

THE MAIN REASONS FOR THE OCCURRENCE OF TAX ARREARS

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Abstract

In the process of supporting entrepreneurship and small business in our country today and in the process of liberalizing their activities, reducing various inspections, reducing the impact of taxes and fees on their activities, that is, any economic sub-organization regardless of the form of ownership. It is no secret that the most important principle of taxation today is to ensure that the tax paid by the taxpayer is the basis for providing him with full economic freedom. Since the first years of our independence, great importance has been attached to preventing the growth of debt, especially tax debt. Legal and regulatory frameworks were created to regulate relations between lenders and borrowers, creditors and debtors. Due to the strict measures taken, the activity of the tax authorities in collecting tax sums to the budget and extra-budgetary funds has certain positive results.

Introduction:

Analysis of literature on the topic

We present a brief literature review on the topic of ways to improve the tax collection mechanism introduced in the tax administration of the Republic of Uzbekistan at the present time.

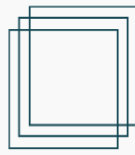
Tax liability is the total amount of tax owed by an individual, corporation or other legal entity to the state. Income tax, sales tax, and capital gains tax are all forms of tax liability (Johnson, 2022). [1].

The definition of tax liability is the amount of money or debt an individual or legal entity owes the government in taxes (Josephson, 2022). So, it is understood that tax obligations are moving towards tax evasion. That is, within the framework of this study, we will try to reveal the economic essence of the concept of tax evasion. Tax evasion is understood as a wide-scale activity carried out in order to illegally reduce the tax obligations of individuals or legal entities. Tax liabilities are a standard and legal aspect of tax systems, and tax evasion is the criminal act of fraudulently avoiding or reducing those liabilities[2].

Tax evasion has been common throughout history. The term "tax evasion" covers a wide range of activities by those who do not want to pay their fair share of taxes (Owusu et al., 2019). This is an attempt to break the law in order to reduce taxes. Understatement of income, overstatement of deductions, and manipulation of financial documents are examples of tax evasion strategies (Ozili, 2020). However, the amount of revenue lost due to tax evasion can be substantial in any country. [3].

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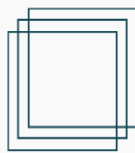
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Most tax evasion research examines individual behavior in a specific context (Alm et al., 2019). It depends on individual factors such as moral, trust, attitude, perception, intention, awareness, culture, religiosity, knowledge and education. Personal income taxes are the most common lens through which this behavior is viewed, and most theoretical and empirical work on tax evasion has focused on personal income taxes (Efeeloo and Dick, 2018). Individuals can avoid paying income tax by underreporting their income, overstating deductions, allowances or credits, neglecting to file their tax returns on time, or even participating in tax avoidance swaps. . On the other hand, such actions can certainly be charged in different taxes. Meanwhile, firms may underreport income, exaggerate deductions, or fail to file corporate income tax returns, just as individuals do with personal income tax[4].

In the literature, economic factors are tax rate, financial constraints, income level, tax burden, corruption, economic structure, audit, penalty and unemployment. Richardson (2016) argues that non-economic factors have a greater impact on tax evasion than economic factors. Later, corruption and tax evasion are described as widespread problems. Corruption is a dishonest or criminal offense committed by a person or corporation in authority and authority to gain an illegal advantage or abuse power for personal gain (Khlif and Amara, 2019). Finally, unemployment is defined as those over a certain age who are not in paid employment or self-employment but are currently looking for work (Tabandeh and Tamadonnejad, 2015). According to research, unemployment is the main source of the underground economy. [5].

In addition to the economic and non-economic factors mentioned above, other factors are also used by the most recent studies on tax evasion. The literature review presents some variables such as the impact of digitalization of public services, corporate social responsibility and information dissemination. First, governments around the world have followed the private sector in using the Internet to communicate with their citizens in recent decades, realizing that Internet technology can simplify and improve the efficiency of public services (Uyar et al., 2021).(Montenegro, 2021). Finally, a whistleblower is someone who discloses knowledge or conduct within a private, public, or government organization that is illegal, unethical, illegal, dangerous, fraudulent, or misappropriating public funds. Implementing whistleblowing systems increases detection by adding uncertainty to the likelihood of an audit (Masslet et al., 2019). [6]. Tax Administration Reform and Fiscal Control in Uzbekistan (2006) by Sabine Fraser: This researcher provides an overview of tax administration reform in Uzbekistan and highlights challenges and opportunities for improving tax collection mechanisms. The author suggests that improving the process of tax collection can be achieved by improving taxpayer education and outreach, increasing transparency and accountability, and modernizing the tax administration system. [7].



Analysis and discussion of results

During the years of independence, significant work was carried out on the creation of regulatory mechanisms of the legal basis for the formation of the market economy and the organization of the market infrastructure. Despite this, there are cases where the managers of some economic entities do not obey the laws and regulations adopted by the government. One of such cases is failure to pay taxes on budget and extra-budget trust funds on time.

In this regard, the head of state said, "Within the framework of the new tax policy of 2019, the tax burden on wages has been reduced by 1.5 times, as a result, the number of people working in the official sector has increased by 500,000 during the year." appeared. As a result of our reforms, 93 thousand new business entities were established last year, or almost 2 times more than in 2018. Also, starting from 2020, based on the new version of the Tax Code, if the tax payments overpaid by business entities or unreasonably collected by the tax authority are not returned within the due date, it will be transferred to the account with interest from the budget at the main rate of the Central Bank. will be returned." - he emphasized. Due to the need for a healthy economic environment for the development of the republic's economy, it is necessary to take appropriate measures and create favorable conditions for their effective operation, taking into account the capabilities of economic entities that strive to fulfill their obligations. was determined.

The formation of state budget revenues is mainly entrusted to the tax authorities.

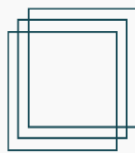
Taxes have five main functions:

- fiscal (treasury filling) function;
- economic regulation function;
- incentive function;
- control function;
- the function of providing information.

In the process of performing its fiscal (treasury-filling) function, the tax system meets economic entities in various conditions. The most frequent and problematic case of meetings is the case of collection of tax debt from budget and extra-budget funds of economic entities. First of all, we need to understand what tax debt is.

tax debt - the amount of debt due to taxes and other mandatory payments, including financial sanctions that have not been paid by the deadline specified in the Tax Code of the Republic of Uzbekistan.

Today, the economy is like a living organism. The reason is that if any part of a living organism slows down in the process of performing its activities, it will definitely have a negative effect on the whole organism. For the development of the economy, it cannot be divided into sections or joints. State intervention in the economy takes place while the tax system performs the function of regulating the economy. Taxpayers are obliged to pay taxes on time by legal entities and individuals. Failure of taxpayers to pay their debt to the budget will not fail to have a negative impact on other areas of the economy.



As can be seen from the above, the role of tax authorities and the tax policy in preventing the occurrence of tax arrears is very large. In practice, tax authorities act as the main body in the implementation of the tax policy of the state. First of all, tax payers should be fully, widely and continuously informed about the social importance and meaning of taxes. At the same time, it is necessary to explain the mechanism of tax calculation and payment. Taxes should be easy for taxpayers to understand, tax calculation should be simple, and the payment period should be convenient for the taxpayer. This will reduce the occurrence of tax arrears on taxes and other targeted payments. A decrease in solvency can lead the enterprise to an economically difficult situation, i.e., the enterprise's debtor debt is less than the creditor debt, and ultimately it can lead the enterprise to bankruptcy. We can divide the reasons related to the emergence of tax debt into two, namely, reasons related to the taxpayer and reasons not related to the taxpayer:

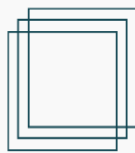
Reasons that depend on the taxpayer:

- mistakes and shortcomings in enterprise management;
 - failure to work according to the business plan;
 - decrease in the profitability of production;
 - decrease in demand for goods produced by the enterprise in the market;
 - increase in receivables of enterprises;
 - decrease in solvency.
- Reasons beyond the taxpayer's control:
- unhealthy economy;
 - high tax burden;
 - uneven distribution of the tax burden;
 - decrease in the income level of the population;
 - increase in the cost of resources affecting production.

Below we will take a closer look at the causes of tax debt. Reasons that depend on the taxpayer:

- errors and shortcomings in the management of enterprises, in which no matter how much comfort is created for the enterprise, mistakes in management will lead to bankruptcy of the enterprise. The head of the enterprise, first of all, needs complete information about the enterprise he manages, that is, what kind of products the enterprise produces, how long and how much, the quality of the product and the competitiveness of this product with other products, the market demand for the produced goods, production costs and, of course, how much profit he can get, even if it's a rough one. Taking into account these and similar emergency situations, it is necessary for the manager to prevent the enterprise from falling into an economically unstable state, i.e. bankruptcy, where its income cannot cover its expenses.

- For example, the Eldor Sardor farm located in the Surkhandarya region has 51 hectares of land and agricultural equipment, but due to management errors and other shortcomings, tax debt of 189.1 million soums has been created over the years. and remains uncollected.- failure to work according to the business plan, in which case, in



order to ensure the continuity of the enterprise's activity, the enterprise must have its own business plan, which is kept secret from everyone. If the business plan is drawn up correctly and the enterprise cannot work according to its business plan, it indicates that the management is going wrong. Taking into account the political and economic changes in the society, it is necessary to change the business plan accordingly and work in sync with the times.

a decrease in production profitability is caused by an increase in constant and non-production costs in the enterprise. Obsolescence of production technologies and the low production capacity of these technologies compared to new technologies also lead to a decrease in profitability. Failure to take measures to provide the company with new equipment means that the company will give up its place in the market to a competing company.

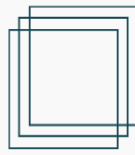
- the decrease in the demand for the goods produced by the enterprise on the market indicates the low quality, high price, and low profitability of the product produced by the enterprise compared to other products.

- an increase in the receivables of enterprises leads to a decrease in working capital in production, a lack of working capital leads to the cessation of production. If the production volume of the enterprise falls below the break-even point, it will lead to the end of the enterprise's activity at the expense of fixed costs. And this, in turn, affects other areas of the economy based on the economic chain reaction. For example, unemployment increases, there is no sector in the society that is not affected by the increase of unemployment, so the failure of any enterprise creates a big problem for the society.

It is natural that the amount of receivables is different in enterprises operating in different sectors of the economy. In practice, there is a tendency for the receivables of enterprises to increase from year to year. Of course, this view is good on the one hand, that is, the volume of work of the enterprise increases from year to year, the quantity of products increases, employment of similar workers, and similar views can be listed. But there is another side of the issue, if the volume of work in the enterprise increases, the quantity of products will also increase, and income should increase by itself. An increase in the amount of income means that the creditor debts of the enterprise, including the creditor debt from the budget, can be reduced. In other words, the chain connection affects the entire activity of the enterprise. But the creditor debt from the budget is increasing instead of decreasing.

In particular, 76.8 percent of the total indebtedness of our republic belongs to the enterprises under the ministry. Unfortunately, the growth of indebtedness is also noted in these sectors.

If we consider 100% of the enterprises registered in 2023, 86% of them are active, 14% have ceased their activities, and 77.3% of those registered in 2023 have tax debts. 76.8% of tax arrears belong to the ministry, while 23.2% belong to other enterprises. 70.6% of tax arrears (77.3%) are able to be paid, 16.8% are non-operating and 12.6% are private



enterprises. So, based on the above, it can be concluded that enterprises can operate in some ways without paying taxes, or there are opportunities to do so. Based on the legislation, in order to strengthen the financial situation of enterprises and organizations, to ensure timely billing of consumers for delivered products, performed works and services, to increase the responsibility of leaders for the state of payment discipline in the national economy. business entities of all forms of ownership are prohibited from sending products, performing work and providing services to consumers and customers if they do not pay at least 15% of the value of the delivered (work, services) in advance. According to this legislation, the receivables are increasing as a result of the fact that the sending enterprises cannot collect the remaining 85 percent of the value of the sent goods from the receiving enterprises. Therefore, if the 15% advance payment was set at least 50% or at all 100%, the enterprises would not have receivables. Then a healthy financial environment will be created in enterprises and tax debt will not arise. Although barter transactions are prohibited on the territory of the country, they are often used in practice.

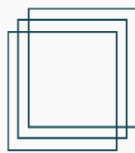
To prevent this, it is necessary to increase the issue of responsibility. In this;

- decrease in solvency, lack of working capital, increase in receivables, failure to receive funds for shipped products on time, non-competitiveness of manufactured products in the market, as a result of which products are not sold, as a result of which the enterprise is economically will cause him to fall into a difficult situation. Since it was mentioned above, we will dwell on it less.

Reasons beyond the taxpayer's control:

- in the world practice, in the conditions of an unhealthy economy, there are many cases of unexpected financial difficulties of enterprises. For example, by the end of 2021, the debt of 87,266 enterprises of "Dun & Bradstreet" firm is 108.8 billion. we can see that it is declared as dollar. This is about 2% of GDP. The decline of the US economy is shown to be the main reason for bankruptcy of enterprises. As we mentioned above, when an enterprise is making a business plan for its activities, it must determine in advance how to protect the enterprise, taking into account economic processes, or, if not, how to minimize losses as much as possible. Especially in the transition period, enterprises have to overcome strong competition in the market in order to continue their activities.

- as a result of the increase in the tax burden, today the tax burden is 20.0 - 25 in industrially developed countries of the world and Middle Eastern countries rich in underground minerals. If it is equal to 0 percent, it is around 35.0-40.0 percent in developing world countries and it is around 32.5 percent (including tax payments) in Uzbekistan, whether the current tax burden in them is sufficient or heavy for the economy of these countries or what percentage should be the optimal (acceptable) tax burden for the current state of their economy. At present, if we talk about the opinions of some foreign experts about the weight of the tax burden in our country, how many indicators of the tax burden should we have and what indicators should we rely on to measure or determine how much this amount is? We can't find a definitive answer to

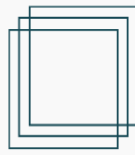


the question. This is due to the lack of a universally recognized methodology for determining the optimal (acceptable) tax burden for each country. But in general, the tax burden should be reduced as much as possible. There is no country that does not want to increase its budget revenues. The tax burden can be seen from the tax rates. Tax rates should be set as much as possible to the state budget, as noted in the Arthur Laffer curve. According to the analytical data provided by the International Bank for Development and Development based on research, a 1% increase in tax rates will lead to a 3.3% decrease in foreign direct investment. Therefore, every introduced tax should be scientifically based.

The main reasons for the uneven distribution of the tax burden in different enterprises are the current tax rates depending on the types of enterprises and their activities. We will discuss this issue in detail in the next chapters. Businesses pay different amounts of tax on income under the same conditions. Everyone knows that this tax does not correspond to the principles of fairness. Therefore, in our opinion, first of all, it is necessary to eliminate the difference between legal entities and individuals from the point of view of taxation. At the same time, it is necessary to unify taxpayers in all sectors (legal entities and individuals) in taxation. In addition to the above, the uneven distribution of the tax burden is due to the presence of various benefits from taxes and payments, and the fact that these benefits have different effects on taxpayers. Tax incentives are not neutral. Some taxpayers are legally entitled to tax credits and exemptions. The benefits are both theoretical and scientific, and if they are not introduced taking into account the mentality of the state, some taxpayers use the benefits as a means of tax avoidance. As a result, enterprises producing the same product will pay taxes in two different ways. The lack of privileges has been discussed by the leading scientists of our country and abroad in their scientific works. For example, from Russian scientists S.T.Shatalov pointed out the following six disadvantages of tax benefits:

- "violates the principle of equal competition;
- does not have the initial effect as a result of the privilege;
- interest in development disappears;
- enterprises that do not have privileges seek privileges, and obtaining privileges by criminal means increases;
- technical progress slows down;
- the most difficult thing is that it will be difficult to cancel the privileges."

As a result of tax inequity, disciplined taxpayers who comply with all tax requirements are unable to compete and are forced to exit the market or seek ways to avoid taxes. Exemptions are granted to preferential enterprises and foreign lots, distorting competition in the local market. Tax exemptions and incentives for qualifying businesses reduce the tax base and thus increase the tax burden on other businesses. Exemptions and concessions also undermine incentives for managers of exempted enterprises, encouraging them to support their relationship with the government rather



than improving the efficiency of their companies. Those without special exemptions must pay more, and taxpayers respond by seeking to reduce tax payments through tax evasion and corruption. In general, when businesses are taxed more than they are profitable, the government tries to support strategically important businesses by giving them tax breaks and exemptions. Although such a tactic is always officially justified as the protection of national interests, in practice it can cause the derailment of the economic order. In addition to tax incentives for enterprises, there are also cases of extending the payment terms of existing tax debt from the budget and other mandatory payments. These cases are presented as state aid to taxpayers during the transition to a market economy or state support to prevent enterprises from going bankrupt, but the large, constant repetition of these cases is a tax on taxes. causes debts to continue indefinitely.

A decrease in the income level of the population, and a decrease in the income level of the population leads to a decrease in its consumption level. After the consumption level decreases, the demand for the products produced by the enterprise also decreases. Such a decrease in demand forces the enterprise to produce other products in order to survive, or to reduce the price of existing products by reducing its income.

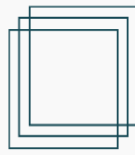
- as a result of the increase in the cost of resources affecting production, in the conditions of the market economy, as the market determination of prices is based on supply and demand, enterprises are obliged to purchase products from the resource markets at the market price in order to produce products. Naturally, all resources have a limit. The fact that the increase in the price of resources directly affects the cost of goods creates difficulties for enterprises to operate.

Decreasing solvency will ultimately lead to bankruptcy of the enterprise. First of all, in order to reduce the tax debt, we should not forget that it is important to find the reasons that lead to these situations and prevent them and not to allow deficiencies in this area. Businesses that are engaged in the secret economy and earn illegal income, citizens who are engaged in illegal business without registration in the prescribed manner have been showing their negative impact on the economy. Protecting taxpayers from a social and political point of view, creating favorable conditions for them, means state intervention in the economy and concern for taxpayers. But this constant continuation is contrary to the requirements of the market economy.

Conclusions and Suggestions

As a result of this research and analysis, the following is expected:

allows to be used as a source in special scientific and research works aimed at wide-scale in-depth research of the issues of ensuring stability by increasing state budget revenues by collecting debts for taxes and other mandatory payments in our republic, and is aimed at further developing the stability of budget revenues in our republic use in the development of the government's target programs, system of measures;



- To contribute to the scientific-theoretical basis of ensuring the stability of the state budget income in exchange for revenues and bringing the budget income policy to a new level;
- To be used as a source in special scientific and research works aimed at wide-ranging in-depth research of the issues of conducting tax revenue policy and ensuring its stability in increasing state budget revenues in our republic;
- To achieve positive results in improving the mechanism of increasing tax revenues by reducing the tax burden on taxpayers without harming the state budget revenues.

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