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## ANALYSIS OF THE CURRENT STATUS OF THE MECHANISM FOR CALCULATING AND CHARGING VALUE ADDED TAX TO THE BUDGET

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**Key words:** budget, tax administration, correct tax, profit tax, turnover tax, business entities, tax reporting, tax revenues, tax benefits, tax rate.

**Enter.** The amount of value added tax in our country is increasing year by year. Budget revenues from value added tax on domestic products increased one and a half times over three years - from 20.5 trillion soums (\$2.1 billion) in 2020 to 32.8 trillion soums (\$3.0 billion) in 2022. Value added tax on imports has almost doubled during this period - from 19.7 trillion soums to 38.7 trillion soums. Last year, VAT revenues provided one third of the state budget revenues. 71.5 trillion soums of VAT collected in 2022 significantly exceeded the target of 53.3 trillion soums. In 2023, the value added tax revenues in the amount of 63.8 trillion soums are expected in the budget of Uzbekistan. The number of VAT payers increased by 14.4% in 2022 alone and reached 171.9 thousand in December<sup>1</sup>

As of May 1, 2023, the number of VAT payers has exceeded 180,000. This is 16.3% more than the corresponding period of last year.

TOP-3 sectors with the highest growth rates:

- information and communication services - 47.7% (increased by 1 thousand);
- transport – 47.5% (increased by 1.9 thousand);
- service provision – 21.8% (increased by 3.1 thousand);

TOP-3 industries with the lowest growth rates:

- industry – 19.2% (increased by 4.2 thousand);
- trade – 16.8% (increased by 8.1 thousand);
- agriculture - 10.5% (increased by 4.4 thousand);

Currently, more than half of VAT payers operate in the following areas:

<sup>1</sup> Снижение НДС в Узбекистане поможет увеличить поступления в бюджет и стимулирует бизнес-активность долгосрочно.

file:///C:/Users/Fiscal%20Institut/Desktop/%D0%91%D0%B5%D0%B7%20%D0%BD%D0%B0%D0%B7%D0%B2%D0%B0%D0%BD%D0%B8%D1%8F.htm. 22.04.2023.



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- trade - 56.4 thousand;
- agriculture - 47.1 thousand<sup>2</sup>

In our opinion, the definition given by N.Z.Zotikov fully revealed the economic nature of value added tax.

Low cost of VAT calculation and administration means its efficiency. Involving new digital technologies in value added administration can simplify and reduce costs.

Constant work is being done to simplify the administration of value added tax in our country. A clear example of this is the decision of the President of the Republic of Uzbekistan dated September 4, 2023 "On measures to implement the tasks set in the open dialogue of the President of the Republic of Uzbekistan with entrepreneurs in 2023" PQ-292<sup>3</sup>.

Section V of the "Road Map" of this decision sets out the simplification of the administration of value added tax, which states:

the practice of using the coefficient of tax break (tax gap) when compensating (refunding) the negative amount of value added tax is prohibited;

the procedure for suspending the validity of the certificate of special registration for value added tax is canceled (with the exception of cases where the transactions (operations) being carried out do not correspond to the nomenclature of the goods (services) being purchased and sold).

Value added tax has a special place in indirect taxes. This can also be seen from the figures below.

The forecast of indirect tax revenue in 2023 is 88,411 billion soums, and its share in the total State budget revenue is 38.0%, or 8.3% of GDP.

The main income from indirect taxes (72.1%) is provided by VAT, and the income is forecasted in the amount of 63,775 billion soums, or 24.2% more than the income of 2022.

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<sup>2</sup> Ўзбекистонда ҚҚС тўловчилар сони 180 мингдан ошди. <https://bugun.uz/2023/05/27/zbekistonda-s-t-lovchilar-soni-180-mingdan-oshdi>

<sup>3</sup> Ўзбекистон Республикаси Президентининг 2023 йил 4 сентябрдаги “Ўзбекистон Республикаси президентининг тадбиркорлар билан 2023 йилдаги очик мулоқотида белгиланган вазифаларни амалга ошириш чора-тадбирлари тўғрисида”ги ПҚ-292 сон қарори.



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In world practice, value added tax was introduced for the first time on April 10, 1954 in France. His invention belongs to Mr. Maurice Laure. Currently, VAT is applied in 137 countries.

Indirect subtraction method (calculation method, compensation method):

$$\text{VAT} = (t \times O) - (t \times I). \quad (2.4)$$

The use of these methods corresponds to the economic essence of VAT.

It presents three main alternative methods for calculating VAT liabilities.

Three alternative methods of calculating VAT:

How to add:

According to Joel Slemrod and John Bakija, the tax calculated in this method is equal to the tax rate multiplied by the value added, defined as the sum of wages and profits. If  $t_1$  and  $t_2$  are the wage and profit rates, respectively, then the tax amount is equal to the sum of " $t_1$ \*wage" and " $t_2$ \*profit". However, the addition method is politically difficult to apply to the public in practice, as taxpayers consider VAT to be merely an additional layer of the tax burden on top of corporate and individual income taxes. On the other hand, given the structure of taxation, it is assumed that VAT can be used to replace income tax. This argument has long been at the heart of the tax reform debate in the United States.

Discount Method:

In this method, the VAT base is equal to the value added at any stage and is defined as the difference between output and costs.

Calculation method based on invoice:

This method is the most common way of calculating VAT. According to the invoice-based calculation method, the company collects VAT from its customers on the sale of its products at any stage of the production and sales chain, the amount of tax is determined by deducting the amount of input VAT already paid to suppliers for raw materials from the VAT collected from the consumer. If  $t_1$  and  $t_2$  are the tax rates for output and input VAT, respectively, then the final amount of VAT is the difference between " $t_1$ \*output VAT" and " $t_2$ \*input VAT".

The best way to calculate VAT:

The method of calculating VAT based on the invoice is preferable to the addition and deduction methods. The addition method is based on accurate data on wages and benefits. On August 14, 2020 of the Cabinet of Ministers of the Republic of Uzbekistan No. 489 "On measures to improve value added tax and tax administration related to foreign legal entities" "On the forms of invoices and the procedure for their



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filling, submission and acceptance" "According to the REGULATION, an invoice is a document in a fixed format (format) issued by a seller (supplier) of goods (services) who has the obligation to provide it in accordance with the Tax Code of the Republic of Uzbekistan, confirming that the goods have actually been sent or that the services have been provided and their value.

The invoice is the primary document that serves as the basis for the buyer (customer) to calculate the amount of value added tax provided by the seller (supplier). The invoice is marked as being held for VAT purposes and for accounting purposes.<sup>4</sup>

In international practice, one of the ways to improve tax administration, including value added tax administration, is digitization based on the use of modern information technologies.

The development of digitalization in the field of tax administration has a positive effect on the effectiveness of tax control and allows to limit the conduct of direct tax audits in the enterprise, to transfer to tax payers all taxes that must be paid voluntarily, as well as to clarify their tax obligations, to create benefits for payment.

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<sup>4</sup> Ўзбекистон Республикаси вазирлар Маҳкамасининг 2020 йил 14 августдаги “489-сон қарори билан тасдиқланган “Ҳисобварак-фактураларнинг шакллари ҳамда уларни тўлдириш, тақдим этиш ва қабул қилиш тартиби тўғрисида “НИЗОМ.



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