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## **SOLUTION OF PROBLEMATIC SITUATIONS IN ACCOUNTING FOR TAX BENEFITS**

*Abstract.* This scientific article presents the problems of accounting for tax credits and their solution. The need for inclusion in the chart of accounts is due to the unlawful use of tax benefits.

*Key words:* tax, tax credit, non-targeted tax credits, targeted tax credits.

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## **РЕШЕНИЕ ПРОБЛЕМНЫХ СИТУАЦИЙ ПРИ УЧЕТЕ НАЛОГОВОЙ ЛЬГОТЫ**

*Аннотация.* В данной научной статье представлены проблемы учета налоговых кредитов и их решение. Необходимость включения в план счетов обусловлена неправомерным использованием налоговых льгот.

*Ключевые слова:* налог, налоговый кредит, нецелевые налоговые кредиты, целевые налоговые кредиты.

**Introduction.** The research results show that in world practice, including in the tax legislation of our republic, the mechanisms for calculating and paying value added tax, determining turnover taxed at a zero rate, and tax reimbursement remain complex.

As a result of the scientific research carried out in the world to improve the methodology for calculating value added tax, a number of scientific results have been obtained. For example, it has been proven that the optimal value-added tax rate is 15-20 percent, a reduction in the tax rate leads to a shortfall in

budget revenues, and the introduction of a high tax rate leads to business concealment (KPMG, London).

Verification that the tax benefits provided to the business entity and the use of the amount in accordance with the stated requirements are carried out in the information sheet of the accounting statements. To improve the accounting procedure for tax benefits, it is necessary to study their economic essence.

**A literary review.** Tax benefits are described in detail in various economic literature and short-term documentation.

Article 75 of the Tax Code of Uzbekistan defines tax benefits as follows: “Tax preference is an advantage of a taxpayer category over other taxpayers, which is regulated by legislation on tax collection, including the possibility of paying tax or paying an amount at a lower rate. Wages can be individual” [1].

“Credit concessions can be provided by channeling funds released from the loan for a specific purpose. In case of improper use of such funds, the funds used are subject to transfer to the budget in accordance with the established procedure with a fine. Funds released through the provision of benefits under the agreement and not used during the term of the current benefits may be used for the purposes specified in the presentation of the loan within two years after the expiration of the benefits provided. In this case, the funds unused within the specified period are subject to transfer to the budget”[1].

As for tax benefits, one of the foreign scientists I.A.Maiburov divided tax benefits into several types, including: tax credit, investive tax benefit and tax holidays [2].

V.G.Panskov explains the economic nature of a tax credit as follows: A tax credit is a targeted preferential right granted to a taxpayer or a targeted exclusion from the tax base and the object of taxation, its inclusion in the tax system is designed to achieve with its help, a specific goal can be determined and whether economic, budgetary, fiscal or social efficiency [3].

In particular, one of the scientists of our republic F.Rakhmatullayeva defined a tax benefit as follows: "a benefit is a way, a set of rights and obligations, to fully or partially reduce a taxpayer's tax liability in the form prescribed by law in order to improve the economy and solve social problems" [4].

U.H.Normurzaev claims that "Tax benefits are collected by the taxpayer using the axbopot system and by entering the necessary identification code into the receipt of the tax benefit" [5].

From the above, it can be concluded that a tax benefit is an opportunity to pay tax or pay an amount less than expected.

**Research methodology.** The research used methods of economic analysis, rationality and grouping. In 2017-2021, the reforms implemented in our republic in terms of creating a value-added tax chain and tax benefits, the impact of value-added tax on socially significant goods (services) regulated by the state were analyzed.

**Analysis and results.** Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated September 22, 2021 No. 595 "Further improvement of taxpayer accounting and adjustment of the method of reimbursement of value added tax" [6] Paragraph 6 of paragraph d of paragraph three dated December 1, 2021 the task of filling in the database on current tax benefits and closing the process of entering a unique code (identifier) of the special tax service benefits for a one-time tax benefit and the closure of the practice of submitting paper according to the tax benefit code to the taxpayer's personal account.

To solve the above tasks, it is necessary to reduce the number of tax benefits (Table 1).

Types of taxes	2018 year		2019 year		2020 year		2021 year		2022 year	
	quantity	sum	quantity	sum	quantity	sum	quantity	sum	quantity	sum
<b>Total</b>	<b>59 792</b>	<b>22707,56</b>	<b>68113</b>	<b>29 136,00</b>	<b>93871</b>	<b>31 065,60</b>	<b>109363</b>	<b>43 479,30</b>	<b>195884</b>	<b>72 963,70</b>
<b>VAT</b>	2 322	14989,50	11380	23 073,80	7 031	24 643,30	15 508	36 766,30	28 214	64 107,90
<b>Profit tax</b>	291	1832,02	763	2 785,40	3 335	2 930,00	2 709	2 219,50	25 015	4 641,30
<b>Land tax</b>	5 499	1183,69	6 736	880,10	4 531	1 313,20	11 743	2 575,90	6 204	931,80
<b>Tax on income of individuals</b>	8 321	393,06	33866	789,00	44093	917,90	56 165	1 073,80	41 580	1 028,30
<b>Tax on the use of Water Resources</b>	7	797,97	31	469,30	673	443,70	1 376	39,10	685	12,30
<b>Social tax</b>	30 258	495,80	3 993	340,90	6 230	346,50	11 247	386,30	52 616	1 187,40
<b>Property tax</b>	220	897,27	382	583,20	4 813	274,00	2 195	306,10	7 809	933,00
<b>Turnover tax</b>	12 530	1325,66	10962	214,30	23165	196,90	8 420	112,30	32 921	97,20

*Table 1. Analysis of tax benefits applied by type of taxes in 2018-2022, billion soums*

An analysis of the applied tax benefits by type of taxes in 2018-2022 is presented in Table 1. In total, 59,792 organizations received 22,707.56 billion soums of taxes in 2018, 29,136.0 billion soums for 68,113 organizations in 2019, 93,871 organizations - 31,065.6 billion soums in 2021 – 43,479.3 billion soums for 109,363 organizations and, finally, in 2022 – 72,963.7 billion soums – 195,884 organizations can see that sum tax benefits were applied.

If we consider certain types of taxes, in 2018 the amount of VAT benefits provided to 2,322 organizations amounted to 14,989.50 billion soums. When composing the sum, it is clear that it has been converted into the type of tax with the greatest benefit. In 2022, this amount will amount to 64,107.9 billion soums for 28,214 organizations for this type of tax, we see that it has the largest tax benefit, amounting to soums.

It can be stated that a large amount of the following tax benefits will correspond to the income tax paid by legal entities. In 2018, income tax amounted to 1,832.02 billion soums, for 291 organizations. And in 2022 – 4,641.3 billion soums for 25,015 organizations, it is clear that we are talking about soums.

Fees are collected by sending them to a specific destination and divided into benefits depending on the destination.

“According to tax legislation, funds released from tax benefits are completely withdrawn from the budget if they are not used for their intended purpose, and in the case of using the amount used for the specified purpose, penalties are deducted.

The amount of funds released due to the concession and other mandatory payments and not used during the term of this concession may be directed to funds determined at the time of granting the concession within two years after the end of the concession period. In this case, the funds unused during the extended period will be transferred to the state budget of the Republic of Uzbekistan”[1].

We will consider a way to account for special tax benefits that are of particular importance from an economic point of view. The accounting of this reserve is included in account 8840-“Tax benefits with targeted use”.

Now let's take a closer look at the business transactions related to this issue in accounting.

1. Goods - for the amount of money issued as a result of exemption from VAT and excise duty on the import of tangible assets:

Debit – 6990 "Calculation of VAT and excise tax benefits for imports";

Credit - 8840-“Tax benefits with targeted use”.

2. Due to the fact that the share of exported products is 56 percent of the volume of production, this amount is deducted from section 040 of the income tax bill:

Debit – 6410 “Payment budget (total)”;

Credit - 8840-“Tax benefits with targeted use”.

3. When the funds released as a result of the tax benefit are used to maintain infrastructure, consolidate infrastructure and modernize equipment:

Debit – 8840-“Tax benefits with targeted use”;

Credit – 8530 "Property received for free".

4. The funds released as a result of the tax exemption are allocated to cover the total amount of the obligation:

a) it is aimed at closing the gap according to the received towing impact;

Debit – 8840-“Tax benefits with targeted use”;

Credit – 6010 "Accounts payable to suppliers and suppliers".

b) when withholding wages:

Debit – 8840-“Tax benefits with targeted use”;

Credit – 6710 “Settlements with employees on wages”.

c) When withholding social tax from wages:

Debit – 8840-“Tax benefits with targeted use”;

Credit – 6420 “Social tax”.

5. At the end of the grace period and at the end of the reporting year, the amount of unused benefits is transferred to the state budget of the Republic of Uzbekistan (2-4 at the operational stage):

Debit - 8840-“Tax benefits with targeted use”;

Credit–6410 “Payment budget (total)”.

According to article 75 of the Tax Code of the Republic of Uzbekistan, a company can invest available funds within two years after the end of the grace period. Even in this case, if the benefit is not used, the unused amount of the benefit will be returned to the state budget next year. In order to correct this accounting error, we recommend opening a work account 8850-"Inexpediently used tax benefits" and closing it on the account page. 8850-"Inexpediently used tax benefits" when opening a current account, the following account is created:

Within two years after the end of the grace period:

Debit 8840-“Tax benefits with targeted use”;

Credit 8850-“Improperly used tax benefits”.

It will be returned to the budget two years after the end of the concession period as follows:

Debit 8850-“Inexpediently used tax benefits”;

Credit 6410-“Payment budget (total)”.

This increases the taxpayer's ability to use tax benefits. The amount of tax benefits is also reflected in the accounting report.

What is the source of the request to open a work account called 8850-“Improperly used tax benefits”? Research and analysis show that in many cases, benefits are used after the expiration of tax benefits (Table 2).

According to this table 2, in 2015, a total of 622 entrepreneurs earned 14.8 billion soums. In 2018, 579 enterprises accounted for 54.9 billion soums and 324.6 billion soums in 2021 for 1024 enterprises. Improper use of the benefit in the amount of soums, which is the basis for the cancellation of tax benefits.

Years	Businesses using the tax credit		Additional accrued taxes on misuse		Of which,			
					According to the result of the		According to the result of tax	
	quantity	sum	quantity	sum	quantity	sum	quantity	sum
2015	58377	12 450,90	622	14,8	536	11,6	86	3,2
2016	28617	10 924,40	769	21,9	677	6,1	92	15,8
2017	33631	15 753,10	267	11,4	217	2,4	50	8,9
2018	61178	22 707,50	579	54,6	380	7,9	199	46,7
2019	48765	29136,1	456	44,9	276	8,2	180	36,7
2020	59415	31065,6	786	98,3	451	24,5	-	-
2021	47482	42 089,00	1024	324,6	966	219,8	58	104,8

Table 2. Shortcomings identified in 2015-2021 in Uzbekistan, which did not use summer benefits to the full, (billion soums)

Hence, it becomes obvious that it is necessary to further strengthen financial control, including tax audits, over the targeted and effective use of tax benefits provided in accordance with tax legislation.

**Conclusions and suggestions.** To improve the accounting of value added tax, we offer:

1. Pursuant to the Regulation "On registration and accounting of benefits provided to legal entities for the payment of taxes, duties and mandatory payments to the budget", tax benefits provided in a targeted manner are recorded

in account 8840 "Tax benefits with targeted use" stored in you.

At the end of the grace period and at the end of the reporting year, unused amounts of the grace period are written off and the following correspondence is created on the accounts:

Debit 8840-“Tax benefits with targeted use”,

Credit 8530 "Property received for free" account.

In our opinion, crediting account 8720 "Accumulated profit (non-reimbursed loss)" is advisable after the end of the period of benefit for targeted tax credits, while the following accounting entry is made:

Debit – 8840-“Tax benefits with targeted use”

Credit – 8720 "Accumulated profit (uncompensated loss)".

The main purpose of this proposal is to continuously monitor the unused amount after the end of the tax credit period. Business entities can use these funds for other purposes.

2. For tax benefits that are not intended for their intended use, it is advisable to create a separate balance sheet and keep records in it. In our opinion, for this it is necessary to include account 8850 "Improperly used tax benefits" in the chart of accounts. This will strengthen control over the formation and use of non-targeted tax credits.

Working accounts for accounts 8840 -"Tax benefits with targeted use" and 8850-"Improperly used tax benefits" are opened for each type of tax, including value added tax. This makes it possible to ensure the control of tax benefits for each type of tax.

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