

## **Improving the tax administration of major taxpayers and the issues how they make payments to the budget**

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**Abstract:** This article is devoted to the consideration of the issues that in the Republic of Uzbekistan almost all large enterprises in the country have been transformed into joint-stock companies, and the number of economic entities that introduce corporate governance methods is increasing day by day. In addition, the article presents the formulas used for calculating the tax potential of the economy and regions to ensure the rapid development of the national economy, industrial potential growth, development of high-tech industries, thus, enhancing competitiveness of our country. Moreover, the author has developed proposals aimed at improving the fiscal policy, enhancing development of current innovation methods and methodological approaches in determining the core aspects of budget needs and equalization programs, applying a wide range of economic-mathematical modeling and forecasting methods to improve public finance management and create an integrated information environment.

**Key words:** tax, budget policy, budget, tax administration, business entities, tax potential, normative analysis, positive analysis, tax burden, representative tax rate, average rate tax reporting, tax receipts, tax incentives, tax rate.

### **Introduction**

Irrespective of the state budget system and the level of its development, it is necessary for each government to generate necessary amount of budget revenues to execute public functions. In most countries of the world, the tax system is trying to improve tax administration by focusing on a certain layer of taxpayers (according to the size of financial and economic indicators). The technique for monitoring the compliance of major taxpayers with the tax legislation through special mechanisms is of great benefit in the process of public finance management. Creating the system of supervision over major taxpayers in a separate regime will result in the strict compliance with fiscal legislation and increase of the the tax administration efficiency.

Currently the Republic of Uzbekistan pays particular attention to ensuring the collection of taxes and other compulsory payments at the adequate level, organization of activities of major taxpayers, implementation of tax administration, as well as radical improvement of rendering services in reliance upon execution of tax obligations.

### **Literature review**

Scholars and economists in the developed countries conducted numerous researches on major taxpayer management.

In particular, Australian scholars Z.Akhand and P.Grob have investigated achievements and shortcomings of the introduction of a system of control over the major taxpayers management by special subdivisions in developing countries. (Akhand and Grob, 2014). The research conducted by Z.Ahmad examines the experience of Pakistan in tax administration of major taxpayers. The Russian Federation was one of the first CIS countries to manage major taxpayers and create this system. Thus, in 1998, a special department was established in the central office of the tax authority to manage major taxpayers. S. Pepelyaev (Pepelyaev, 2004), who conducted research on this practice, paid particular attention to the problems of legality of these processes and effectiveness of industry-based management, and assessed legal and functional shortcomings in the activities of tax authorities. L. Goncharenko (Goncharenko, 2015) studied the problems of the use of transfer prices by major taxpayers, K. Novosyolov (Novosyolov, 2012) and L. Koroleva (Koroleva, 2015) substantiated significance of the introduction of a separate consolidated structure of taxpayers from the scientific point of view, V.Ilyin and A.Povarova (Ilyin and Povarova) conducted research on the need to distribute tax revenues between the budgets of the budget system by major taxpayers.

### **Research methodology**

Such research methods as logical methods and modeling methods, analysis and synthesis, normative approach, systematic and comparative analysis, statistical and econometric analysis methods have been widely used in this article.

### **Discussion of analysis and results**

The technique for forecasting tax receipts to the state budget in the State Tax Service (hereinafter referred to as the Technique) has been elaborated by the State Tax Committee of the Republic of Uzbekistan to prepare a forecast of tax receipts to the state budget and public targeted funds funds (taking into account the principles and practical experience of foreign countries), as well as to ensure unconditional achievement of the forecast indicators of tax and fee revenues to the state budget as part of the implementation

of state tax policy and control over compliance with tax legislation, accurate calculation of taxes and fees, their payment in full and in due time.

Forecasting of tax receipts to the state budget is implemented using several calculation methods:

- direct calculation – the method based on the use of forecast values of volume and value indicators, revenue volume, rate levels and other indicators;

- average - a calculation based on the average calculation of annual revenues received in the previous period;

- indexation – the calculation using the consumer price index, inflation, deflator and other indicators describing the forecast type of income;

- extrapolation - the a calculation based on available data on changes in revenue in previous periods.

In compliance with the legislation, it is advisable to use these methods in the process of forecasting and determining the revenues of budgets at all levels, including the state budget. In order to find the optimal solution, the state budget revenues can be projected using several different methods. As a rule, forecasts of the state budget revenues can be monthly (operational), quarterly, annual and medium-term. In turn, revenues are forecasted by type of tax and by large groups of non-tax payments. The following information is used to forecast the state budget revenues:

- indicators of socio-economic growth of the republic (region);

- data of ministries and departments required to calculate the state budget revenue base;

- tax, fiscal policy measures for the upcoming period;

- receipts in the previous period;

- information from the Internet (prices, other expectations, etc.).

In order to ensure the sustainability of the state budget, the data obtained from other ministries and agencies may be used for forecasting.

On the basis of the data on the calculated and paid amounts of tax on major taxpayers according to the following formula:

$$\mathbf{Inc}_p = (\mathbf{Inc}_{MTP} + \mathbf{Inc}_{OTP}) * \mathbf{V}_{GVA}, \text{ here:}$$

$\mathbf{In}_p$  – the forecast amount of the profit;

$\mathbf{Inc}_{MTP}$  – assessment of tax receipts from major taxpayers in the current year;

$\mathbf{Inc}_{OTP}$  – assessment of tax receipts from other taxpayers for the current year;

$\mathbf{V}_{GVA}$  – forecasted growth rate of the gross value added, %;

here,

$$\mathbf{Inc}_A = \mathbf{Inc}_{MTP} + \mathbf{Inc}_{OTP}$$

$$\mathbf{Inc}_{MTP} = \mathbf{Inc}_A(\text{cal.MTP}) / \mathbf{Sh}_{\text{cal.MTP}} * 100$$

$$\mathbf{Sh}_{\text{cal.MTP}} = \mathbf{Inc}_o(\text{cal.MTP}) / \mathbf{Inc}_{\text{cal.MTP}} * 100$$

$$\mathbf{Inc}_{OTP} = \mathbf{Inc}_A(\text{cal.OTP}) / \mathbf{Sh}_{\text{cal.OTP}} * 100$$

$$\mathbf{Sh}_{\text{cal.OTP}} = \mathbf{Inc}_o(\text{cal.OTP}) / \mathbf{Inc}_{\text{cal.OTP}} * 100, \text{ here:}$$

$\mathbf{Inc}_A$  – assessment of receipts from major taxpayers for the current year in the legislation;

$\mathbf{Inc}_{MTP}$  – assessment of receipts from major taxpayers for the current year;

$\mathbf{Inc}_{OTP}$  – assessment of receipts from other taxpayers for the current year;

$\mathbf{Inc}_A(\text{cal.MTP})$  – calculated amount of tax from major taxpayers for a given period of the current;

$\mathbf{Sh}_{\text{cal.MTP}}$  – the share of amounts accrued for major taxpayers in the same reporting period, %;

$\mathbf{Inc}_o(\text{cal.MTP})$  – the amount calculated for major taxpayers in the same reporting period in the reporting year;

$\mathbf{Inc}_{\text{cal.MTP}}$  – the amount calculated for major taxpayers for the reporting year;

$\mathbf{Inc}_A(\text{cal.OTP})$  – the amount calculated for other taxpayers in the same reporting period;

$\mathbf{Sh}_{\text{cal.OTP}}$  – the percentage of amounts paid to taxpayers remaining in the same reporting period in the reporting year, %;

$\mathbf{Inc}_o(\text{cal.OTP})$  – the amount of tax paid by other taxpayers for the same reporting period in the reporting year;

$\mathbf{Inc}_{\text{cal.OTP}}$  – the amount of tax paid by other taxpayers for the reporting year.

At the national level it is recommended to introduce the procedure for calculating the VAT forecast according to the formula:

$$Rvat = \sum_{i=1}^n Tvat * rvat * tvat - Eb + ARb + \sum_{i=1}^n IS * ris * tvat$$

$Rvat$  – value added tax forecast

$i, n$  – branches of the economy

$Tvat$  – the expected value added of taxpayers in the current year

$rvat$  – the calculated growth rate of value added for the relevant branch

$tvat$  – value added tax rate

$Eb$  – the expected amount of benefits for the relevant network

$ARb$  – the expected additional income or loss on the relevant branch of the economy under the terms of the concept

$IS$  – cost of works and services imported within the relevant branch of the economy

$ris$  – the calculated growth rate of imported works and services in the relevant branch of the economy

At the national level it is advisable to introduce the procedure for calculating the excise tax forecast according to the formula:

$$Re = \sum_{i=1}^n Ve * tei$$

*Re* – excise tax forecast

*i, n* – goods subject to excise tax

*Ve* – forecast of the base of goods subject to excise tax for the subsequent year

*tei* – the rate of the relevant excise tax.

The following should be taken into account when forecasting the receipts from the value added tax:

- forecast indicators for the socio-economic development for the next fiscal year and schedule period;

- VAT base for previous periods, accrued amounts, reimbursements of payments, refunds and dynamics of actual receipts;

The calculation of value added tax (VAT) receipts is based on the method of direct calculation of the elements of the tax base on the tax and should be determined as the difference between the amount of tax assessed and the amount of VAT calculated according to the following formula:

$$\mathbf{VAT} = (\mathbf{VAT}_{\text{accrued}} - \mathbf{VAT}_{\text{offset}}) * \mathbf{K}_{\text{coll.rate.}} + \mathbf{K}_{\text{audit}} (+/-) \mathbf{F}, \text{ here:}$$

$\mathbf{VAT}_{\text{accrued}}$  – *accrued VAT amount;*

$\mathbf{VAT}_{\text{offset}}$  – *the amount of VAT accounted;*

$\mathbf{K}_{\text{coll.rate.}}$  – *the level of calculation of the collection of the tax arrears, taking into account the dynamics of the collection indicator formulated in the previous periods for this type of tax in view of the activities on the reimbursements of tax arrears, %.*

$\mathbf{K}_{\text{audit}}$  – *the amount of receipts on the results of supervision activities on the basis of tax statistics indicators;*

$\mathbf{F}$  – *adjusted amount of receipts with the account of amendments made in legislation, as well as one-time transactions (receipts, refunds, etc.).*

The calculated tax amount ( $\mathbf{VAT}_{\text{accrued}}$ ) is determined according to the following formula:

$$\mathbf{VAT}_{\text{accrued}} = \mathbf{V}_{\text{GDP}} * \mathbf{VAT}_{\text{share}}, \text{ here:}$$

$\mathbf{V}_{\text{GDP}}$  – *volume of the gross domestic product;*

$\mathbf{VAT}_{\text{share}}$  – *the ratio of the calculated tax to the GDP generated in the previous periods with the account of amendments in macroeconomic indicators deflators - indices, %.*

The share of accrued tax ( $\mathbf{VAT}_{\text{share}}$ ) in the GDP is determined as a product of dividing the amount of tax calculated by the GDP according to tax statistics data.

The accounted amount of tax ( $VAT_{offset}$ ) is calculated according to the following formula:

$$VAT_{offset} = VAT_{offset_{IM}} + VAT_{EX} + VAT_{offset_{other}}, \text{ here:}$$

$VAT_{offset_{IM}}$  – the amount, which is accounted for goods (services) imported in the territory of the republic;

$VAT_{EX}$  – the amount, which is accounted for goods (services) sold for export;

$VAT_{offset_{other}}$  – other amounts accounted (excluding import and export to the Republic of Uzbekistan).

The amount of VAT on goods (services) imported in the territory of the Republic of Uzbekistan ( $VAT_{offset_{IM}}$ ) is determined according to the following formula:

$$VAT_{offset_{IM}} = V_{IM} * K_{\$} * S_{estimate} * VAT_{offset_{IM}\%}, \text{ here:}$$

$V_{IM}$  – volume of imports, mln.USD;

$K_{\$}$  – average annual exchange rate of the USD against the UZS;

$S_{estimate}$  – the average calculated rate of the VAT on imports generated in previous periods, including imports, %;

$VAT_{offset_{IM}\%}$  – the share of the tax accounted on imported goods, %;

The share of tax accounting for imported goods is determined as a product of the division of the amount of tax paid for accounting according to the statistics data of the tax and customs authorities.

The amount of VAT on goods (services) sold for export ( $VAT_{EX}$ ) is determined by the following formula:

$$VAT_{EX} = V_{EX} * K_{\$} * Sh_{M.C._EX} * S, \text{ here:}$$

$V_{EX}$  – export volume, mln. USD;

$K_{\$}$  – average annual exchange rate of the USD against the UZS;

$Sh_{M.C._EX}$  – share of material expenses in the production of export products, %;

$S$  – tax rate, %.

The share of material expenses used in the production of export products ( $Sh_{M.C._EX}$ ) is taken as the amount actually generated in previous periods and is determined as the product of the value of material costs in the production of export products divided by the volume of export operations.

Other amounts accounted ( $VAT_{offset_{other}}$ ), except for the amount of taxes on goods imported in the territory of the Republic of Uzbekistan and sold for export, are determined by the following formula:

$VAT_{offset\_other} = VAT_{accrued} * VAT_{offset\_IM}$ , here:

$VAT_{accrued}$  – *accrued volume of the VAT*;

$VAT_{offset\_IM}$  – *the share of the tax accounted on imported goods (services), %*.

The share of other accounts ( $VAT_{offset\_IM}$ ) is taken as the actual amount formulated in previous periods, and it is advisable to determine the amount of tax paid for accounting on other accounts as a product of the amount of value added tax calculated in accordance with statistics data on taxes.

### **Conclusion and proposals.**

Depending on the method selected, the essence of assessing the tax potential of major taxpayers differs from each other. According to the results of this research, in order to optimize calculation of tax potential, it is recommended to improve the tax and statistical database, automate the reporting of tax authorities, report published by various agencies, synchronize and streamline the data.

The scientific and practical results of our research play an important role in assessing the tax potential of the regions, as well as in the development of priorities for further improvement of the tax system in the country.

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