



ANALYSIS OF THE EFFECT OF TAX OFFENCES ON THE FORMATION OF STATE BUDGET REVENUES.

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Article history:	Abstract:
<p>Received: 6th December 2023 Accepted: 4th January 2024 Published: 08th February 2024</p>	<p>This article contends that prosecuting individuals and legal entities for their errors is an insufficient solution to the prevailing issues. Instead of resolving problems, such measures may inadvertently give rise to new errors, tax evasion, and inadequate disclosure of income within the tax base. The remedy lies in adopting a scientific approach to prevention. Emphasizing the urgency of these challenges, our research primarily focuses on implementing effective mechanisms. These mechanisms are designed to minimise the adverse effects of violations on state budget revenue formation, emphasizing the need for systematic management to use these preventive measures.</p>

Keywords: analysis of tax revenues, tax administration, tax offences, tax evasion, taxable base, management of tax relations.

INTRODUCTION

Step-by-step implementation of reforms, consistent and consistent progress along the path of democratic and market reforms, strong social policy, and protection of the most vulnerable segments of the population, together with the positive results of fundamental changes implemented in Uzbekistan, supporting them -predetermines its empowerment and recognition.

Serious attention is being paid to the issues of further improvement of the tax system, increasing the incentive role of taxes, and reducing the tax burden on economic entities. In the third priority direction of the action strategy, called economic development and liberalisation, important tasks such as continuing the policy of reducing the tax burden and simplifying the taxation system, expanding the relevant incentive measures, improving the investment environment, and actively attracting investments to the sectors and regions of the country's economy were defined.

Ensuring fiscal stability and effective management of state obligations in the Republic of Uzbekistan until 2030 in the "Uzbekistan - 2030" strategy. Also, tasks such as using the opportunity to further expand the tax base by reducing the "hidden economy" are defined.¹

Taxes paid by business entities are important for the development and stability of our economy, and in order to ensure that these taxes are paid regularly, on

time, and in full to the budget, tax violations in enterprises getting it done is equally important. Therefore, the need to identify the existing shortcomings in this regard and develop scientific proposals and practical recommendations for their elimination by carrying out research on this topic has now become one of the most important and urgent issues.

LITERATURE REVIEW

International scientists S. Glinkina, V. Dadalko, V. Esipov, I. Klyamkin, V. Ispravnikov, A. Krylov, A. Korchagin, Yu. Latov, G. Mishin, V. Ovchinsky, Ye. Panova, Scientific research works of Ye.Rumyanseva, R.Satuev, L.Timofeev, Yu.Sqganov, N.Chernina, D.Shraer, Yu.Shishnin, P.Khlebnikov, N.Yas'kova are aimed at solving these problems.

Also, local economists A. Vakhobov, E. Gadoev, I. Jamolov, I. Jo'raev, N., A. Isakhodjaev, A. Ortikov, A. Soliev, B. Toshmurodova conducted scientific research related to the issues of tax offences., N. Kuzieva, N. Tokhliev, P. Yoldoshev, N. Usmanov, A. Olmasov, Z. Qurbanov, Sh. Toshmatov, A. Shestakov, Q. Yahyoevlar, H. Abulkosimov were researched in their scientific works.

The following factors generally affect the increase or decrease of income to the budget:

- growth of the republic's economy;
- introducing the free exchange rate of the soum;
- relatively high world prices for precious and non-ferrous metals;
- introduction and relaxation of quarantine measures during the pandemic;

¹Decree of the President of the Republic of Uzbekistan on the "Uzbekistan - 2030" strategy, Tashkent city, September 11, 2023, No. PF-158.



- tax reform;
- introduction of new instruments of tax administration.

RESEARCH METHODOLOGY

The article uses methods of economic, logical, and scientific abstraction, comparative analysis, monographic research, data grouping, induction and deduction, and statistical analysis.

ANALYSIS AND DISCUSSION OF RESULTS

If we analyse the tax offence within the framework of the local budget,

1.2 trillion sums of illegal spending and 200 billion sums of deficits and thefts were found last year from the budget, employees who did not actually work were paid, embezzlement through plastic cards, we can observe violations in the field of construction and cases where it is allowed to use land plots in cases that exceed the established norms, in which case, tax violations can be considered as a sphere of economic activity outside the law, that is, transactions are carried out illegally, compliance with legal norms and rules of economic life not done.

The relationship that is found mainly in the construction industry is determined by the fact that its participants hide what they are doing as much as possible. These persons keep the amount of income from the activity a secret from the tax service and law enforcement bodies, and from the society. Determining the extent of such cases creates a lot of difficulty in the management system.

On 18 August 2023, in the open dialogue of the President with businessmen, it was reported that the share of the secret economy in the country is about 40%. He noted that despite the measures taken, the share of the underground economy in the construction sector remains high. 6-7 percent of the secret economy is in construction. Alcohol products account for 6-7 percent of the secret economy. According to experts, the share of the hidden economy is 40 percent and is estimated at about 32 billion dollars.

This value is mainly due to the secondary market of real estate and vehicles, wholesale and retail trade, services, smuggling of tobacco products, trafficking of illegal goods, agriculture, etc.²

At the meeting held on January 16, 2023 with the participation of the President, sources of tax evasion and tax crimes in the following areas were disclosed.

Including:

According to the information announced by the head of state, 140 trillion soums in services, 50 trillion soums in construction, and 40 trillion soums in industry remain "in the shadows". If they are in place, 135 trillion soums can be added to the gross domestic product and 30 trillion soums to the state budget.

41% of 27,000 construction companies or 10,947,000 listed only one employee as an official employee in their reports, of which 2,249 were in Tashkent, 1,087 were in the Tashkent region, 837 were in Samarkand, etc. Construction works worth 4 trillion soums were completed by these enterprises last year.

Today, about 5 million people work in the informal sector, and the entrepreneurs who pay them a salary do not pay taxes.

Budget losses as a result of tax offences in foreign countries are presented in the following table.

² Source: <https://kun.uz/news>



Table 1. Ranking of tax revenue loss due to tax offenses and crimes (2022) in dollars³

<i>Countries</i>	<i>Total annual losses</i>	<i>Annual tax losses to other countries</i>
USA	177.270.091.562	20.161.882.812
Brazil	7.926.624.840	2.010.211.140
Italy	4.771.254.942	4 533 744 141
Russia	1.315.252.810	0
Germany	26 046 215 032	0
France	33 024 647 225	4 215 977 539
Japan	8 319 468 982	0
China	11.435.210.938	0
Great Britain	44.684.200.572	61.652.363.344
Spain	6 424 654 175	1 402 078 857
Canada	3.650.585.152	11.575.162.096
Azerbaijan	22 511 023	0
Kazakhstan	183.338.811	0
Uzbekistan	12 005 689	111 617 899
Tajikistan	754 316	272 239
Kyrgyzstan	5.533.579	0

³ Source www.taxjustice.net



The impact of taxes on the formation of state budget revenues.

Analysing the activities of legal entities operating in the Republic of Uzbekistan, there are also cases of violation of tax legislation by taxpayers.

According to information provided by the Tax Committee of the Republic of Uzbekistan, a total of 571,890 legal entities operate in the Republic today. 63,162 of them were established in the period from January to August of this year, which is 11 percent of the total number. If we analyze in the cross-section of industries, the industry with the largest number of legal entities, 23,354 (150,427) and 10,240 (68,894) legal entities have started their activities in the industrial sector. The least-opened sectors correspond to the directions of transportation and storage and information communication.

In the regions, the largest number of enterprises that started their activities as legal entities correspond to Tashkent city 11484 (98681), Fergana region 5819 (51896), Samarkand region 5916 (54914).

As of September 1, 2023, 247,505 people started their business as individual entrepreneurs, and 66,448 people from the beginning of the year, which indicates an increase of 26.8% this year. If we take a cross-section of industries, the largest number of entrepreneurships is organised by those who started their activities in the field of retail trade, 29,190 (120,444) people. 5,009 (24,885) entrepreneurs work in the craft sector, 7,632 (23,354) in the household service sector and 24,617 (78,822) other types of activity. According to tax regimes, 82.2 percent of them, i.e., 205,883 people, pay income tax in a fixed amount, 15.9 percent, i.e., 39,469 people pay turnover tax, 0.9 percent, 2,159 people pay value added tax. i are payers. The Tashkent city, the Tashkent region, the Samarkand region, and the Fergana regions have the largest number of registered entrepreneurs.

The work of state bodies aimed at combating tax violations is limited to prosecution for the mistakes made by individuals and legal entities, and is not focused on identifying and eliminating its root causes. As a result, new errors, tax evasion, and cases of underreporting of income in the tax base are emerging, which require a scientific approach to eliminate, prevent, or eliminate.

Under the influence of crimes, taxpayers try different ways to hide taxes and evade tax payments. Based on the urgency of the problems, the implementation of effective mechanisms aimed at reducing the impact of violations on the economy, especially the management of the tax system, the effective use of information

technologies in the use of such mechanisms, the prevention of tax violations by analysing the information provided by the programmeme, it is required to give scientifically-approached opinions on finding the root causes and eliminating it.

Preexamination analysis is an automated analysis of the submitted tax report and other information about the taxpayer's activities, carried out by tax authorities using information systems, without the participation of the taxpayer.

Tax authorities may conduct a pre-audit analysis before the in-house tax audit begins. (Article 138 of the Tax Code)

If, during the pre-audit analysis, discrepancies and (or) errors are found in the tax report submitted by the tax authority with the information available in the tax authority, a notice is sent to the personal office of the taxpayer to make appropriate corrections to the tax report.

The introduction of this automated system creates a number of advantages for taxpayers. Including:

- Helps to ensure that taxes are calculated and paid on time and in full;
- Enables independent elimination of tax violations that occurred in their activities;
- It serves to ensure the prevention of financial fines, administrative or criminal liability measures that may be applied to them;
- It gives the opportunity to limit the cases of unjustified interference and corruption in their activities and to reduce administrative pressures.

In 2022, more than 90.7 trillion soums of discrepancies were found in taxpayers' reports.

As a result of pre-audit analysis of taxpayers in 2022, differences of 90.7 trillion soums were revealed.

Of this, 76.7 trillion soums of discrepancies or 84.5% of the total identified discrepancies were eliminated:

- 4.1 trillion sums of additional taxes were calculated;
- The indicators in the reports on the difference of 72.6 trillion soums have been corrected.

As a result of pre-inspection analyses conducted during January-August 2023, 89,136 enterprises submitted re-reports and 5.9 trillion soums of taxes were calculated.

Areas where the biggest gap was identified:

- production - 3 trillion soums (51.2%);
- General catering and trade - 861.1 billion sums (14.5%);
- construction - 849.2 billion soums (14.3%);
- transport - 207.9 billion soums (3.5%);



- agriculture - 172.1 billion soums (2.9%);

In order to prevent tax violations, it is necessary to emphasise the appeals received from taxpayers; as of September 1, 2023, there were 84,786 appeals, and 99.5 percent of these appeals were confirmed as tax violations. Mainly in which areas such rule violations were detected:

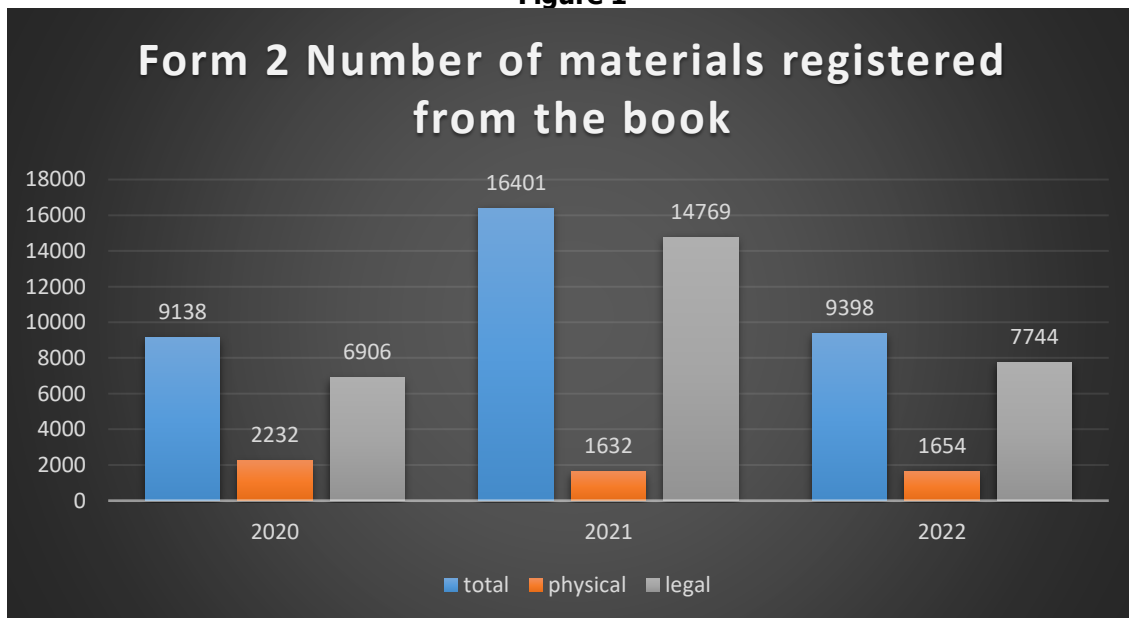
- ✓ failure to issue sales receipts to buyers - 93.4 percent;
- ✓ 3.9 percent cases of nonacceptance of payments by plastic card;
- ✓ the case of increasing the purchase amount for a plastic card - 0.2 percent;

- ✓ committing tax offences in other cases - 2.4 percent.

If we analyse these indicators in terms of regions, it remains a fact that the applications received and the awards paid on this basis are implemented mainly in the Tashkent, Samarkand, Kashkadarya, Surkhandarya and Navoi regions.

In the example of Fergana region, we can see from the diagram below that tax violations are committed and timely identified by tax authorities, and administrative measures are taken in connection with the cases.

Figure 1



As a result of these inspections, the registration from the 2nd form book indicates cases of tax violations. According to this, in 2021, 16,401 cases related to violations were identified during the investigation, of which 14,769 cases were related to legal entities and 1,632 cases were related to individuals.

This indicates that 55.7 percent more tax violations were detected in 2021 than in 2020. We can say that in 2022, the indicator decreased by 57.3 percent compared to 2021.

Figure 2

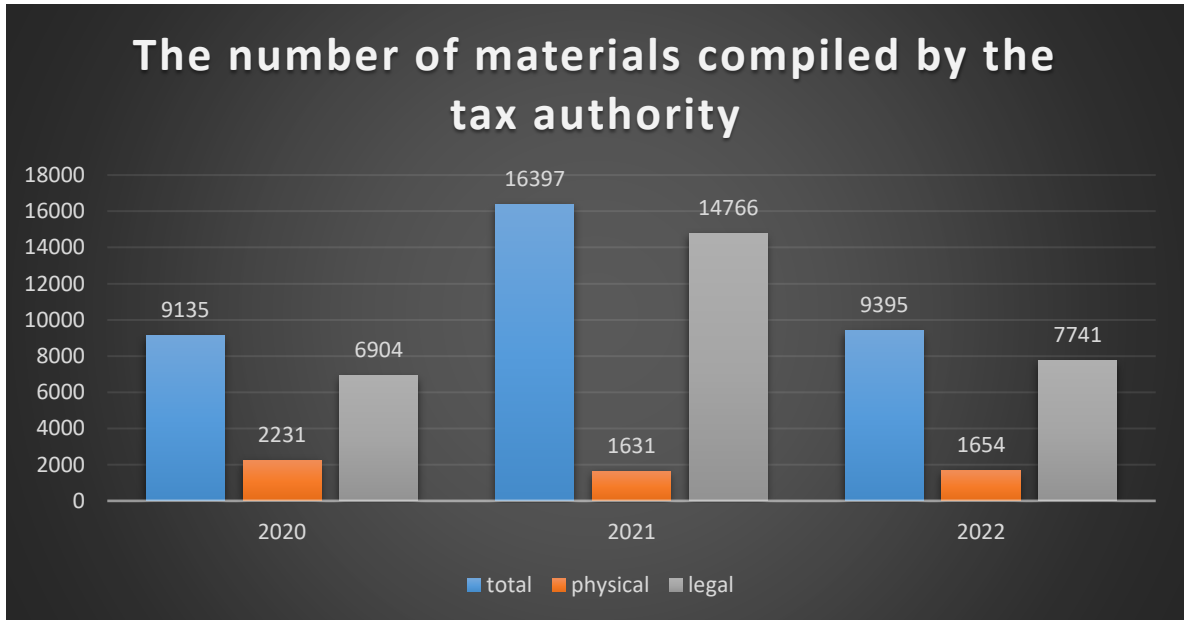


Figure 3

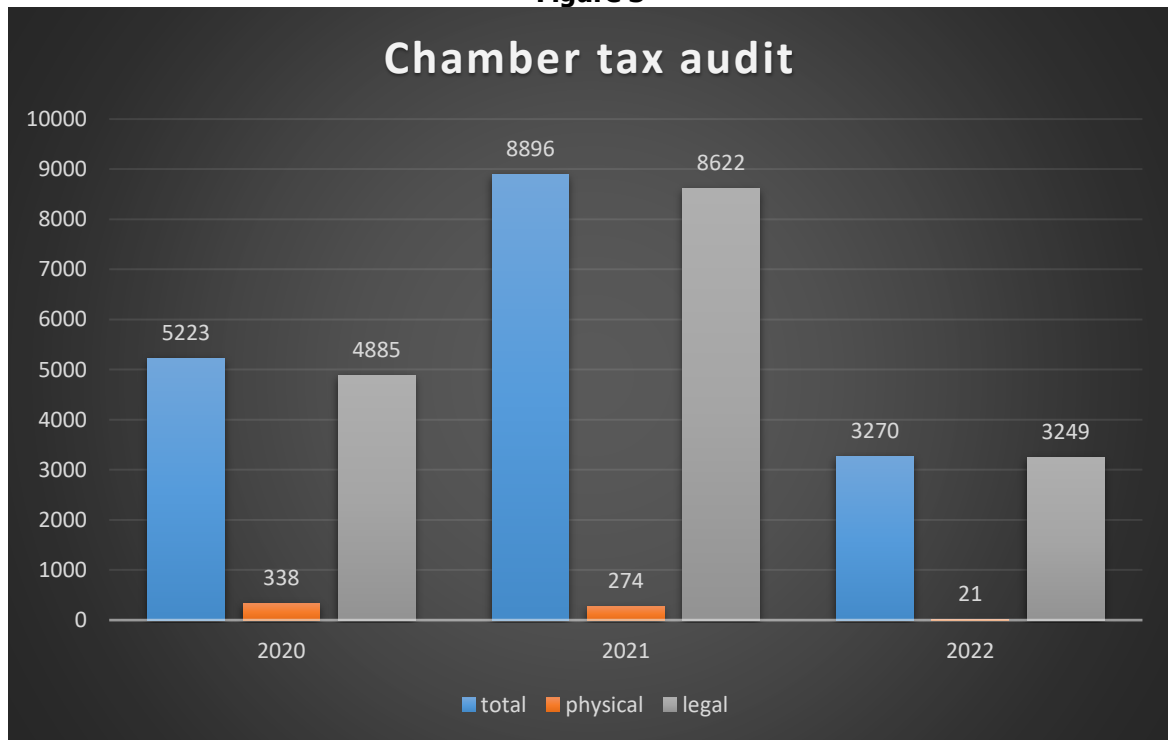
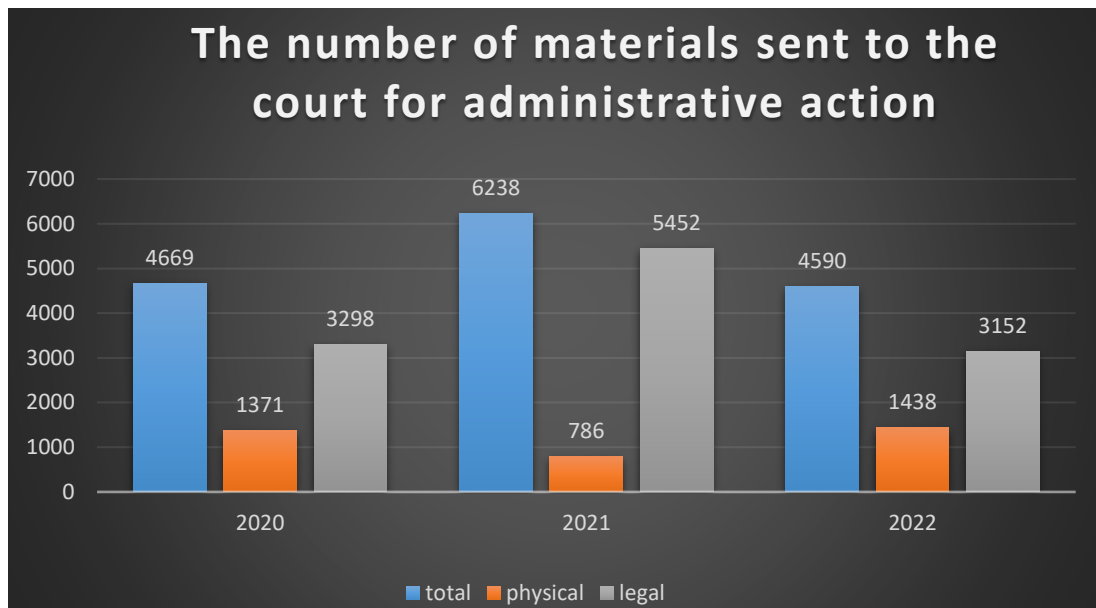


Figure 4



If we look at the analysis of how taxpayers comply with taxes, a total of 866 tax audits were conducted in 2022, which is 0.15 percent of taxpayers. In 8 months of 2023, only 679 subjects were inspected, and this indicator is 0.1 percent. Despite this low figure, cases of tax evasion of 1.2 trillion soums were found in 223 subjects. These are:

- Failure to indicate the amount of goods sold in 138 legal entities in the amount of 697.2 billion soums.
- 63 legal entities do not have 489.4 billion soums of goods in warehouses or sales;
- Cases of 23.9 billion sums of unpaid goods were found in 22 legal entities. These indicators correspond mainly to the contribution of production, construction, trade and other sectors.

The above analysis shows that if 1.2 trillion sums of tax violations were detected during a 0.1% inspection, as the number of inspections increases, cases of tax evasion and tax evasion in various ways may become obvious.

CONCLUSIONS AND SUGGESTIONS

In Uzbekistan, the fight against tax offenses is of great socio-economic importance, and for this it is advisable to implement the following:

- creation of specific legal conditions for business;
- establishing a clear boundary between the capital obtained through crime and the capital of clandestine producers;
- Formation of the "Honest Taxpayer" system and explaining this idea to taxpayers;
- abandoning fixed types of taxes;

- promotion of all-round cashless payments;
- to further strengthen trust in the authorities, which is to protect the population from being deceived by financial frauds, to protect their deposits, and to protect private ownership institutions.
- Establishment of public control over the activities of economic entities.
- It is expedient to establish a center for combating tax offenses and to assign to it the task of coordinating the activities of state and non-governmental, public organizations fighting against tax offenses in our country;
- Organized crime will lose its power if large sums of money are taken under the control of the state and the public.
- Organisation of training in the science of tax offences in professional education and higher educational institutions.

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