

Ways to Reduce Tax Liabilities at Enterprises

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Abstract

The article analyzes tax relations and the importance of their organization in the context of economic modernization, the emergence of tax liabilities for enterprises, and also formulates conclusions and recommendations for its minimization.

Keywords: *tax, tax liability, enterprise, modernization.*

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Introduction

In recent years, Uzbekistan has systematically taken and implemented measures to support enterprises in the real sector of the economy, in particular, measures to stimulate and ease the tax burden, simplify and unify the taxation system, and provide a wide range of additional tax and customs benefits. Government decisions were also taken to reduce the tax burden on enterprises in certain sectors of the economy and in the field of small and private businesses through a phased reduction in tax rates for certain types of taxes.

At present, the time of unstable development of the global financial system, scientists-economists are conducting priority scientific research on such topical issues as optimizing the tax burden and facilitating the methods of their calculations; assessment and forecasting of the impact of taxes on financial and economic activity; reducing the tax burden by implementing tax management measures; determination of optimal tax rates.

Literature review

How many centuries the state has existed, so many taxes have existed, and economic theory has been searching for the optimal one from the point of view of harmonizing the relations of alienation and appropriation of the mechanism of taxation [6, p. 63-70].

Pierre Joseph Proudhon (French public figure) noted that “in essence, the question of tax is a question of the state” [7, p. 4]. That is, the state cannot exist without tax payments; and taxes are an obligatory component of the state. In a place where there is a state, there are also taxes, and their nature is determined by the predestination and functions of the former.

In addition, the theoretical issues of taxation were significantly clarified by W. Petty due to the active discussion of such problems as the multiplicity of taxes, their irrationality and injustice, as well as by finding ways to eliminate the negative consequences of the withholding of the tax part of income for citizens, enterprises, part of their income, property etc. in the form of taxes [5, p. 106].

Classical political economy also made a significant contribution to the development of tax theories. A. Smith and D. Ricardo believed that taxes only serve as sources of income for the state budget, and disputes are being held about the fairness of their collection and part of the withdrawal, due to the fiscal need of the state's tasks (ensuring the functioning of a competitive market, guaranteeing the stability of the purchasing power of money, etc.) [4, p. 56].

Taxes are one of the main sources of government revenue. Therefore, it is directly interested in increasing their volume. Any comparative trend also points to an increase in the prioritization of the fiscal function of taxes. In accordance with the data of the State Committee on Statistics of the Republic of Uzbekistan, in recent decades, the share of financing of state budgets through tax revenues in economically developed countries ranges from 75 to 95% of all revenue receipts to the budget system.

Main part

The goal should not be to reduce any tax as such, but to increase the profits of the enterprise after taxation. Minimization of tax and customs obligations can be achieved through the following legal measures:

- reduction of the tax base or exemption from tax and customs payments under the current legislation (by applying tax and customs benefits);

- use of lower tax rates;
- application of the optimal organizational and legal form, which will allow, for example, to apply a simplified taxation system and avoid paying generally established taxes;
- Involvement of non-residents in the formation of the authorized capital of the enterprise (in order to apply tax and customs benefits provided by the decision of the government and the Tax Code of the Republic of Uzbekistan for foreign investors).

The tax mechanism contributes to the achievement of optimization. As a result of fluctuations in the tax rate, the amount of tax revenue and the need for resources from tax revenue are equalized: at the point of their intersection, the tax rate and the taxable base should be set. However, tax optimization is implemented slowly and gradually, through trial and error. In this sense, tax optimization can and should be considered as the basis of an evolutionary process, which results in the selection of quality, features, properties, skills, abilities and other factors that contribute to better adaptation of the system to changing business conditions [2, p. 306].

Accounting and strict observance of the above points is the basis for successful tax planning at enterprises and a condition for their sustainable functioning, which will provide them with competitive advantages:

- firstly, enterprises that promptly respond to changes in tax legislation as part of tax planning are highly competitive;
- secondly, there is a real opportunity to reduce tax liabilities and economic sanctions on the part of regulatory authorities;
- thirdly, the use of tax planning leads to savings of both own and borrowed funds;
- Fourthly, the savings achieved as a result of minimizing tax payments can be used to implement an effective investment and social policy at the enterprise.

An important factor in minimizing taxes and payments is to avoid errors in their calculation [3, p. 60]. However, sometimes it happens that they lead to huge financial sanctions from the tax authorities. Errors occur due to insufficiently competent and correct work of specialists in accounting and economic services. Errors in the calculation and payment of taxes and obligatory payments mainly occur due to:

- ✓ simple arithmetic and counting errors;
- ✓ incorrect execution of primary documents or their absence at all;
- ✓ incorrect interpretation of the current tax legislation;
- ✓ ignorance or untimely response to changes in tax legislation;
- ✓ failure to submit or untimely submission of calculations and reports to the tax authorities;
- ✓ Non-payment or late payment of taxes.

An important characteristic of the tax system is the indicator of the tax burden (the so-called tax burden).

The tax burden is most often characterized from the standpoint of the actual level of the burden. This indicator ($\frac{N}{GDP}$) is calculated as the ratio of all paid tax payments (N) to the gross domestic product [8, p. eleven]:

$$NB_f = \frac{N}{GDP} \times 100\% \quad (1)$$

where H is the amount of taxes paid by all payers in the current year; GDP is the gross domestic product of the current year.

Table 1 Tax burden of the Republic of Uzbekistan for 2013-2020, %, %

Indicators	2013 y.	2014 y.	2015 y.	2016 y.	2017 y.	2019 y.	2020 y.
GDP, trillion. sum.	144,5	177,2	210,2	242,5	302,5	406,6	524,2
State budget revenues, trln. sum.	26,2	31,7	36,5	41,0	49,7	79,1	112,3
Tax burden, %	18,1	17,9	17,4	16,9	16,4	19,5	21,4

Thus, in 2017, the total tax burden compared to 2001 decreased by almost 1.8 times, from 35.6% to 19.9% of GDP (Fig. 1). Consistent mitigation of the tax burden creates all the conditions for each small business entity not to evade taxes, to strive to develop their production and maximize their profits.

The taxation system is the most important factor influencing the activity of innovation processes. The innovation process has been studied by many economists. Using the tax mechanism, the state gets the opportunity to influence the activities of economic entities, stimulating them to introduce new technologies, reduce the cost of production, improve the level of competitiveness of products [1, p. 8].

In modern conditions, the Republic of Uzbekistan continues to introduce fiscal levers that stimulate the transition of the economy to innovative development. The benefits provided undoubtedly contribute to the intensification of innovative activity in certain sectors of the economy.

For the purpose of tax incentives for innovation, tax incentives have been introduced for certain areas. For example, in order to support innovation activities, income tax payers have the right to reduce taxable profits by the amount of funds allocated for the modernization, technical and technological re-equipment of production, the purchase of new technological equipment, the repayment of loans issued for these purposes, the reimbursement of the cost of leasing objects for deducting depreciation charges for five years, but not more than 30% of taxable income.

In world practice, the following main forms of tax support for companies engaged in R&D are used (Table 2).

Table 2 Stimulation of innovative development in developed countries *

The country	Types of tax mechanisms
USA	Annual tax credit in the amount of 20% of the increase in certain types of R&D expenses, provided that they exceed the level of the base period by at least one and a half times
Japan	Annual tax credit (TC) in the amount of 10% of current and capital expenditures on R&D. Additional NC in the amount of 5% increase in R&D spending compared to their average volume in the previous three years
Great	PC 1.75 - for small enterprises, 1.3 - for large ones, when writing off current

The country	Types of tax mechanisms
Britain	expenses for research and development to reduce the taxable base for corporate tax
France	Annual NC in the amount of 30% of R&D expenses from the first 100 million euros of invested funds and 5% from the rest. 1st appeal - 50% of R & D expenses, 2nd appeal - 40%
Italy	NC in the amount of 40% of R&D expenses, but not more than 50 million euros for the company
Spain	NC in the amount of 25% of current and 8% of capital expenditures for R&D. Up to 40% reduction in corporate tax on the amount of social tax paid for R&D workers
China	PC when writing off current expenses for research to reduce the taxable base for income tax
India	PC 1.5 when writing off current expenses for research to reduce the taxable base for income tax
Brazil	PC 1.6 when writing off current expenses for research to reduce the taxable base for corporate tax. (may be increased to 1.8 with a significant number of employees engaged in R&D)
Mexico	NC or monetary compensation in the event of a negative financial result in the amount of 30% of R&D expenses

* Compiled by the author from Internet sources

In some countries, small innovative companies have a special tax regime with reduced rates. An example would be the tax system in France, under which such enterprises are exempt from paying most taxes during the first three years from the date of obtaining the corresponding status, and in the fourth and fifth years they can pay them in the amount of 50% of the base.

In some countries, in particular France, Belgium and Canada, there are tax schemes that encourage citizens to invest in venture capital funds. In Ireland, credits in the form of partial refunds of taxes paid in previous years are provided to entrepreneurs, as well as their relatives and friends, who organize innovative firms.

The use of tax mechanisms also stimulates the innovative activity of not only companies, but also individual citizens. For example, in the United States, individuals who invest in venture capital enterprises with a capital of less than \$1 million are entitled to take into account losses from such investments when calculating income tax. Individual investors investing in R&D can receive a tax refund on their account, innovative companies can also include losses from investments in the calculation of income tax and capital gains tax reductions (UK).

One way or another, in almost all countries, it is the state that is the initiator and direct participant in stimulating and supporting the innovative activities of enterprises. At the same time, tax mechanisms for supporting innovation activities play a special significant role, which should be strengthened and developed.

Serious economic transformations are currently ongoing in Uzbekistan, the necessary component of which is the improvement of the tax system. Taxes have been and continue to be one of the most important tools for implementing economic policy. At the same time, the world experience in the development of tax systems shows a consistent trend of a gradual decrease in the importance of taxation of legal entities and a corresponding increase in the role of taxation of

individuals.

The same trend is increasingly manifested in the current reforms of our republic, especially in the context of the implementation of tax reforms, in which taxes from individuals become the main sources of tax revenues for local budgets. Another reason for the relevance of the issues of taxation of individuals is also the fact that they concern a huge number of subjects - almost every citizen.

Conclusion

Uzbekistan is gradually improving the mechanisms of taxation of legal entities and individuals, creating fiscal instruments that contribute to the modernization of the national economy, improving the business environment for entrepreneurial activity. Simplification of tax legislation, optimization of tax rates, a significant number of tax and other benefits provided will undoubtedly contribute to the activation of investment processes in certain sectors, in particular in the field of small and private entrepreneurship.

At the same time, large-scale program goals envisaged for the medium and long term require the mobilization of sources of growth and further deepening of reforms. In order to achieve the established priority tasks, it is necessary to further improve the conditions for taxation of economic entities, legal entities and individuals, and create a favorable environment for the development of entrepreneurial activity. The introduction of effective, flexible mechanisms for regulating the economy will significantly reduce the scope of the still existing administrative-command levers.

In the new economic conditions, it is necessary to achieve a relative equalization in the distribution of income and investments in the context of territories, significantly increase the solvency to receive wages (especially in the real sector of the economy), reduce the level of cost inflation, which will positively affect the stabilization of consumer market prices. It is necessary to create favorable conditions for the formation of a resource-saving competitive country based on the use of predominantly economic incentives to influence economic processes. Under these conditions, the economy of Uzbekistan will be highly exposed to both external shocks and internal imbalances in order to ensure its sustainable high development in the long term.

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