

ISSUES OF USING THE DATA IN THE PROCESS OF CONDUCTING TAX IN-HOUSE REVIEW

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Abstract: This article is devoted to the consideration of issues related to the tax in-house review. In addition, the article analyzes the advantages of using the data by the State tax authorities when conducting tax in-house review. Moreover, in reliance upon the statistical data, the article reveals possibilities to raise the amount of taxes and other compulsory payments paid to the state budget. Relevant scientific proposals and practical recommendations have been developed on the basis of the research results.

Key words: tax in-house review, external source, tax collection, tax obligation, tax surveillance, tax authority, tax review, Public services centre.

Introduction. Taxes are considered to be one of the most important factors influencing the steady growth of the national economy and implementation of comprehensive reforms which are carried out in our country. Therefore, in the process of activities undertaken, first of all, it is required to ensure an efficient tax system, equal distribution of the tax burden among entrepreneurs and increase the number of taxpayers. In addition, it is crucially important to identify the number of entrepreneurs who evade paying taxes in due time, and provide them with calculation of taxes. Herewith, arranging activities of the state tax service on the basis of outdated methods and principles of tax review does not enable to effectively solve their tasks, including expanding a taxable base and raising the tax collection.

Currently, imperfection of the database of the external sources of the information necessary for enhancing tax collection, absence of efficient methods for monitoring tax obligations by the enterprises, and the fact that tax in-house review is carried out on the basis of the simple arithmetical evidence can cause the situation when tax supervision becomes closely associated with a human factor. This, in turn, can create convenient conditions for the corruption environment.

In this regard, it was required to develop the mechanism for remote analysis of tax payments regardless of the human factor. It should be noted that tax supervision is implemented on the basis of the accounting system, i.e. on the basis of financial and tax accounting documents and information, data, reports from external sources to control accurate and complete execution of payments of taxpayers to the budget and extra-budgetary targeted funds. In this way, the tax service agencies monitor taxpayers remotely by analyzing the data from the tax authorities at other locations without visiting the taxpayers.

Literature review. Krasnitskaya (2005) divides the sources of information used in the process of in-house review into 2 parts and describes their specific features. At the same time, in her opinion, in order to organize a perfect in-house review analytical process, it is necessary to create a single integrated database of external and internal information sources.

In the opinion of Krasnitskaya, external information sources include the data on the cases of violating the law by the taxpayers obtained from direct or indirect messages or evidences. These data can be provided by legal entities and individuals, mass media, public administration authorities and self-governing bodies, notary's offices, banks, law enforcement agencies, state tax bodies and other oversight authorities.

Enhancing the priority of in-house review through external sources of information saves time, costs and eliminates unnecessary bureaucracy and troubles in the process of supervisory activities of the tax authorities. (Betina, 2010).

If the tax reviews are not based on the data from internal and external sources, the analysis will not provide the desired accurate result (Bartunkova, 2015).

The introduction of a new global automated external information exchange system in the tax authorities will reduce tax evasion. Within this framework, the US government has introduced a Single External Information Source Exchange System with the aim of eliminating the cases of tax evasion, reducing the costs of the government and businesses, as well as making this system accessible to tax authorities (OECD, 2016).

External sources of information used in the implementation of tax supervision are in compliance with the current legislation, agreements on the exchange of information with law enforcement, fiscal and self-governing bodies and any agencies providing information on

taxpayers' financial and economic activities. Frequently such kind of data are provided "at the discretion" of the data providers.

Managers and founders of enterprises and agencies, in some specified sense, do not even assume that the information on their internal operations, financial and economic activities are available in the state tax service. Thus it is possible to make a conclusion that it is not enough for a taxpayer to submit tax reports. Taxpayers should not fetch to the attention of the tax authorities the results that differ from the results of their activities as well (Moroz, 2016).

From the point of view of Yefimova (2017), in the process of implementing tax supervision, as well as in determining a taxable base, it is useful to apply the method of analysis, and this method is relied on external sources. In her opinion, the analysis of external sources of information is efficient in determining the income concealed from taxes.

For example, an external data owner can determine estimated volume of a product using information about the resources available (especially electricity, gas, water, and consumables). However, it emphasizes that some influencing factors must also be taken into account. In particular, rental charges, increasing resource prices, and purchase of new fixed assets can also raise resource consumption, but this does not imply that the volume of products has increased accordingly.

A tax in-house review differs from the documented inspection in terms of its form, efficiency and accuracy. A tax in-house review serves to ensure the accuracy and precision of pre-inspection operations. These reviews are based on the analysis available in the state tax authorities and other external data, and evaluate the activities of the entrepreneur (Ilkhamov and Radjabov, 2017).

The research of Herman Edward (2017) specifies the importance of the external information sources in implementing tax supervisions on precise case-studies. According to his point of view, the practice of control of tax returns in the United States is carried out on a selective basis, and this selection is based on the "difference" method. At the same time, these declarations are analyzed on the basis of data obtained from various external sources. External sources of information include the mass media, anonymous letters, information from special public agencies.

Ivkina (2017) provides the following evidence that an external source is an important link in the tax in-house review. According to her opinion, the tax in-house review is carried out in several forms. They are the following:

- Official review;
- Arithmetical review;
- Regulatory review;
- Direct in-house review.

It is the process of direct in-house review that is based on logical calculations, in which the existence of a single internal source of information is not enough, mainly the data from external sources constitutes the main base and foundation.

Summarizing the definitions given by the economists above, the following approach has been formulated in terms of the tax in-house review.

1. In-house review is carried out by the tax authorities on the basis of external sources and internal data;
2. In-house review covers more taxpayers;
3. The results of the tax in-house review is associated with the external source data;
4. With the aim of raising the efficiency of in-house review, external and internal data based on information technology should be analyzed in reliance upon the mathematical models.

Analysis and discussion of results

By improving a tax in-house review, violations of tax legislation by taxpayers without interfering in their financial and economic activities will be identified in due time and identified shortcomings will be eliminated. This, in turn, is considered to be an additional tax on businesses in the tax inspections, which is a last resort measure and prevents from going bankrupt.

Moreover, there are financial costs associated with inspections by companies and agencies. In particular, entrepreneurship entities are obliged to pay public duties, use the services of lawyers, and attend court proceedings during the review of the results of tax audits in tax authorities and economic courts.

According to the study conducted by the International Finance Corporation, in 2008 the enterprises which passed through the procedures of tax reviews, spent 18,5 million USD on the

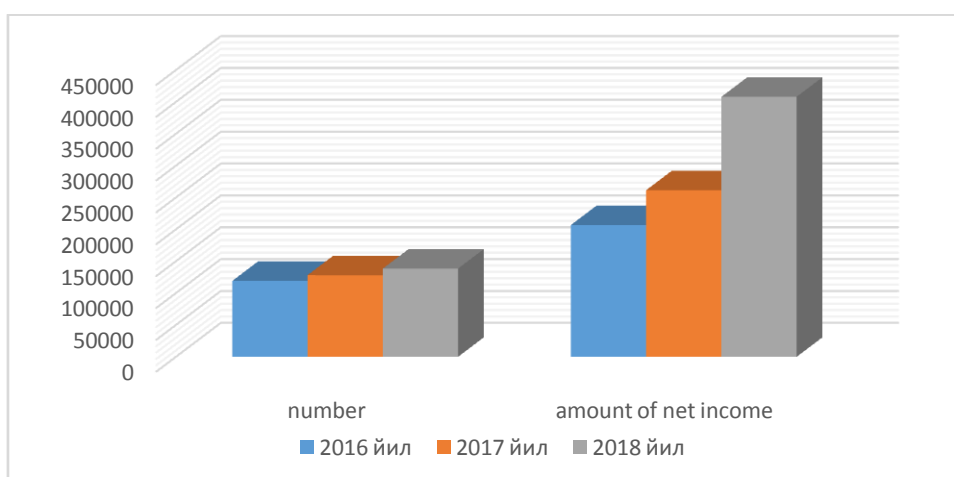
process, however, private entrepreneurs spent 1,66 million USD therein. These expenses include the time spent by employees and individual entrepreneurs on reviews, the amount of time allocated to inspectors for explanations and preparation of information, payments for the services of external consultants (auditors, lawyers) and court proceeding costs.¹

Therefore, in order to support active entrepreneurship, the President of the Republic of Uzbekistan proposed to suspend inspections of financial and economic activities of all entrepreneurship entities for a period of 2 years since 2018.

The announcement of the moratorium will also allow businesses to manage and independently dispose the funds that can be spent on financial expenses associated with the inspection results. In addition, it should be noted that the process of conducting inspections is a situation in which there is a high risk of corruption offenses. The moratorium has facilitated prevention of possible corruption as well.

The decrease of tax reviews conducted by the state tax authorities has resulted in the focus on the supervision based on the tax in-house tax reviews. During this period, the turnover of enterprises increased sharply as well.

Information on the net income of entrepreneurship entities from the sale of products (goods, works and services) over the period of 2016-2018²

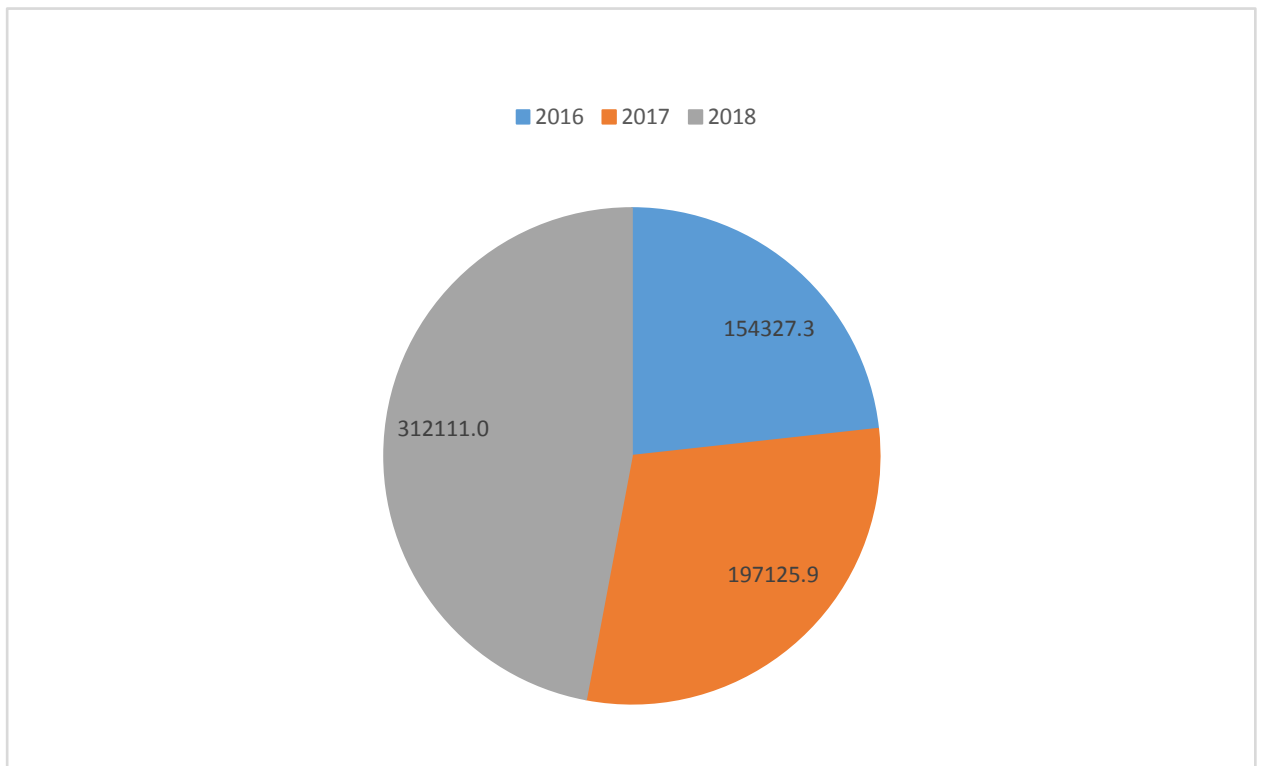


As a result of the introduction of this moratorium, the number of entrepreneurship entities (excluding farmers, dekhkan entities, insurers and banks) and the volume of their fixed assets have increased significantly.

¹ <https://gazeta.norma.uz/publish/doc/text137955>

² Developed by the researcher (the data is selected excluding farms, dekhkan entities, insurance and banks)

Information on the value of fixed assets of entrepreneurship entities over the period of 2016-2018³

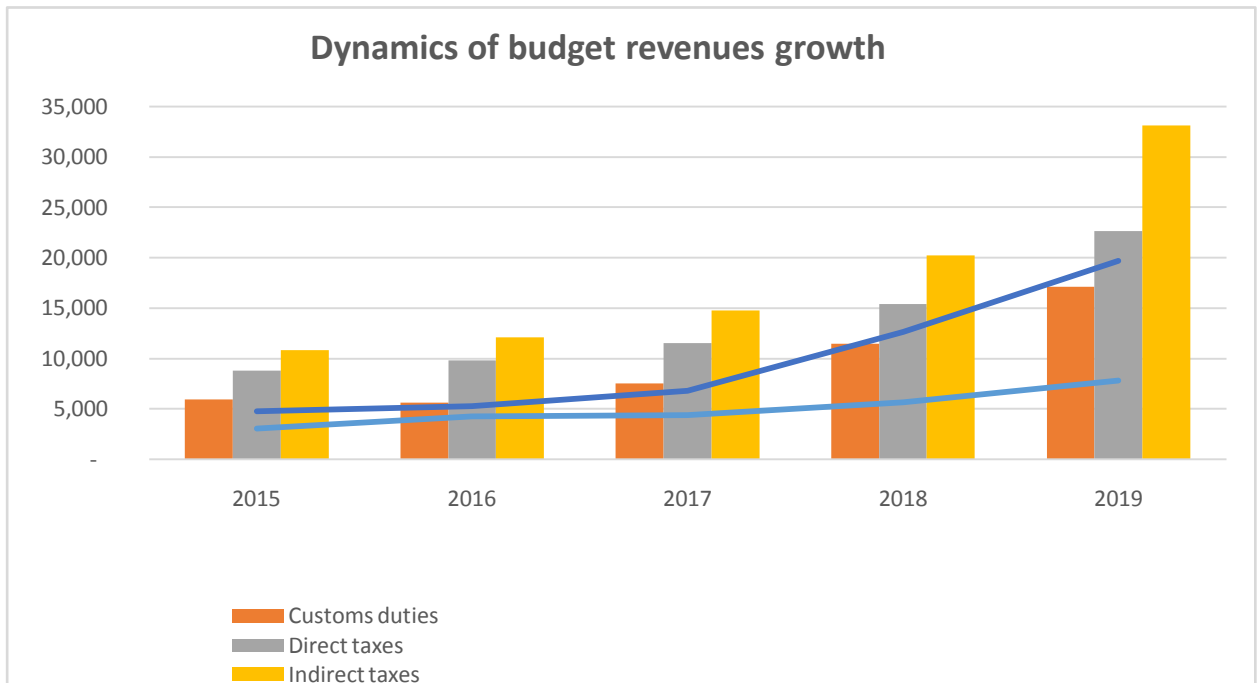


During the moratorium, the reviews of financial and economic activities of entrepreneurship entities in 2018-2019 were abolished, and only criminal cases were subject to investigation. The table below shows that the number of reviews decreased sharply during the moratorium as well.

Nevertheless, the dynamics of tax and other compulsory payments to the budget continues at a steady growth rate.

³ Developed by the researcher (the data is selected excluding farms, dekhkan entities, insurance and banks)

Dynamics of revenues from taxes and other compulsory payments to the budget of the Republic of Uzbekistan⁴



During this period, there is an increase in the number of small businesses, as well as a significant growth in the calculation of taxes and compulsory payments.

These growth rates occur due to the following two basic factors:

1. increase in taxes and other compulsory payments paid by entrepreneurs due to the growth in the number of entrepreneurs;
2. entrepreneurship entities that evade paying taxes and other compulsory payments anyway can make additional revenues to the budget due to expense of the concealed or reduced taxes detected in the process of the tax in-house review.

On the basis of the tax in-house review, supervision is carried out in reliance upon the internal data available in the tax authorities, as well as information from various external ministries and departments.

According to the analysis of external sources, the share of budget revenues is growing year by year due to the increasing volume and direction of data acquisition.

⁴ Developed by the researcher

For the tax in-house review, as external source data it is also possible to obtain the data based on services provided by Public service centers.

Public service centers have been launched in the country in recent years in each district (city) to provide public services to the population.

Public service centers provide e-services on more than 130 out of a total of 716⁵ types of services provided by government agencies and companies. It should be noted that approximately 13 million services were provided in 2019.⁶

Herewith, citizens can apply for all requests electronically through their e-signature keys or on paper by visiting local centers.

From January 1, 2021, there will be launch the procedure for providing public services on the principle of self-service through interactive info kiosks installed in crowded and public places (religious institutions, airports, railway stations, subway stations, shopping and entertainment complexes).⁷

All this information is located on a single server of the Public services center, which is integrated with the central database of service agencies and in this way there is established interdepartmental electronic cooperation.

Public services are constantly being improved, the range of services is expanding, and the number of applicants is growing. This, in turn, enables tax authorities to evaluate this information as an additional source.

1. Conclusion and proposals

When analyzing the data available in the databases of public service centers, it is necessary to analyze the data in the following areas and further introduce it into practice.

1. According to the clause “Upon opening by the licensee of a pharmacy branch, the presence of at least one employee in the state of a legal entity - the head of a pharmacy branch with a higher pharmaceutical education or a secondary specialized vocational education with a specialty of an assistant pharmacist” provided in the Regulation “On the licensing procedure for the retail sale of medicines and medical devices” approved by the Resolution of the Cabinet

⁵ <https://lex.uz/docs/4511709>

⁶ <https://davxizmat.uz/uz/acts>

⁷ <https://davxizmat.uz/uz/acts>

of Ministers of the Republic of Uzbekistan № 284 “On the measures for further improvement of the order of licensing pharmaceutical activity” as of May 12, 2017, it is necessary to study to study whether the license holder is included in the list of employees of the company holding the diploma;

2. In compliance with clause 8 “c” of the Regulation approved by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan № 126 “On measures to further improve the licensing of activities for the development of architectural and urban planning documentation” as of April 30, 2009 (became ineffective on May 8, 2019), there is specified a list of employees involved in the creation of architectural and urban planning documents, indicating their positions, specialization in education, work experience in their specialty, a list of key facilities designed by these employees.

In compliance with clause 8 “b” of the Regulation approved by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan № 381 “On licensing and accreditation of certain activities in the field of construction” as of May 7, 2019, there is implied the introduction of compulsory provision of key specialists for the implementation of licensed activities of a legal entity for the creation of architectural and urban planning documents. For example, in this statutory act it is specified, that

- for objects of category I according to the classification of complexity categories of objects - work of at least 6 specialists, including a director and a chief engineer of the project on the main place of work, the remaining 4 workers working on a full-time or on a part-time basis;

- for objects of category II according to the classification of complexity of objects - work of at least 15 specialists, including a director, at least 2 chief project engineers, 1 chief project architect and 1 architect on a full-time basis, and the remaining 10 specialists working on a full-time or on a part-time basis;

- for objects of category III according to the classification of complexity of objects - work of at least 25 specialists, including a director, at least 3 chief project engineers, 1 chief project architect and 3 architectson a full-time basis, and the remaining 17 specialists working on a full-time or on a part-time basis.

In this regard it is recommended to study the availability in the reports of the tax authorities of employees provided by agencies under the licenses obtained from the Ministry of

Construction of the Republic of Uzbekistan for the development of architectural and urban planning documents.

3. According to clause 11 of Appendix 1 approved by the Regulation approved by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan № 672 “On the measures for further improvement of the provision of public services for issuing a permit to drill a water well” as of August 14, 2019, when applying for a permit to drill a water well, the following data have to be completed:

a copy of the contract or agreement concluded according to the established procedure between an applicant and a customer for drilling water wells;

hydrogeological conclusion (the provision of a hydrogeological conclusion is carried out in the manner prescribed by Chapter 4 of these Regulations);

positive conclusion of the state environmental review;

design documents for water well drilling;

information on the technical capabilities of the applicant, including copies of technical passports of existing equipment or a copy of the lease for the necessary machinery and equipment;

a copy of the diploma of the relevant specialist (hydrogeologist) of the applicant.

In the process of obtaining licenses it is necessary to reflect specified specialists by these entrepreneurship entities in the accounts of the tax authorities.

4. Clause 58 of the State requirements “Training and qualification upgrading of drivers of motor vehicles and urban electric vehicles” approved by Appendix 4 of the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan № 408 as of May 31, 2009 specifies that selection of teachers and specialists for training and qualification upgrading of drivers of motor vehicles according to the main criteria.

Therefore, the State Inspectorate for the Quality Control in Education under the Cabinet of Ministers of the Republic of Uzbekistan will provide a list of employees to obtain licenses from agencies to provide non-governmental educational services for training, qualification upgrading and professional development of drivers of motor vehicles and urban electric vehicles.

In this regard it is recommended to study whether there are discrepancies in the reports of employees to the tax authorities on the licenses obtained by these agencies to carry out their activities.

5. Clause 7 of the “Regulation on licensing activities in the provision of non-governmental educational services” approved by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan № 241 “On improvement of the license procedure in the field of provision of non-state educational services” as of March 27, 2018 determines the procedure for submitting the data about teachers and instructors.

In this regard, tax authorities in their reports should possess a list of employees submitted by the agencies to the State Inspectorate for the Quality Control in Education under the Cabinet of Ministers of the Republic of Uzbekistan with the aim of rendering services.

6. If the founders of entrepreneurship entities transfer their shares (portions) to other persons free of charge, they will have to pay income tax to individuals on the basis of a declaration to the budget on the amount of shares (portions) received free of charge.

In this regard, when performing the tax in-house review of shares (portions) received free of charge, it is advisable to analyze the declarations submitted by individuals. At the same time, it should be taken into account that a lot of time is spent on the analysis of the data, as there are cases when the information about the founders of companies from the Public Services Agency does not fully reflect the full name and the taxpayer identification number.

7. The state register of enterprises and agencies is maintained in the database of the Public service center. When providing public services, it is required to indicate the addresses of legal entities providing 40 types to economic entities.

In identifying economic businesses operating under conditions of the shadow economy, it is advisable to conduct tax in-house tax review through the addresses of actual performance of these entities. Such kind of supervision will facilitate prevention of the shadow economy expansion.

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