

SOME ISSUES OF THE VALUE ADDED TAX ACCOUNTING

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Abstract: The article is devoted to the analysis of the issues on determining the value of real estate and the ways of its taxation from the scientific point of view. In compliance with the Tax Code of the Republic of Uzbekistan in new wording, when a taxpayer purchases fixed assets (including installed equipment) and intangible assets, in particular, uncompleted construction objects, as well as the full amount of tax paid by the seller to the taxpayer upon purchase of goods (services) to create assets intended for future use as the fixed assets. The article is developed in reliance upon the standards set up in the Tax Code of the Republic of Uzbekistan adopted in 2019 in new wording.

Key words: Key assets, real estate, uncompleted construction objects, value added tax, accounting, offset, account, accounting entry.

Introduction. The issue of doing their business by economic entities without long-term assets is considered to be one of the complicated issues because the role of long-term assets in the production of the enterprise is crucially important. In terms of the entrepreneurship activity, in accordance with the National Accounting Standards №5 “Fixed assets” it is implied that the property must be included in these very assets on the basis of two compulsory criteria.

It should be noted that nowadays the issues of property taxation are regulated by the Law of the Republic of Uzbekistan №589 “On the state budget of the Republic of Uzbekistan for 2020” as of December 9, 2019, the Law of the Republic of Uzbekistan №599 “On making amendments and additions to the Tax Code (2019) of the Republic of Uzbekistan” as of December 30, 2019, the Decree of the President of the Republic of Uzbekistan “On measures to ensure execution of the Law “On the state budget of the Republic of Uzbekistan for 2020” as of December 30, 2019.

Amendments made to the Tax Code in the new wording will constitute the basis for a favorable investment climate for both domestic businesses and foreign investors. This, in turn, will promote the increase of the production output in the country, will result in enhancing the entrepreneurship activities, in raising the export volume, the volume of services rendered, creation of new job places, emerging of robust competition, reduction of the unemployment level in the country, as well as increase of working capital and long-term funds.

Literature review: Numerous research papers are devoted to the investigation of on the issues on accounting of the value added tax and its reflection in the accounting records. Various opinions and concepts are represented in these research papers. In particular, K.R. Khotamov in his research studied the following issues: confirming the export volume, applying zero rate by the value added tax, making modifications in the taxable base and reflecting its results in accounting. In addition, he considered the technique of conducting tax audit of documents and accounting of indirect taxes in the automated system. On the basis of the research results he developed scientifically-grounded proposals aimed at improving the accounting of indirect taxes and its reflection in the accounting statements. From the point of view of K.R. Khotamov, accurate presentation of the accounting records prevents confusion in accounting, excludes possibility of errors in the tax reporting and financial reporting by reflecting excessively paid amounts of indirect taxes not in the account 6410 - "Debts on the payments to the budget (by types)", but in the proposed account 4420 - "Excessive payments to the budget" (Khotamov, 2016).

In the previous wording of the Tax Code of the Republic of Uzbekistan, article 218 "Set-off tax amount" specified that "When purchasing real estate within entrepreneurship activity, when eliminating it, accepting as a contribution to the charter fund (charter capital), the receiver has the right to account the amount of the value added tax in equal portions within 36 calendar months. When purchasing fixed assets, except for real estate object, purchasing intangible assets, accepting as a contribution to the charter fund (charter capital), the receiver has the right to account the amount of the value added tax in equal portions within 12 calendar months (Code, 2019). Entering of the Tax Code in new wording into force since January 1, 2020 has cancelled this previously existing standard.

A.B. Abdullaev has studied this issue from the scientific point of view and in reliance on the research results he has developed the proposals on reflecting the standards provided in article 218 of the Tax Code in accounting statements:

1) when purchasing real estate within the framework of the entrepreneurship activity, it is recommended to reflect “offset of the tax amount” by the value added tax in account 0970 – “offset of the tax amount by the value added tax – long-term part” and in account 3230 “overdue current part by the value added tax”. In addition, it is recommended to introduce these accounts in the chart of accounts;

2) it is proposed to reflect purchased fixed assets in the accounting in reliance upon introducing account account 0970 – “offset of the tax amount by the value added tax – long-term part” and in account 3230 “overdue current part by the value added tax” in the chart of accounts (Abdullaev, 2020).

In compliance with article 266 of the Tax Code of the Republic of Uzbekistan in new wording “Offset of the amount paid”, there was introduced the standard according to which “When a taxpayer purchases fixed assets (including installed equipment) and intangible assets, in particular, uncompleted construction objects, as well as the full amount of tax paid by the seller to the taxpayer upon purchase of goods (services) to create assets intended for future use as their fixed assets” (Law, 2019). In compliance with this standard, when purchasing long-term assets, the amount of the value added tax is accounted instantly.

Research methodology. The article provides scientifically-grounded issues on determining the value of the real estate and its taxation. In reliance upon the Tax Code of the Republic of Uzbekistan in new wording, when taxpayers purchase fixed assets (including installed equipment) and intangible assets, in particular, uncompleted construction objects, i.e. purchasing the goods (services) designated for creating assets aimed at their use as fixed assets in future, it is implied that full implementation of accounting of the amount provided by the seller to the taxpayer, should be thoroughly reflected in the accounting statements. Such research methods as induction, deduction, statistical observation, grouping and comparative analysis have been widely used in the research.

Analysis and results. When purchasing the production building and uncompleted construction objects used in the entrepreneurship activity, the receiver fully accounts the amount of the value added tax.

In this regard, in case of purchasing the production building used in the entrepreneurship activity we consider the following case.

For example, in 2020 "X" LLC purchased the production building from other company in the amount of 500 000 UZS (VAT included) in reliance upon an invoice. On the basis of the account-invoice of the company, the production building of "X" LLC has been formalized on the basis of the following accounting entries.

№	Transaction essence	Entry		Amount (thousand UZS)
		Debit	Credit	
1	Purchase of the production building from the goods supplier	0820	6010	500 000
2	Accounted amount of the VAT when purchasing the production building from the goods supplier	0990	6010	75 000
3	Amount of the production building purchased from the goods supplier has been remitted	6010	5110	575 000
4	The object of the purchased production building has been transferred into the fixed assets	0120	0820	500 000
5	The VAT amount is accounted	6410	3210	75000

In case if the production building is constructed by the own efforts within entrepreneurship activity we consider the following case:

For example, in 2020 "X" LLC constructed the production building by its own efforts in the amount of 600 000 UZS. According to the account-invoice, in the value of commodities and material reserves the VAT accounts for 15 %. The company can account this amount of the value added tax by means of the following entries.

№	Transaction essence	Entry		Amount (thousand UZS)
		Debit	Credit	
1	Inventory items purchased from the supplier of goods	1050	6010	300 000
2	VAT amount by the amount of inventory items purchased from the supplier of goods. When transferring to long-term tax expenditures (total for 36 calendar months)	0990	6010	60 000
3	Construction materials spent on the construction of the production building at the suppliers of goods	0810	1050	300 000
4	Wages calculated for the workers participating in the construction of the production building	0810	6710	100 000
5	Single Social Payment (SSP) calculated to the wage fund of the workers participating in the construction of the production building	0810	6520	12 000
6	Depreciation calculated on the fixed assets used in the process of the construction of the production building	0810	0200	38 000
7	Other expenditures associated with the construction of the production building	0810	2510, 2310	50 000
8	Completed production building is transferred to the structure of fixed assets	0120	0810	600 000
9	The VAT amount is accounted	6410	3210	90000

Conclusion and proposals. In conclusion it should be noted that in compliance with the Tax Code of the Republic of Uzbekistan in new wording, when a taxpayer purchases fixed assets (including installed equipment) and intangible assets, in particular, uncompleted construction objects, as well as the full amount of tax paid by the seller to the taxpayer upon purchase of goods (services) to create assets intended for future use as the fixed assets.

In our opinion, it would be efficient if the Ministry of Finance of the Republic of Uzbekistan and the State Tax Committee develop the methodological procedure or a guideline for reflecting the offset of the total amount of the value added tax instantly in full amount.

Introduction of the proposals given above into practice will promote the process of management decision-making associated with optimization of the expenditures on payment of taxes, efficient organization of the accounting of tax payments under conditions of comprehensive reforms implemented in the republic in the accounting and tax systems.

Reference.

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