

The Importance of Tax Compliance by Legal Entities in the Tax System

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Abstract. The importance and theoretical aspects of profit tax in the taxation of legal entities in the country are justified. Profit tax and its content are revealed.

Key words. profit tax, rate, enterprise, legal entity, payer, bank, benefit, tax, system, budget, tax policy, system, law.

One of the tax types that has been consistently implemented since the early years of independence in our country's tax system is profit tax.

The profit tax is the main source of state budget revenues, and stimulating business activity is considered an important factor. The profit tax mechanism is the sum of legal regulations and tax elements aimed at maximizing benefits to the state budget by rationalizing tax obligations for business entities.

The profit tax collected from legal entities contributes to the overall composition of revenues to the State budget. Profit tax collected from legal entities directly contributes to the composition of direct taxes, meaning it directly affects the financial-commercial activities of economic entities.

The stages of profit taxation development in the Republic of Uzbekistan are as follows:

1. In accordance with the Law of the Republic of Uzbekistan "On Taxes on Enterprises, Organizations, and Associations" adopted on February 15, 1991, profit taxation, which collects payments for interest and labor resources, was introduced.

2. Starting from 1992, income tax was introduced at a rate of 12% instead of profit taxation.

3. From January 1995, income (profit) taxation from legal entities at a rate of 38% was introduced based on the Decree of the President of the Republic of Uzbekistan "On the main directions of strengthening the role of taxation in stimulating economic activity in the Republic of Uzbekistan."

4. Since January 1, 2008, with the entry into force of the new Tax Code of the Republic of Uzbekistan, income (profit) taxation was changed to profit taxation levied on legal entities.

5. Since January 1, 2018, the unified rates of profit tax to be collected from legal entities have been determined in connection with the consolidation of profit tax and the development of social infrastructure.

6. Changes in the procedure for assessing profit tax from legal entities have been made since January 1, 2020.

In Article 39 of the Civil Code of the Republic of Uzbekistan, the following definition is given for a legal entity: "An organization is considered a legal entity if it has separate property in its ownership or under operational management, is responsible for this property, can have property and personal non-property rights in its own name, and can exercise them, fulfill obligations, and be a plaintiff and defendant in court."

A single social tax is collected instead of a social tax, a single tax is collected without being rotated into a single tax, and a specified tax is imposed on the incomes of individuals in the manner prescribed by law, retaining the privileges granted in advance and the features of tax calculation, a specified amount of tax is levied.

Similarly, enterprises engaged in the production of goods subject to excise tax and extracting beneficial minerals for land use pay tax based on turnover (revenue).

Since January 1, 2019, at the end of each year, enterprises that have exceeded or reached the specified threshold of 1 billion soums pay general taxes. If the total turnover exceeds 1 billion soums during the year, the enterprise must start paying profit tax from the following month.

Tax exemptions are provided for the following incomes:

- Income from government securities and other valuable papers issued by the state, as well as income from international securities of legal entities that are residents of the Republic of Uzbekistan;
- Benefits derived from the use of funds from personal pension accounts provided by the People's Bank to citizens. Currently, no tax is levied on these incomes.

Profit tax is one of the most complex accounting procedures, just like other taxes. Profit tax is paid by the following entities:

- Legal entities that are tax residents of the Republic of Uzbekistan;
- Legal entities that are non-residents of the Republic of Uzbekistan, including foreign legal entities conducting activities in the Republic of Uzbekistan through permanent establishments established through legal entities;
- Legal entities that are tax non-resident of the Republic of Uzbekistan but receive income from sources in Uzbekistan;
- Individual entrepreneurs who have exceeded one billion soums in revenue from the sale of goods (services) during the tax period and have transitioned to paying profit tax on a single tax basis;

- Ordinary partnerships conducting activities under a simple partnership agreement (contract) within the scope of the activity of the ordinary partnership.

Duly noted, in this context, permanent establishments are only utilized for tax purposes, as they do not constitute a separate legal entity.

Taxpayers are legal entities that have taxable income during the fiscal year, meaning they are considered beneficiaries of the profit.

Countries with the highest corporate tax rates in the world in 2022 in %

T.r.	Country	Continent	Tax rate
1.	Comoros Islands	Africa	50
2.	Puerto-Rico	North America	37,5
3.	Surinam	South America	36
4.	Chad,Congo,Equatorial Guinea,Zambia	Africa	35
5.	Kiribati	Oceania	35
6.	Malta	Europa	35
7.	Sen-Marten, Sint-Marten	North America	35
8.	American Samoa	Oceania	34
9.	Brazil,Venezuela	South America	34
10.	Cameroon, Seychelles	Africa	33
11.	Saint Kitts and Nevis	North America	33
12.	France	Europa	32,02

The object of taxation is determined in accordance with Article 70 of the Tax Code of the Republic of Uzbekistan and the Regulation of the Cabinet of Ministers of the Republic of Uzbekistan "On the composition of production (works, services) costs and the formation of financial results", which calculates the difference between total revenue and deductions specified in the relevant Regulations, including expenses stipulated in the Regulations, is considered the object of profit tax (banks and insurance organizations have their own specifics).

The object of taxation is any condition involving property, action, action result, or value, whether quantitative or physical characteristics. When such a condition exists, tax legislation establishes a tax obligation for taxpayers.

Each tax is subject to an independent tax object specified in the special section of the Tax Code.

The profit tax collected by the taxpayer is considered the object of taxation for profit tax purposes (referred to as "tax" in this section).

The object of profit tax is considered the profit tax collected by taxpayers.

For this purpose, the following are recognized as profits:

- For legal entities: the difference between total revenue and expenses;
- For non-residents conducting activities through a permanent establishment: the difference between total revenue and expenses;
- For non-residents: income derived from sources in the Republic of Uzbekistan;
- For individual entrepreneurs: the difference between total revenue and expenses.

The base for profit tax collected from legal entities is calculated as the profit tax base, which is the portion of income that exceeds expenses, without taking into account VAT and excise taxes.

Total revenue is determined without taking into account VAT and excise taxes.

When determining the tax base, various types of income or expenses may not be taken into account.

The tax base for profit tax is calculated based on the total income, taking into account the privileges specified in the legislative documents, as well as deductions, calculated considering the amounts to be reduced.

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