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Tax arrears and causes of arrears

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ABSTRACT

In this article, improvement of the mechanism of tax collection, improvement of service and education of taxpayers, simplification of the tax system and procedures, development of effective communication channels between taxpayers and tax authorities, improvement of mechanisms of tax collection. In addition, the theoretical and practical aspects of the formation of trust and perception of justice and the use of effective coercive measures increase compliance, the trends in the development of relations, and the main reasons for the occurrence of tax arrears in terms of taxes and fees.

Keywords:

tax debt, property, cadastral value, personal card, tax elements, budget potential, local budget, costs of local budgets, judicial enforcement, lender, creditor, debtor.

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. Understating income, overstating deductions, and manipulating 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].

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 seen internet technology simplify public services in recent decades, and they.

Analysis and discussion of results.

Tax arrears is the overdue payment of funds due to budget and extra-budgetary funds in accordance with estimated taxes by business entities or individual entrepreneurs. or will not be paid at all. The tax liability of a taxpayer or a tax agent can be determined both for all taxes and for each of them separately. Payment of tax debt, including payment during collection by tax authorities, is carried out in the following sequence:

1) amount of taxes;

2) calculated penalties;

3) fines.

Factors affecting this can be the following:

- non-observance of payment discipline by economic entities with mutual financial relations, and as a result of this, the excess of receivables and payables;

- a sharp change in consumer demand for the products (work and services) of the economic entity;

- the quality of the manufactured product (work and services) does not meet the customer's or market's requirements;

- one of the main reasons for the taxpayer's tax debt to the budget is the instability of the company's financial situation, including the increase in receivables and payables. The reasons for tax debt are as follows:

- that economic entities and sole proprietorships are organized for the purpose of confidential activity;

- incomplete formation of tax culture or failure to properly fulfill obligations;

- the poor quality of the account in the enterprise or the lack of sufficient knowledge and skills (inexperience) of its responsible persons;

For example, although the Eldor Sardor farm located in Surkhandarya region has 51 hectares of land and agricultural machinery, due to management errors and other deficiencies, tax debt of 189.1 million soums has been generated over the years and remained uncollected.

- heavy tax burden or intentional non-payment of tax;

- overdue payment of the company's debtor and creditor debts and insufficient funds in the account number;

- deficiencies in tax administration and tax legislation;

- other force majeure circumstances and changes related to the life of the taxpayer (responsible person) (illness, death, etc.)

One of the main reasons for the emergence of tax arrears is the deterioration of the financial situation of taxpayers.

A high level of taxation (tax burden) directly and indirectly affects the deterioration of the financial situation of enterprises.

Postponing the tax payment period to a later

date is recognized as a change in the tax payment period. It is possible to change the term of tax payment with interest calculated on the total amount of tax to be paid or a part of it. Changing the tax payment period is carried out in the form of delaying its payment or paying it in installments. Tax deferment or installment payment consists of changing the term of payment of this tax by paying the amount of the debt in one go or in stages, respectively. Tax deferment or installment payment shall be applied to the amount of debt incurred before the decision to grant the possibility of tax deferment or installment payment is made or to be incurred in the future. can be given in relation to the amount of the loan. Tax deferment or installment payment is granted by the Tax Authority for a period not exceeding 1 year. A person applying for a change in the tax payment period has the right to submit an application for deferment of tax payment or payment in installments, or to be notified about it. Such an application may be submitted for one or more taxes. When considering an interested person's application for deferment or installment payment, the body authorized to make a decision on changing the tax payment terms shall inform this person with his has the right to offer other terms of payment in installments which may be agreed upon.

Changing the tax payment period does not cancel existing tax payment obligations and does not create new obligations. According to the decision of the Cabinet of Ministers, the Tax Committee, the State Customs Committee and the local authorities, the tax payment period can be changed, property pledge, surety or bank guarantee can be provided. It also applies when the possibility of delaying or paying in installments is given.

Current rules for tax agents, temporary procedure for delaying interest-free payment or applying installment payment for payment of taxes, tax arrears and fulfillment of tax obligations under special circumstances does not apply to the cases provided for.

Circumstances excluding the change of the tax payment period The tax payment period cannot be changed if at least one of the following conditions is being met for the person

concerned.1) in the presence of the specified circumstances, a decision on changing the tax payment period cannot be adopted, and the adopted decision must be canceled, in connection with the violation of the tax legislation if a criminal case has been initiated based on the symptoms of a minor crime;

2) there are sufficient grounds to assume that this person will use such a change to hide his money or other property subject to taxation, or that this person will leave the Republic of Uzbekistan for permanent residence. Isa;

3) during the 3rd year prior to the day when this person submitted an application for changing the tax payment period, the relevant tax payment period was determined by the Cabinet of Ministers, the Tax Committee, the State Customs Committee and the local authorities. if a decision has been issued to terminate the validity of the previously granted deferral or installment payment option due to the violation of the terms of the change;

4) if a bankruptcy case has been initiated;

5) an interested person (business entity) shall submit an application to the relevant authorized body for the possibility of delaying or paying the tax in installments.

When business entities acquire property rights to land plots with a total area of more than 1,000 square meters and (or) buildings and structures, with notice and without collateral Has the right to postpone for a period of 6 months. In this case, the amount of delayed taxes is determined by the amount of taxes calculated based on the value and (or) area of land plots, buildings and structures registered with the state.

The notice on the right to delay payment of taxes shall be sent through the personal office of the taxpayer within 3 months from the date of the transfer of the ownership rights to land plots, buildings and structures to the state register of land plots, Uzbekistan According to the Tax Code of the Republic (article 97, letter heads 1, 3-13) to the high risk category by sending to the tax authorities, indicating the record number and date of the state registration of ownership of buildings and structures if included.

Enterprises with a state share of more than 50 percent, subsoil users and producers of excise

goods are excluded. In the case of the above-mentioned circumstances, a decision on changing the tax payment period cannot be adopted, and the adopted decision must be canceled. The interested person and the tax authority of the place where the account is held will be notified in writing within 3 days about the cancellation of the decision.

An interested person has the right to appeal against such a decision in the prescribed manner. The tax payment period for the consolidated group of taxpayers will not be changed. Bodies authorized to make decisions on changing tax payment terms. The bodies listed in Figure 2.1 are the bodies authorized to make decisions on changing tax payment terms. It is clear that it is necessary to fundamentally revise the approaches to tax legislation in the systematization of taxes, codification of tax benefits and minimization of tax evasion. Since the beginning of 2000, there have been qualitative changes in the tax sector, adapted to the institutional reforms in the country's politics. The strategic direction of these changes is aimed at improving the efficiency of the entire tax system, which implies a consistent reduction of the tax burden and the formation of an efficient system of tax administration. Tax liability of legal entities arises due to a number of reasons, depending on the level of influence in a certain period of time. Accordingly, the analysis of the reason for the occurrence of tax debt makes it possible not only to classify the rate of growth of tax debt, but also to determine measures for their elimination. Of course, the result of these measures will not lead to the complete elimination of tax debt, but with these measures, it is possible to reduce tax debt to a certain extent under the harmony of the actions of tax debt collecting bodies. According to some foreign scientists, tax debt may arise under the influence of the following factors:

- socio-political and historical - this situation is explained by the emergence of protests against the political administration in some groups or regions, the pact of tax culture and other social circumstances;
- organizational and legal - this situation is explained by the lack of improvement of the tax

administration and legal framework, the weight of the tax burden or its uneven distribution;

- economic - this situation is generally explained by a change in the economic situation.

It is mainly divided into 2 groups:

The first group is the instability of the system in the general economy. It is explained by the lack of a sufficient level of money supply, a high inflation rate, a decrease in production, and a decrease in purchasing power;

The second group is cases related to production and trade of goods of a specific nature, as well as cases related to technical production, which apply only to certain economic entities.

According to foreign scientists, it is necessary to study the emergence of tax debt of legal entities in three groups. First of all, there are economic, organizational-legal and administrative psychological reasons (Figure 2.2). First of all, let's pay special attention to economic reasons. 3 types of reasons (Figure 2.3) can be included in this group.

Macroeconomic reasons include the instability (crisis) of the country's economy, the uneven development of the economic sectors of the country and its regions in terms of income, the inability of most legal entities to pay taxes and fees as a result of the decrease in the level of profitability in production, severe financial occurrence of the situation, it can be mentioned that the general payment discipline is at an unsatisfactory level.

Internal (network) sectoral reasons can be attributed to the lack of a new innovation policy in the leading sectors of the economy. As a result, the production in this area will not be modernized with new equipment, and the produced goods (works and services) will lose their place and customers in the market. Because of this, this country faces a crisis, and the inability to pay the estimated taxes will lead to the emergence of indebtedness.

Microeconomic reasons include unsatisfactory internal leadership in the management of legal entities, poor mastery of marketing, inability to choose partners, and low level of accounting and tax accounting for financial and economic activities, as well as the establishment of weak financial control. In the conditions of the current market economy, the role of small business

entities in the economy is increasing. At the same time, they attach great importance to the planning of tax payments from the point of view of profit maximization. For this purpose, they are looking to independently reduce the tax base in various ways. Of course, in this matter, there are entities with large working capital who use the services of "tax consulting" or "auditor" organizations for a certain fee. In most cases, small business entities do these things independently, and as a result, make serious mistakes. Mistakes are detected during tax audits, additional taxes are calculated and fines are applied. There are two types of organizational and legal reasons. As a result of the incompleteness of the legal framework, the tax debt collection process may be suspended due to non-satisfaction of the lawsuits submitted to the courts for compulsory collection of tax debt or due to other loopholes in the legislation.

We think that the structure of tax debt recovery can be explained by the following qualities. Tax debt recovery structure:

- a) low number of employees in organizations;
- b) low level of knowledge and professional skills and labor productivity of the lower structures of organizations, employees in the regions, lack of full compliance with labor discipline;
- c) existence of mutually unresolved problems of organizations;
- d) due to lack of technical and technological equipment.

Some manifestations of reasons of an organizational and legal nature can be seen in the many changes that have occurred in the tax sector of our republic in recent years. In the early years of independence, the tax authorities of the state tax service carried out compulsory collection of tax debts of legal entities by placing a collection order on their bank accounts, and the mechanisms of tax debt compensation through the transfer of property were carried out directly by the tax authorities, but this process is also gradual has been liberalized and is currently being equalized to world standards. Spiritual and spiritual reasons are studied in 2 types. Low tax culture (absence). According to the leaders and officials of some legal entities in the society, the concepts of "paying taxes in full

and on time" and "successful business" are opposite to each other. It is these types of taxpayers who are investigated by the tax authority, and severe penalties and fines are applied to them.

Failure to understand the inevitability of tax debt collection. It is inevitable that fines and additional taxes applied as a result of the inspections, or hidden, evaded, and unpaid taxes before the inspection, will one day be recovered from the state budget. It should be remembered that there are measures of subsidiary liability even if the symptoms of bankruptcy are applied to legal entities. In our opinion, the emergence of a tax debt is the late payment of funds due to the budget and extra-budgetary funds for the estimated taxes of economic entities. or will not be paid at all.

One of the main reasons for the appearance of tax arrears is the difficult financial situation of taxpayers. A high level of taxation (tax burden) has a direct and indirect effect on the deterioration of the financial condition of enterprises.

Factors affecting this are:

- non-observance of payment discipline by business entities with mutual financial-economic relations and as a result of this, the increase of receivables and payables;
 - a sharp change in consumer demand for the product (work and services) of the economic entity;
 - the quality of the manufactured product (work and services) does not meet the customer's or market's requirements;
 - one of the main reasons why the tax payer incurs a tax debt to the budget is the instability of the company's financial situation, including the increase in receivables and payables.
- According to some scientists of our republic, the theoretical emergence of tax debts is presented in Figure 2.4. We definitely agree with these points. However, each state and society has its own history, origin, strategic location, mentality, and demographic composition. Political instability in the country is sure to derail its economy. In addition, the tax debt is more likely to increase during economic cycles of "downturns" or crises. Changes in market demand and supply at the macro and

micro level also have a direct effect on the increase and decrease of tax liabilities. This is also evaluated by the changes in the exchange rate and the shortcomings in the payment system in the next sequence.

Tax debt can also arise due to lack of knowledge of business activities and lack of understanding of corporate tax management, lack of education and lack of knowledge among entrepreneurs. The existence of loopholes in the tax legislation and the mechanism of tax calculation and collection is very useful for taxpayers with low tax culture.

Based on practice, in our opinion, the occurrence of tax debt of legal entities in our Republic can be attributed to the following reasons:

- as a result of non-fulfilment of tax obligations by submitting a tax report (secret activity, etc.);
- as a result of additional tax assessment or financial penalties as a result of tax audits (secret enterprise);
- as a result of delayed fulfillment of tax obligations;
- as a result of non-timely financing of funds by high-ranking organizations;
- as a result of seasonal payments for the crops delivered by farms.

In this regard, the studies conducted by V. Ivanov and V. Vickrebsev show that the factors that cause the formation of tax debt and the symptoms of bankruptcy are the risks in the management of financial cash flows in order to obtain high income from the enterprise in the short term. is estimated to cause an increase. In this case, it was often observed that tax debts were formed due to the violation of tax laws by business entities. In addition, as a result of the merger of enterprises with tax debt into other enterprises, the debt remains uncollected. In general, tax evasion schemes of some taxpayers have appeared.

As we can see in the table above, there are many factors that cause tax debt. In this:

- that economic entities are established for the purpose of confidential activity;
- low tax culture or complete ignorance of the obligation;
- the poor quality of the account in the enterprise or the lack of sufficient knowledge

and skills (inexperience) of its responsible persons;

- heavy tax burden or intentional non-payment of tax;
- the passage of the payment period for the debtor and creditor debts of the enterprise and insufficient funds in the account number;
- deficiencies in tax administration and tax legislation;
- other force majeure circumstances and changes related to the life of the taxpayer (responsible person) (illness, death, etc.)

In particular, it is more dangerous that the increase in the volume of overdue debts not only affects the mutual calculation of the products sold, the works performed and the services provided, but also at the macro level, that is, it is a factor that undermines the economic stability of the country. .

For this reason, today, many practical measures are being developed to reduce tax debt, especially by reducing the amount of micro-level receivables and payables. In the course of the research, the reasons for the origin of tax debt and the theoretical approaches to their collection, as well as the problems encountered in practice, the trends of changes in the volume of tax debt over the last five years were studied. The growth of the GDP of our republic over the last ten years was an average of 5-8% per year, and the total tax burden on GDP (including taxes and mandatory deductions) was an average of 20-22%.

When compared to the country's GDP, it can be observed that the indicators of tax and other compulsory payment debts have decreased year by year. In particular, 4.8 percent in 2019, 4.5 percent with a decrease of 0.3 percentage points in 2020, 4.7 percent with an increase of 0.2 percentage points in 2021, and a decrease of 2.3 percentage points in 2022. 4 percent and 1.2 percent in 2023, which decreased by 4 times compared to 2020. Also, when the tax arrears are compared to income, the indicators in this regard have decreased year by year, for example, 22.8% in 2019, 16.2% in 2020, and 1.6% in 2021. increased to 17.8 percent, 13.3 percent in 2022, and 9.9 percent in 2023, and decreased by 2.3 times compared to 2019.

As we can see, the growth of the economy in our

republic is reducing the share of tax debt in the general economy. So, macroeconomic changes will increase tax debt.

Tax arrears in the republic have increased compared to previous years, including in 2019 - 9.1%, in 2020 - 11%, in 2021 - 20.2%, in 2022 - 56.4% by state tax authorities percent in 2023 was observed to decrease by 16.5 percent compared to 2022.

Two factors caused a sharp decrease in indebtedness starting in 2019. The first is the introduction of market mechanisms of the President of the Republic of Uzbekistan to regulate the foreign exchange sector, to encourage the increase of the republic's export potential, to actively attract foreign direct investments, to increase the competitiveness of local manufacturers in the foreign and business markets. , in accordance with Decree No. PF-5177 dated September 2, 2017, adopted in order to improve the investment and business environment in our country, if the solvency of subjects has increased only by using market mechanisms in determining the exchange rate of the national currency against foreign currency, the latter is reduced due to the forgiveness of tax debt at the level of the Government or the write-off of tax debt claimed by the state tax service authorities.

The increase in tax arrears, the negative impact on the state budget and the financial activity of economic entities, as well as the main group of tax debtors were analyzed. Tax debt write-off procedures, to a certain extent, allow taxpayers to use various tax evasion schemes, which encourage them to prolong their tax obligations and increase their tax debt. This practice ultimately leads to a weakening of competition and the loss of the benefits of strict tax law enforcement.

Conclusions and suggestions.

Introducing a mechanism for identifying enterprises that may incur a large amount of tax debt, submitting tax reports and one-time payment of the resulting tax debt. As a result, enterprises that make large amounts of money circulation and import operations and avoid paying taxes without being reflected in tax reports will be identified in advance, and an opportunity will be created to submit tax

reports and pay tax debts.

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