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Reasons for the Occurrence of Tax Debt And Methods of Collecting it in Uzbekistan

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Abstract: This article examines the main reasons for the emergence of tax debt. The opinions of foreign economists regarding the causes of tax debt in the country were also studied. Research shows that the occurrence of tax debt in the country is influenced by the level of development of the tax culture among taxpayers, the high tax burden and the imperfection of tax legislation. It also shows what actions the tax authority takes after a tax debt has arisen in the country. Besides during the study, the experience of a number of foreign countries was discussed. In the final part of the study, based on the above analysis and discussions, a number of proposals were developed towards further reducing tax debt in the country.

Keywords: Tax Authority, Taxpayer, Tax Culture, Tax Burden, Tax Legislation, Tax Debt

1. Introduction

The tax system is one of the oldest means of ensuring the fiscal, economic and social functions of the state and requires constant changes, clarifications and additions, based on the specific characteristics of taxpayers. The expansion and complexity of economic relations requires that tax administration in the country correspond to the realities of the modern economy, clearly regulate taxation and at the same time be transparent. In particular, the head of our state said: "At present, all of you are well-aware of the challenging processes taking place in the world. In the world, the difficult geopolitical situations, the shortage of energy resources are increasing, the demand for food is growing and financial resources are becoming more expensive. In such a situation, despite the difficulties, we will continue the economic reforms. We will further support the private sector by entirely directing the internal opportunities. For this purpose, at first, we will accelerate the reform to improve the entrepreneurship environment." [1]

In essence, the consistent continuation of economic reforms means tax reforms, including reducing the tax burden, simplifying the tax system, unifying types of taxes and at the same time monitoring the timely receipt of taxes and, as a result, ensuring economic development [14]. Speaking about tax revenues, first of all it should be emphasized that tax control activities are considered the most important function of the tax authorities. After all, all the goals and objectives set by the state can be achieved only through the effective and complete collection of taxes and fees and the reduction of tax debt, as a result of which progress can be ensured on the path of economic development [15].

2. Materials and Methods

The study used scientific observation, statistical observation, comparative analysis using statistical graphs, data grouping, abstract logical thinking, induction and deduction

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methods. The factors causing tax debt in the country and some issues of its reduction have been studied in their scientific works by a number of foreign and domestic scientists. In particular: Efremova E.S. [2], Ebraico M.M. [3], Elesin E.Y. [4], Pronin S.B., Pronin M.S. [5], Borgne E.L. [6], Tangrikulov A. [7]. The above-mentioned economists studied the causes of tax debt and ways to reduce it. We can highlight the research work Sh. Toshmatov [8] and I. Niyazmetov. In their scientific works, it was suggested that the main reason for the occurrence of tax debt in enterprises is the high tax burden in the country, and reducing the tax burden plays a positive role in reducing tax debt.

3. Results and discussion

We certainly agree with the opinions of the economists mentioned above. However, it must be emphasized that the history, origin, strategic location, mentality and demographic structure of each state and society are of particular importance. These elements also play a role in the occurrence of tax debt. Also, the political instability in the country will derail its economy. In addition, in the cyclical nature of the economy, there is a high probability of an increase in tax debt even during a period of “economic recession” or crisis. Changes in market demand and supply at the macro and micro levels also have a significant impact on the increase or decrease in tax liabilities. This is also assessed by changes in the exchange rate and shortcomings of the payment system in the following sequence. And also, tax debt may arise due to ignorance, lack of education and inability to conduct business [16].

According to the author, the occurrence of tax debt depends on the following three important factors (Figura 1)

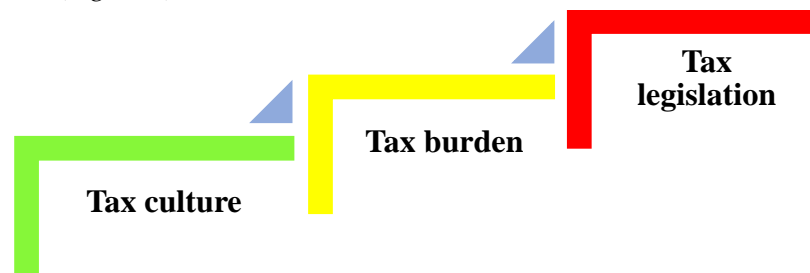


Figura 1. The main reasons for tax debt

Tax culture can be defined as a set of established norms, rules and principles of behavior of taxpayers and tax authorities in the field of tax relations. The tax culture of taxpayers is formed on the basis of their understanding of the importance of paying taxes for the state and society.

The formation of a taxpayer’s tax culture is influenced by two important factors:

- have sufficient knowledge of tax legislation;
- acceptance of tax payment as an obligation.

If a taxpayer has sufficient knowledge of the tax laws necessary for his activities, he will reasonably fulfill his tax obligations. Also, if the taxpayer recognizes that fulfilling tax obligations is his duty to the state, this also serves to improve the tax culture of the taxpayer.

Today, the reason for the occurrence of tax debt in the country is the fact that many taxpayers do not have sufficient knowledge about taxes, the tax system and the basics of taxation [17]. Any processes of economic relations require a significant degree of literacy and the acquisition of economic culture, in particular, the tax culture of society. But this is a very complex and multi-stage process that cannot be carried out immediately. Its implementation must be approached systematically, taking into account various factors. The main priority for improving the tax system is to increase the tax culture of society, including the younger generation, in other words, the formation of culture should be

characteristic of a person from the very beginning, since it is impossible to form a tax system. culture for the whole society at the same time.

The tax burden is divided by the amount of taxes and fees paid by legal entities and individuals, including individual entrepreneurs, in a certain period of time by the number of goods sold during this period (work performed, services rendered). The higher the tax burden, the higher the tax debt in the country, the greater the share of the shadow economy and the negative impact on investments of foreign investors in the country, and vice versa, if the tax burden is too low, in this case, budget revenues may decrease, and as a result, the state may not be able to finance the necessary expenses. Therefore, keeping the tax burden at the optimal “point” is one of the political and economic problems of each country [18].

Tax legislation is a set of regulatory legal documents governing the tax law of the state. The Tax Code of the Republic of Uzbekistan states that “Tax legislation consists of this Code and other regulatory legal documents, the adoption of which is directly provided for by this Code” [9]. Tax legislation regulates relations related to tax obligations, their occurrence, change and repayment. It also defines the types of taxes, tax rates, collection of taxes, including mandatory ones, and the procedure for granting tax credits. If the tax legislation in the country is not ideally developed, cases of tax evasion by taxpayers will increase, and as a result, tax debts will begin to appear [19].

According to the tax legislation of Uzbekistan, “Every person is obliged to pay taxes and fees specified in the Tax Code, and no one can be charged with paying taxes and fees not provided for by this Tax Code.” Moreover, in accordance with this Code, “taxpayers are obliged to calculate and pay the specified taxes and fees on time and in full.” If taxpayers do not transfer calculated taxes and fees to the budget within the prescribed period or evade payment, then these taxpayers will have a tax debt to the budget, and the tax authorities will collect tax debt in the prescribed manner. In particular, we see the scheme for collecting tax debts of legal entities, including individual entrepreneurs, and individuals in Figure 2 below:

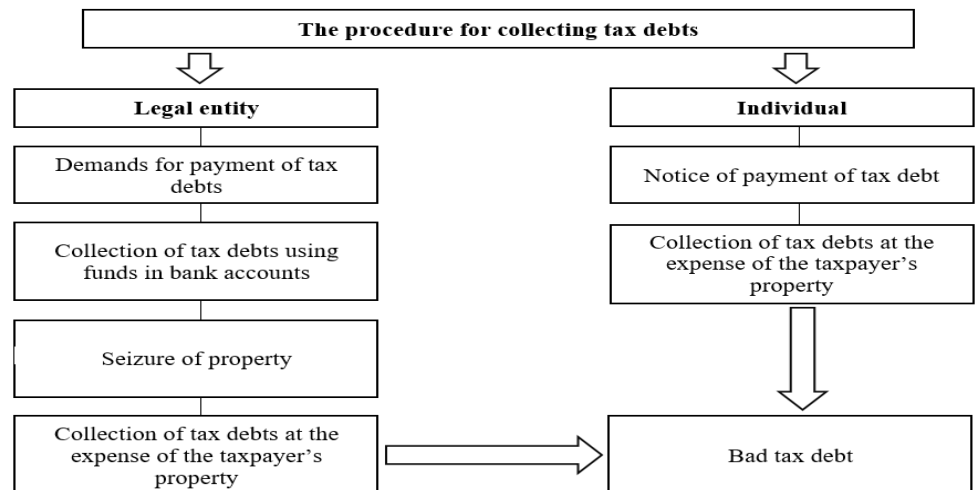


Figure 2. The procedure for collecting tax debts from legal entities and individuals.

Based on this picture, after the appearance of tax debts among legal entities, the tax authority will send a demand for repayment of tax debts within 3 working days. In case of non-fulfillment or incomplete fulfillment of the requirement to repay tax debts within the established period, its collection is carried out forcibly by foreclosure on funds in bank accounts. If the tax debt is not paid after 15 calendar days from the date the tax debt arose, the taxpayer’s property is confiscated, and if the debt is not paid after 60 calendar days, the tax debt is paid off from the confiscated property [20].

It should also be noted that after a tax debt arises, a penalty is charged for each calendar day of delay relative to the amount of the tax debt.

In addition, tax debt for legal entities may arise as a result of a number of factors. Including late submission of tax reports due to the fault of the company's accountant, tax audits, bankruptcy of the company, cases of intentional tax evasion, etc.

In our republic, taxes and fees are the main pillar of the state's economy. Timely and complete collection of taxes ensures the sustainable development of the economy of each country, as well as the growth of socio-economic and defense power. Also, the collection of taxes accrued to the budget is important for fulfilling the internal and external obligations of republican and local authorities. Based on this point of view, improving ways to reduce the amount of taxpayers' debts for taxes and fees is identified as an important task of the tax authorities. You can consider the experience of the following foreign countries in further development of this area.

For example, in the United States, interest on unpaid taxes is calculated at a rate of 6 percent per year. Late fees are 0.5 percent per month. If the taxpayer pays 90% of the tax debt, he may not pay penalties, but will pay penalties accrued on taxes. Businesses apply penalties and interest to overdue tax amounts at a rate of 10-15 percent for each month of delay, but not more than 25 percent. If a tax debt is not paid, the taxpayer's property or other assets may be seized by the taxing authority (known as the Internal Revenue Service - IRS). If taxpayers are found to be involved in tax evasion, that is, failure to file returns, misrepresentation of cash receipts, creation of false invoices and concealment of income, the tax offender will be subject to criminal prosecution. Willful tax evasion is punishable by a fine of up to \$10,000 or up to 5 years in prison, or both. [10]

In Australia, when taxpayers owe taxes, the tax authority calculates quarterly interest (GIS rates) on the tax debt and interest rates are reduced quarterly. We can see this based on Table 1 below.

Table 1. GIS interest rates in 2020-2021.

A quarter	GIS quarterly rate	GIS daily rate
April-June 2021	7,89 %	0,02155738 %
January-March 2021	7,91 %	0,02161202 %
October-December 2020	7,98 %	0,02186301 %
July-September 2020	8,54 %	0,02339726 %

Strict action will be taken against taxpayers making illegal profits. Strong measures include:

- audits will be carried out against taxpayers who deliberately evade paying taxes
- no help is provided.

Also, the following measures may be applied to individual entrepreneurs, organizations and enterprises created on the basis of a partnership that have tax debts:

- a claim is filed in court and if the debt is recognized by the court, a bankruptcy application is made
- must pay off the debt within 21 days of receiving the bankruptcy notice or agree on a plan with the tax authority. If the taxpayer does not take these actions, he will be declared bankrupt
- based on a request from the tax authority, an application is submitted to the Federal Court or the Federal Magistrates Court to declare the enterprise bankrupt;
- the enterprise is obliged to fully repay the tax debt within 21 days or draw up a plan with the tax authority, otherwise the tax authority will apply to the Federal Court for liquidation of the enterprise;
- when the court makes a decision to liquidate an enterprise, the appointed official liquidator distributes the property of the liquidated enterprise among creditors (the tax authority and other organizations). [11]

In France, the tax authority pays attention to whether the tax debt incurred by legal entity taxpayers was intentional or not. If the tax debt was not created intentionally by the taxpayer (usually in the amount of 5% of the income received by the taxpayer), the tax authority sends a notice of payment of the tax debt within 30 days, and no penalties are charged. a fee applies. However, if the taxpayer intentionally caused the tax debt, the tax authority will send a demand for repayment of the tax debt within 30 days. Also, a penalty of 0.4% per month is charged on the amount of tax debt. Serious violations of tax laws may result in a fine of up to 10, 40, or 80 percent of the unpaid tax.

In addition, if the taxpayer, despite warnings sent by the tax authority, fails to pay the tax debt in bad faith or deliberately ceases its activities, a fine in the amount of 80 percent of the tax debt is applied to him, and if the tax debt is significantly high, and a tax if the payer is found guilty, he could be sent to prison.

The following fines and penalties may be applied to individuals who lately or fail to file an income tax return:

- 10 percent if official notification was not sent by the tax authority
- 20 percent if the official notification was sent by the tax authority and the declaration was filed within 30 days
- 40 percent if official notification was sent by the tax authority, but the declaration was not filed within 30 days
- 80 percent if the tax authority determines that the business entity operates without filing an illegal declaration and without official notification.

Also, for late payment of taxes, a monthly penalty of 0.2% is charged. The accrual of penalties is suspended from the day the declaration is submitted. [12]

4. Conclusion

As a conclusion, we can say that over the years of independence, our government has reduced the tax burden, optimized tax rates, created a number of benefits and wide opportunities for enterprises to conduct their activities. However, few taxpayers still owe taxes. According to the author, based on the experience of developed countries, the following proposals will be effective for reducing tax arrears and increasing the efficiency of their timely and complete collection:

- 1) In order to further improve the tax culture in our country, it is advisable to introduce tax sciences in general education, secondary specialized and higher educational institutions (regardless of specialization). The reason is that after graduating from an educational institution, every person will definitely work somewhere, earn income and become a taxpayer, whether he wants it or not. From this point of view, every person should know exactly what tax he has to pay, how much tax he has to pay and when he has to pay the tax, and what the consequences will be if he does not pay taxes. on time or if he does not pay them in full. For example, in Russia, on the initiative of the Ministry of Taxation Service and the Ministry of Education, the science of "Tax Literacy" has been introduced in schools since 2002. In their opinion, citizens should receive their first knowledge about taxes in schools. [13]. In this regard, it is appropriate to begin to improve the tax culture in our republic by educating young people. If this proposal is implemented in practice, it will have a positive impact on reducing tax liabilities of taxpayers that may arise to the budget in the future.
- 2) In almost all developed countries, financial penalties are applied for violation of payment discipline along with the calculation of penalties for each day of delay after the taxpayer incurs a tax debt. According to the author, the introduction of this practice into our tax system increases the responsibility of taxpayers for the timely fulfillment of their tax obligations and ensures timely and full payment of taxes to the budget.

- 3) Based on the experience of the French state, it is necessary to study the cause of tax debt in the tax system of our country before collecting it through the use of enforcement measures. If the amount of tax arrears was intentionally created by the taxpayer, drastic measures will be taken in relation to it, i.e. introduction of a procedure for applying fines (interest) and penalties in an increased amount, further reducing the share of Tax debt and taxes may affect the payment discipline of borrowers.

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