THE CONCEPT OF "TAX GAP" AT THE MICRO LEVEL AND THE SPECIFIC CHARACTERISTICS OF ITS CALCULATION

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Annotation:
Article 266 of the current Tax Code defines the conditions for crediting the paid value added tax. As a basis for calculating the value added tax according to this article, the fact that the tax is shown in the invoices or that the tax is paid to the budget in the case of goods being brought (imported) is taken as the main criteria. In practice, due to the fact that the value added tax is generated through electronic invoices and the fact that the payment of value added tax in the customs authorities is shown electronically on personal cards, it has become easier to establish control over the correct crediting of the tax. Nevertheless, there are problems in the implementation of control over whether the tax is actually paid to the budget by the counterparties when purchases are made from the domestic market, and whether it is correctly shown in the reports.

In order to solve this problem in an automated way, it is appropriate to calculate the "VAT tax gap" - value added tax gap or gaps in the value added tax chain, which is used in foreign practice.

In this paper, the concept of VAT tax gap, the author's recommendations on the formula for calculating this coefficient and the calculation algorithm are presented. By automating this algorithm, it will be possible to control the correct crediting of value added tax and provide additional tax revenue to the state budget.

Keywords: Value added tax, VAT tax gap, gap in value chain.

Introduction

The value added tax is one of the new forms of taxes that do not have a long history. If we consider that this form of tax was set up and implemented for the first time in

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the 1960s of the last century, and it currently implemented in more than 170 countries of the world, it clearly shows the importance of this form of tax. There are many studies and researches on VAT. However, the gap in value added tax or the gaps in the value added tax chain, that is, the "tax gap", is one of the areas that has not been fully studied because it is a relatively new concept. In particular, in Uzbekistan, the concept of "tax gap" is not provided for in any normative-legal documents, and no study has been conducted on this theory yet.

The gap in the value-added tax or the gaps in the value-added tax chain, that is, the concept of "tax gap" can be divided into two levels:

macro level value added tax gap;

gaps in the value added tax chain at the micro level.

Tax gap coefficient formula.

Below is the formula for calculating the coefficient of the gap in the value added tax chain. The economic essence of this coefficient is that the tax sum calculated using the determined coefficient it will be possible to make corrections. The coefficient is between one and zero, and by multiplying the credited tax amount by this coefficient, the tax amount to be corrected would be determined.

〖TG〗_a=1- ((∑_(t=1)^12 〖INP〗_1^VAT* 〖Share〗_a^INP* 〖Report〗_1^VAT)*(1-(〖Debt〗_1^VAT)/(∑_(t=1)^12 〖FP〗_1^VAT))* 〖Cond〗_1^(Not Fraud) + … + (∑_(t=1)^12 〖INP〗_n^VAT* 〖Share〗_a^INP* 〖Report〗_n^VAT)*(1-(〖Debt〗_n^VAT)/(∑_(t=1)^12 〖FP〗_n^VAT))* 〖Cond〗_n^(Not Fraud))/((∑_(t=1)^12 〖INP〗_1^VAT+ ∑_(t=1)^12 〖INP〗_2^VAT+ …+ ∑_(t=1)^12 〖INP〗_n^VAT)* 〖Share〗_a^INP)

Here:

〖TG〗_a- The tax gap coefficient of company "a".

〖INP〗_n^VAT – The amount of VAT credited from the nth counterparty of company "a".

〖Share〗_a^INP–The share of credit in all input VAT of company "a". (∑_(t=1)^12 010th row of VAT report / 010th row of 3rd Annex of VAT report)

〖DEBT〗_n^VAT – The VAT debt of the nth counterparty of company "a".

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〖FP〗_n^VAT– The VAT for payment of the nth counterparty of company "a". If 〖DEBT〗_n^VAT > 〖FP〗_n^VATthen, 〖DEBT〗_n^VAT = 〖FP〗_n^VAT.

〖Report〗_n^VAT – The submission of VAT report by the nth counterparty of company "a". If the VAT report submitted by the nth counterparty, it would be equal to 1, otherwise– 0.

〖Cond〗_n^NotFraud– Whether the nth counterparty of company "a" is not '’suspicious". If the nth counterparty is not "suspicious", it would be equal to 1, otherwise to 0.

Algorithm for identifying gaps in the VAT chain at the company level.

Example: "a" - enterprise has "n" counterparties. A total of "s" the amount was credited from these enterprises for "p" period. The total VAT tax gap coefficient is calculated on the basis of the formula given in Part III for company "a", and this indicator is used to determine the total incorrectly credited VAT amount. In order to identify which enterprise was the reason for tax gap we will use following algorithm: For the 1st counterparty:

$$\sum_{(t=1)}^p 〖INP〗_1^{VAT} = \sum_{(t=1)}^p 〖INP〗_{(1\_correct)}^{VAT} + \sum_{(t=1)}^p 〖INP〗_{(1\_incorrect)}^{VAT}$$

$$\sum_{(t=1)}^p 〖INP〗_{(1\_incorrect)}^{VAT} = \sum_{(t=1)}^p 〖INP〗_1^{VAT} *(1- 〖Report〗_1^{VAT}*(1-(〖Debt〗_1^{VAT})/(\sum_{(t=1)}^p 〖FP〗_1^{VAT}))* 〖Cond〗_1^{(Not Fraud)})* 〖Share〗_a^{INP}$$

$$\sum_{(t=1)}^p 〖INP〗_{(1\_correct)}^{VAT} = \sum_{(t=1)}^p 〖INP〗_1^{VAT} - \sum_{(t=1)}^p 〖INP〗_{(1\_incorrect)}^{VAT}$$

Here:

〖INP〗_1^VAT – The amount of VAT credited from the 1st counterparty of company "a".

〖INP〗_(1_correct)^VAT- The amount of VAT correctly credited from the 1st counterparty of company "a".

〖INP〗_(1_incorrect)^VAT- The amount of VAT incorrectly credited from the 1st counterparty of company "a".

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〖Share〗_a^{INP}– The share of credit in all input VAT of company "a". ($\sum_{(t=1)}^{12}$ 010th row of VAT report / 010th row of 3rd Annex of VAT report)

〖DEBT〗_1^{VAT} – The VAT debt of the 1st counterparty of company "a".

〖FP〗_1^{VAT}– The VAT for payment of the 1st counterparty of company "a". If 〖DEBT〗_n^{VAT} > 〖FP〗_n^{VAT}then, 〖DEBT〗_n^{VAT} = 〖FP〗_n^{VAT}.

〖Report〗_1^{VAT} - The submission of VAT report by the 1st counterparty of company "a". If the VAT report submitted by the 1st counterparty, it would be equal to 1, otherwise– 0.

〖Cond〗_$1^{NotFraud}$– Whether the 1st counterparty of company "a" is not ''suspicious". If the 1st counterparty is not "suspicious", it would be equal to 1, otherwise to 0.

…

for the the nth counterparty:

$\sum_{(t=1)}^{p}$ 〖INP〗_n^{VAT} = $\sum_{(t=1)}^{p}$ 〖INP〗_$(n\_correct)^{VAT}$+ $\sum_{(t=1)}^{p}$ 〖INP〗_$(n\_incorrect)^{VAT}$

$\sum_{(t=1)}^{p}$ 〖INP〗_$(n\_incorrect)^{VAT}$= $\sum_{(t=1)}^{p}$ 〖INP〗_n^{VAT} *(1- 〖Report〗_n^{VAT}*(1-(〖Debt〗_n^{VAT})/($\sum_{(t=1)}^{p}$ 〖FP〗_n^{VAT}))* 〖Cond〗_$n^{(Not Fraud)}$)* 〖Share〗_a^{INP}

$\sum_{(t=1)}^{p}$ 〖INP〗_$(n\_correct)^{VAT}$= $\sum_{(t=1)}^{p}$ 〖INP〗_n^{VAT}- $\sum_{(t=1)}^{p}$ 〖INP〗_$(n\_incorrect)^{VAT}$

Here:

〖INP〗_n^{VAT} – The amount of VAT credited from the nth counterparty of company "a".

〖INP〗_$(n\_correct)^{VAT}$- The amount of VAT correctly credited from the nth counterparty of company "a".

〖INP〗_$(n\_incorrect)^{VAT}$- The amount of VAT incorrectly credited from the nth counterparty of company "a".

〖Share〗_a^{INP}– The share of credit in all input VAT of company "a". ($\sum_{(t=1)}^{12}$ 010th row of VAT report / 010th row of 3rd Annex of VAT report)

〖DEBT〗_n^{VAT} – The VAT debt of the nth counterparty of company "a".

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〚Report〛_n^VAT - The submission of VAT report by the nth counterparty of company "a". If the VAT report submitted by the nth counterparty, it would be equal to 1, otherwise– 0.

〚Cond〛_n^NotFraud– Whether the nth counterparty of company "a" is not ''suspicious". If the nth counterparty is not "suspicious", it would be equal to 1, otherwise to 0.

Problems and suggestions for the practical implication of the coefficient "Tax gap". In the proposed formula, the main conditions for tax crediting are as follows:

A report on the tax being credited has been submitted by the counterparty;

The recorded tax has been paid to the budget;

That the counterparty of the tax amount to be taken into account is not a "suspicious" enterprise.

Although there is a similarity between the legislation and the conditions of the above formula, a number of amendments should be made to the legislation in order to use the formula in practice.

First of all, it is established that one of the sufficient conditions is when the tax payer for the goods (services) received according to the law receives an invoice or other document that separately specifies the amount of tax provided by the supplier, and the supplier of the goods (services) is registered as a tax payer. But the non-submission of the report by the counterparty means that the value-added tax specified in the submitted invoice has not been reported or paid. This, in turn, leads to a decrease in budget revenue or a gap in the chain as a result of crediting the amount of tax that has not actually been paid. For this reason, it would be expedient to specify as a condition the submission of a report by the invoiced enterprises to the law.

Secondly, the state of tax payment to the budget is defined in Article 266 of the Tax Code only in 3 cases:

when the tax is paid to the budget in the case of imported goods;

In accordance with Article 255 of the Tax Code, when goods (services) are sold by foreign persons, tax is paid to the budget by tax agents;

In accordance with Article 256 of the Tax Code, when tax agents pay tax to the budget when transactions with state property are carried out.

However, in other cases, the tax indicated in the invoices by the counterparties leads to a gaps in the value added tax chain, since the customers have the right to set off even if the tax is not actually paid to the budget. Therefore, it is necessary to include the condition that the tax has been paid to the budget in all cases.

Thirdly, in part 12 of Article 266, if there is evidence that the right to account was created as a result of a fraudulent or fraudulent transaction for the receipt of goods (services), tax authorities have the right to cancel or correct the account, but how to correct it? There is no procedure for its implementation. For this reason, in accordance with Article 14 of the Tax Code, when the court deems the transaction to be a fake transaction (made for the purpose of deception), according to Article 14 of the Tax Code, it is necessary to specify in Article 266 that the value added tax separately specified in the invoice issued by this taxpayer will not be credited.

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