at the same time, 217.5% of the proceeds were provided. The number of payers of profit tax increased to 32 thousand and it increased 4.2 times. Income tax revenue is 389.8 billion soums, increased by 228.3%, income tax for individuals - 717.5



billion soums and increased by 161.5%. The number of individuals paying income tax was 4.8 million, an increase of 450,000 or 10 percent compared with the same period last year. Now, thanks to a reduction in the tax burden, the company has 169 billion soums at the disposal of enterprises. 1.7 or 14.3 times. The number of payers of property tax increased from 9.3 thousand to 63 thousand or 6.8 times, and the number of payers of land tax from 12.9 thousand to 75 thousand or 5.8 times. Tax revenues to the state budget amounted to 18.4 trillion soums soums, which is 1.6 times more than in the corresponding period of the previous year.

The draft Tax Code of the Republic of Uzbekistan in the new edition is placed on regulation.gov.uz the portal of discussion of draft normative legal acts of the Republic of Uzbekistan for the public discussion till November 10, 2018. According to the State Program on Implementation of the Strategy of Action on the Five Priorities of Development of the Republic of Uzbekistan in 2017-2021 in the "Year of Active Investments and Social Development" [7], the new version of the Revised Tax Code is to be set up by 1 June 2019.

Tax reports are to be introduced on the basis of simplified and scaled new tax reporting forms for all tax types for the period following 1 January 2019 [8].

Based on the results of the research conducted by Paying Taxes-2019, the total tax rate in Uzbekistan is 32.1%. This is lower than the global average (40.4 percent) [9]. Uzbekistan ranked 64th out of 190 countries surveyed.

In a report released by Doing Business 2019: Training for Reform, the World Bank Group, Uzbekistan lost 2 positions in comparison with last year's survey. The information is provided on May 1, 2018.

Uzbekistan ranks second in the ranking of the CIS countries: Azerbaijan - 25, Kazakhstan - 28, Russia - 31, Belarus - 37, Armenia - 41, Moldova - 47, Kyrgyzstan - 70, Tajikistan - 126th and Uzbekistan being the 76th has worsened its position by 2 positions in comparison of last year . At the same time, the taxation index rose by 2.19 percent in terms of indicators, showing positive dynamics, but lost positions on six criteria, due to the overdriving of other participants.

The President of the Republic paid special attention to the country's position in the World Bank report. The Roadmap for Improving the Uzbekistan's Tax Indicators report to



World Bank and International Finance Corporation's Business Review confirms that according to which the long-term outlook for Uzbekistan will be 40th in 2022.

In short, the form and structure of the tax system of our country has radically changed. Tax authorities are not just a tax collector, but also a close assistant to the taxpayer. The main purpose of this principle is to bring the new system closer to our people and entrepreneurs. Due to the reform of tax administration, the introduction of advanced international practices, transparency and fairness in the national tax system are achieved. The new concept of the taxation system is built on the principles of transparency and fairness, equal conditions for all, which ensures the sustainability of the formation of the State budget.

In conclusion, many reforms in the industry are contributing to the further improvement of the tax system in Uzbekistan based on the international standards and regulations, further development of our national economy, investment attractiveness of the country, and gaining a worthy place in the world rankings.

LIST OF USED LITERATURE

1. The Order No. 4947 of the President of the Republic of Uzbekistan on February 7, 2017 "On the Action Strategy for the Further Development of the Republic of Uzbekistan".

2. A.Juraev, Sh.Toshmatov, O. Abdurakhmonov Taxes and Taxation. Academic Manual, Tashkent: Norma. 2009. p183.

3. The Order No. 5116 of the President of the Republic of Uzbekistan on July 18, 2017, "On Radical Improvement of Tax Administration, Increasing the Collectability of Taxes And other Obligatory Payments".

4. The Issue No.5214 of the President of the Republic of Uzbekistan on February 13, 2018, "On Organizational Measures for Radical Improvement of Tax Legislation"

5. Order № 5468 of the President of the Republic of Uzbekistan "On the Concept of Improvement of the Fiscal Policy of the Republic of Uzbekistan" of July 29, 2018.

6. Resolution of the President of the Republic of Uzbekistan on December 26, 2018, N 4086 "On Forecast of Main Macroeconomic Indicators and Parameters of The State Budget of the Republic of Uzbekistan for 2019 and Budget Parameters for 2020-2021"



7. Annex 1 to the Order #5635 on Presidential Decree of the Republic of Uzbekistan on January 17, 2019 "On the State Program on Implementation of the Strategy of Action in the Five Priority Directions of Development of the Republic of Uzbekistan for 2017-2021 at 'The Year of Active Investments and Social Development'".

8. New Forms of Tax Reporting approved by the State Tax Committee "On Approval of Tax Reporting Rorms" and the Ministry of Finance of the Republic of Uzbekistan on January 7, 2019, № 2019-5, № 2 (approved by the Ministry of Justice on January 21, 2016 № 3126)

9. Paying Taxes-2019 - The Next Annual Rating of the World Bank, International Finance Corporation and Pricewaterhouse Coopers.

10. Resolution № 3852 of the President of the Republic of Uzbekistan "On measures to improve the rating of the Republic of Uzbekistan in the Annual Report" Business of the World Bank and International Finance Corporation "on July 13, 2018.