



THE IMPACT OF THE TAX BURDEN ON THE FINANCIAL ACTIVITIES OF BUSINESS ENTITIES IN UZBEKISTAN AND ITS CURRENT STATE

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Abstract

The tax burden is included in the structure of macroeconomic indicators, being a clear indicator of how well taxation is established in the country, and the larger the country's GDP, the lower the level of tax burden. This, of course, will depend on the volume of the country's budget revenues. That is, the greater the budget revenues and the greater the share of taxes in its structure, the greater the level of tax burden. This article highlights the impact of the tax burden on the financial activities of economic entities.

Keywords: Tax burden, budget revenues, gross domestic product, economic entities, financial results, tax revenues.

ВЛИЯНИЕ НАЛОГОВОЙ НАГРУЗКИ НА ФИНАНСОВУЮ ДЕЯТЕЛЬНОСТЬ СУБЪЕКТОВ ПРЕДПРИНИМАТЕЛЬСТВА В УЗБЕКИСТАНЕ И ЕЕ ТЕКУЩЕЕ СОСТОЯНИЕ

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Аннотация

Налоговое бремя входит в структуру макроэкономических показателей, являясь наглядным показателем того, насколько налажено налогообложение в стране, и чем больше ВВП страны, тем ниже уровень налогового бремени. Это, конечно, будет зависеть и от объема бюджетных доходов страны. То есть, чем больше доходы бюджета и чем больше доля налогов в его структуре, тем больше уровень налоговой нагрузки. В данной статье освещено влияние налогового бремени на финансовую деятельность хозяйствующих субъектов.

Ключевые слова: Налоговое бремя, доходы бюджета, валовой внутренний продукт, хозяйствующие субъекты, финансовые результаты, налоговые поступления.

Introduction

In the course of implementing the large-scale economic reforms carried out by our country today on the way to building a democratic state, important issues are, first of all, further improvement of tax policy, simplification of types of taxes and mechanisms of their action. Of particular importance is the gradual reduction of the tax burden on economic entities, as a result of which a more efficient functioning of the tax system is ensured.

After all, our President Sh. Mirziyoyev initiated the development of an action strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021, in which one of the main tasks is to deepen and ensure the sustainability of the reform of the tax system[1].

The main idea of the new taxation concept, which will be introduced in 2019, is to reduce the tax burden, apply a simpler and more stable taxation system. Thanks to this, it is possible to increase the competitiveness of our economy, create a comprehensive favorable environment for entrepreneurs and investors. Unfortunately, there is a large share of the “hidden” economy in GDP, which negatively affects the development of the country. Reducing the tax burden and creating more favorable conditions for doing business is the only way to put an end to the “hidden” economy. Therefore, it is necessary to develop a separate program providing for effective measures in this regard. The new version of the Tax Code should provide for the encouragement of conscientious, honest taxpayers, who are the basis of the country's development, and the punishment of those who act secretly.

As you know, with a reduction in tax rates or the abolition of certain taxes, budget revenues will necessarily decrease. This can be corrected with the help of effective tax administration and ensuring budget stability.

Tax administration should be such that even with the widespread introduction of value added tax, this condition does not lead to an increase in prices for consumer goods. Reducing the tax burden, it is necessary to introduce the same fair taxation regime for all and gradually abolish tax benefits. In the end, entrepreneurs themselves admit that the benefit provided has a negative impact on the competitive environment. The Cabinet of Ministers has been instructed to “develop a roadmap on this issue” [2].

Indeed, the state and taxpayers are equally interested in reducing the level of the tax burden of enterprises, establishing the optimal level of the tax burden on them and constantly maintaining this volume. An optimal assessment of the level of the tax burden ensures, on the one hand, the stimulation of financial and economic activities of enterprises, and on the other - a stable income flow to the state budget.

Literature review

In the conditions of economic liberalization, the issue of determining the optimal level of tax burden on business entities in the taxation system has always been one of the urgent problems.

Because it is the enterprises that carry out economic activities, through taxes that directly affect financial and economic activities, the state can restrict or purposefully stimulate their activities. Based on this, with an economic approach to the detailed disclosure of the content of the concept of tax burden, it is important to determine the possibilities of optimizing its level.

The concept of the tax burden is one of the complex economic concepts, and many of our classical and modern scientists have expressed their opinions on this.

Indeed, determining the optimal level of the tax burden in the economy, that is, the level equally favorable for both the state and taxpayers at this stage, has always been one of the urgent problems[3].

As we have already noted above, since the concept of the tax burden is one of the most complex economic concepts, a number of our scientists in this field have elaborated in their scientific work.

In particular, our modern scientist T.Tashmuradova, in his scientific research, gives the following considerations regarding the tax burden of taxpayers, "the tax burden is the ratio of the amount of all taxes and fees paid by an economic entity or citizen. The tax burden is characterized by how much the amount of taxes, fees (the amount of commissions) and fees (payments) affect the financial situation of the business owner.

This indicator is used only in scientific analyses. The heavier the tax burden, the greater the likelihood of tax evasion. The total amount of taxes and fees owed to taxpayers is a financial obligation for taxpayers. Financing of the state budget through taxes, changes in the tax burden directly affect the economic activity of taxpayers"[4].

According to T.S.Malikov, the tax burden is "the most generalizing indicator characterizing the role of taxes in the life of the state and society, is the value resulting from the market economy model being implemented, showing the weight of tax deductions in total production and income." Also, ".....it has been proven in science that until the weight of the tax burden reaches 30-33%, this level will not have a negative impact on the picture of production growth"[5].

A.Djuraev gives his feedback on the tax burden, he believes that the budget should not receive more than 40% of the taxpayer's income. The scientist believes that if this figure exceeds 40%, the cash flow of the enterprise will weaken significantly and it will be more difficult for him to fulfil his obligations to the budget[6].

According to German Professor L. Erhard, "the wishes of all citizens and business entities aimed at reducing the tax burden should be recognized as fair, when the required cost stability is achieved and productivity development is realized at a given pace, it will be possible to calculate and imagine how taxes can be reduced. Only then will we be able to really and realistically solve the problem of the tax burden that is crushing all of us in the economy"[7].

Adam Smith, the father of political economy, formulated the following four simple principles in 1776 in the Wealth of Nations, according to which taxation can lead to economic prosperity:[8]

- equality of taxation -taxpayers must pay taxes in accordance with their capabilities, that is, with their income received in a state shelter. In other words, he should pay taxes whenever possible. The ability of the payer to pay taxes is the first criterion;
- optimal taxation -the terms, types and amounts of payment should be clear to each person, that is, as taxpayers;
- ease of taxation – subject to collection in time and in the form most convenient for taxpayers;
- cheapness of taxation means that the cost of collecting taxes should be minimal.

In the 1980s, scientists M. Bernson, G. Stein and A.Laffer made a significant contribution to the development of the theory of economic supply in the USA.

These scientists believed that reducing tax progressivity by lowering tax rates would lead to increased sources of savings for businesses in which they could invest in the future.

Modern representatives of the neoclassical theory are the English economist A.V. Laffer, in his scientific research, argues that by lowering tax rates and reducing the progressiveness of taxation, enterprises should be allowed to increase their savings for investment, and not increase investments from the state, unlike Keynesian theory. An increase in the tax burden leads to a decrease in the tax base. As a result, entrepreneurs

either close businesses or try to hide the tax base, which leads to the development of a hidden economy.

A.Leffler believes that "burdening the tax burden can lead to an increase in government revenues only until a certain threshold is reached. This limit begins with the reduction of the taxable part of national production" [9].

According to Laffer's theory, the development of the economy is directly proportional to the increase in the tax burden, that is, with an increase in taxes, the hidden economy increases, as a result of which most of the income received is not indicated in the declaration. On the contrary, tax cuts provide an incentive for economic development. This will increase due to an increase in the tax base, and not due to an increase in the rate and burden on government revenues [10].

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According to Laffer, tax cuts have led to economic growth and increased government revenues. In history, this is called the Laffer curve. Reaching the tax rate to a certain level increases tax revenues, further increasing it, on the contrary, reduces tax revenues.

An increase in the tax rate leads to an increase in budget revenues only until a certain level is reached, then this growth slows down, and with a repeated increase, budget revenues decrease faster than with an increase. Thus, entrepreneurial investments die from the fact that the tax rate reaches a certain level, the incentive to expand production decreases, taxable income decreases, as a result of which some taxpayers move from the "legal" sector of the economy to the "hidden" sector. On the contrary, tax cuts provide an incentive for economic development. This is due to an increase in the tax base, and not due to an increase in the tax rate and the burden of government revenue.

A.Laffer presented the progressive tax rate and budget revenues curve in the form of a parabola, and he came to the following conclusion: a lower tax rate has a positive effect on private sector investment activity. Many economists have already written that there is a limit to the income of taxpayers in the budget, and not to increase the tax burden. The state influences the growth or decline of national production through changes in tax rates and budget expenditures. Tax burden issues have been an important topic that has been widely discussed in all societies and eras.

One of the issues that has been the focus of scientists' attention for many years is determining the optimal, scientifically based level of tax burden that enterprises can bear. At one time, K.Gok noted the difficulty of determining the most optimal and fair level of the tax burden, stating that "reducing the tax burden of 50 shillings per person for England and setting only 1 shilling per capita for Ostindi in simple conditions is considered excessive for them, or 6 million for Ireland. the amount of tax payable by residents is estimated at 2 million pounds of Scotland. the payment of this amount is not considered burdensome."

The conducted research has shown that the issues of the tax burden that falls on a separate state or individual groups of the population have always been at the centre of the analysis topic, and the issue of determining the optimal scientifically justified, as well as a fair level of tax burden, taking into account all internal and external factors, has not been sufficiently studied at the enterprise scale.

The above brief analysis indicates that the tax burden in ancient times tended to increase, starting with “decimal places”. Studying the opinions presented in the scientific literature on the definition of the tax burden, today, when determining this indicator, the thoughts of K.F.Shmelev are remarkable.

In his opinion, the level of the tax burden, in addition to other listed factors, is directly and indirectly influenced by such additional factors as the standard of living of the majority of the population of the state, the dynamics of growth rates and age composition of the population, the economic structure of the state, the characteristic features of public spending, the current taxation system[11].

Adding to the opinion of K. Shmelev, we believe that in modern conditions, the following factors also influence the increase or decrease in the tax burden borne by an economic entity:

- organizational and legal form and features of the formation of financial resources and the formation of the start-up capital of an economic entity;
- participation of an economic entity in special investment and other projects of the state, possession of tax credits, availability of budget credits, application of tax deferrals.

When approached from this point of view, the weight of the tax burden for each business entity is individual, and when determining it, it is necessary to take into account not only economic factors, but also political ones. Our research has shown that discussions are currently underway between our scientists regarding the definition of the tax burden in the following areas[12]. That is:

- when determining the tax burden imposed on an economic entity, whether to introduce a tax on personal income or not;
- whether indirect taxes should be taken into account in the books or not.

According to scientists, the burden of these taxes falls on the end user. In our opinion, for the time being, of course, it should be taken into account only on the basis of a special calculation method. It is worth noting that some scientists do not take into account the presence of VAT deductions in their calculation formulas, which can lead to an increase in the level of the tax burden.

When determining the tax burden, it is necessary to compare with which base the taxes and fees calculated and paid by an economic entity, i.e. in the economic literature as such an indicator are given:

- the indicator of the profit achieved by the enterprise. In our opinion, making a profit as a comparable indicator when determining the level of the tax burden does not serve to fully disclose the issue, since profit does not always act as a source of taxation. Also, the use of this indicator may lead to an increase in the level of the tax burden up to 100% in some cases;
- an indicator of added or newly created value. Of course, this indicator may be relatively correct. But some types of taxes have a relatively broader base and may not directly depend on the size of this indicator.

We consider it appropriate to define the tax burden as it should be, in our opinion, taking into account the above considerations and definitions.

The tax burden is an indicator determined based on the current tax legislation in percentage terms as the ratio of the total amount of all taxes and other mandatory payments, fees, deductions to extra-budgetary funds accrued and paid by an economic entity in the

reporting period in which the tax burden is determined, and the expenses of tax administration by an economic entity to its added value created in the reporting period in which the activity of an economic entity is considered[13].

In our opinion, it is important to determine the tax burden that is correctly and accurately calculated and actually represents the burden of taxes borne by the enterprise. This indicator is the basis for further measures to develop the activities of enterprises. Of course, when determining the optimal level of the tax burden on enterprises, as we have already noted above, it is also necessary to study such indicators as the level of profitability of enterprises, the amount of value added created at enterprises. Because many of our economic scientists believe that most of the tax burden in the activities of economic entities largely depends on the level of value added created by them in the course of their activities, many propose to determine the tax burden in relation to value added at the micro level, i.e. on the scale of enterprises, which, in their opinion, allows you to find the true level tax burden.

Research methodology

When determining the level of the tax burden and optimizing its distribution in the financial activities of business entities in the Republic of Uzbekistan, developing the Concept of Tax policy and analyzing internal and external factors, conclusions and proposals are formulated.

In the process of conducting research, general methodological methods were used—such as observation, comparison, generalization and grouping.

Result and discussion

The fiscal significance of indirect taxes, including value added tax, in the formation of state budget revenues of our republic is high. Indirect taxes are the most important source of compensation for the loss of state budget revenues caused by a sharp reduction in direct tax rates, especially during the reforms carried out as part of the adoption of the Concept of Improving Tax Policy.

For business entities that have so far paid only a single turnover tax, the payment of value added tax requires additional knowledge.

As we have seen as a result of the study of the legal basis for the distribution of taxes between budgets and the formation of local budget revenues, this process looks somewhat complicated. Here we will analyze the dynamics of changes in tax revenues in the Navoi region and their distribution between local budgets, as well as the practice of generating local budget revenues.

Increasing the role and importance of taxes in economic management remains a requirement of the time, without taking into account the tax policy carried out in the republic aimed at reducing the tax burden on economic entities.

An increase in tax revenues is impossible without the development of entrepreneurship in the territory and the expansion of the tax base.

The analysis shows that in the Navoi region, the planned indicators of tax revenues in 2017-2021 are regularly exceeded. In particular, planned tax revenues were met in 2017 by 100.1 percent, in 2018 by 100.2 percent, in 2019 by 100.3 percent, in 2020 by 102.5 percent. Also in 2021, 1653.3 billion.sum actual tax revenues during planning 2006.7 billion.sum planned indicators are fulfilled by 121.4 percent.

Table 1

Analysis of the execution of planned tax revenues in the Navoi region [14]

Indicators	Years					Changes in 2021 compared to 2017
	2017 year	2018 year	2019 year	2020 year	2021 year	
Planned tax revenues, billion sums	890, 5	1 082, 3	1 302, 9	1517,1	1 653,3	+762,8
Actual tax revenues, billion sums	891,3	1 084,1	1 306, 7	1555,1	2 006,7	+1115,4
Implementation of planned indicators, as a percentage	100,1%	100,2%	100,3%	102,5%	121,4	+21,3

An increase in tax revenues is impossible without the development of entrepreneurship in the territory and the expansion of the tax base.

Proceeding from this, it should be said that the existence of a system for generating local budget revenues with the establishment of deductions from national taxes and subventions based on the inadmissibility of local budget deficits established in accordance with the budget legislation of our republic also strengthens the viability of local authorities.

The table below shows an analysis of the financial results and indicators of the tax burden of the enterprise "Navoi Shams", operating in the city of Navoi:

Table 2

Financial results and indicators of the tax burden of the enterprise "Navoi Shams" [15]

Indicators	2017 year	2018 year	2019 year	2020 year	2021 year
Sales revenue, million sums	14137.8	15864.2	20563.5	38205.4	48697.0
Material costs, million sums	3167.8	4770.2	7011.6	11604.1	14704.2
Non-operating income, million sums	735.8	647.0	1024.8	881.4	2261.3
Non-sales expenses, million sums	2697.3	2028.6	1381.9	2898.5	5161.4
Value added (VAT), mln. sum (1-2+3-4)	9008.6	9712.4	13194.9	24584.1	31092.8
The share of value added in revenue, million sums (5/1)*100	63.7	61.2	64.2	64.3	63.8
Total taxes, million soums	4157.2	4178.5	5911.3	9759.9	11877.4
Total tax burden as a percentage(7/5)*100	46.1	43.0	44.8	39.7	38.2

If you pay attention to the data in the table below, the tax burden on this enterprise has a steady downward trend. This is due to the fact that the financial results of the Navoi Shams enterprise, including the share of VAT in revenue, were stable in the analyzed years. In this case, the change in the level of the tax burden is more influenced by tax factors (changes in the amount, base or tax rate) than the VAT factor.

The table shows that the total tax burden has been decreasing over the years. So, if in 2017 its level was 46.1%, then by 2021 this indicator was 38.2%, that is, the tax burden of the enterprise for the same period decreased by 7.9 points. This, of course, is explained by the regular reduction of the VAT rate, income tax.

The issue of optimizing the tax burden on business entities in most cases is reflected in the minimization of taxes. At the same time, a reduction in one type of tax or rate may lead to an increase in other types of taxes or fees.

In addition, an increase in one type of tax within a state or a certain territory may lead to a reduction in other taxes or a general reduction in budget revenues. From this it can be seen that it is very important for the state to have an optimally functioning tax system.

Conclusion

It is necessary to reduce income and property tax rates based on the level of profitability of tax entities engaged in production activities, achieving financial results and high profitability of property. This circumstance, combined with the further intensification of the interest of these entities in economic activity, leads to the achievement of higher profitability, as well as to the effective use of the property at their disposal.

Support of initiatives to increase the investment attractiveness and business climate of the country and, in this regard, optimization of the tax burden, the use of incentive measures for taxpayers who have fulfilled their tax obligations and voluntarily legalized entrepreneurship, expansion of cooperation with government agencies on issues of tax neutrality and increased transfer, in particular, together with the Ministry of Finance and other ministries, the necessary measures to eliminate problems that hinder the attraction of investments and the development of entrepreneurship.

Based on the criteria for assessing the tax burden on business entities and further reducing this indicator, the following proposals have been developed:

- in order to ensure an optimal, fair distribution of the tax burden between sectors of the economy, attention should be paid to determining the importance of the industry in achieving economic progress, taking into account the degree of profitability, the structure of cost formation, monetary circulation, the possibility of hiding taxable income and other indicators;

- the development and compliance with the optimal tax burden for each country, including Uzbekistan, creates the basis for sustainable economic development and improving the standard of living of the population. The fact that the role and importance of tax benefits in accelerating economic relations and improving entrepreneurship are invaluable is the result of practical experience. But having too many tax deductions, as mentioned above, has the opposite effect on the effectiveness of the tax mechanism. In addition, granting benefits to one tax entity will lead to an increase in the weight of the tax burden for another entity. This circumstance, in turn, leads to an uneven distribution of taxes between business entities;

- when developing a methodology for determining the optimal tax burden for taxpayers, the gross domestic product produced per capita, natural population growth, the weight of young people in the general population structure, as well as the weight of active layers and the workforce, the weight of pensioners in the population structure, the peak employment rate, the level of natural necessary unemployment and similar criteria.

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