

## **Formation of Income Taxes Received From Natural Persons and Their Significance**

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**Abstract.** In the tax system, information is provided about the theoretical basis of the income tax from individuals and the procedure for its implementation. Importance of other incomes included in income and foreign experience are also studied.

**Key words.** Income, market law, resource, property, enterprise, organization, salary, tax, income tax, budget, physical person, state, tax system, tax policy.

In accordance with Article 364 of Chapter 52 of the Tax Code of Chapter 52 of the Tax Code, citizens of the Republic of Uzbekistan, citizens of foreign countries, as well as stateless persons are recognized as individuals.

Revenue - is the income generated by market laws, the amount of which depends on the efficient use of economic resources, more precisely, to achieve a good economic result. The amount of income is not limited because there are sufficient conditions to earn it. Income consists of business income, income from property and work that touches from enterprises and organizations operating in terms of market demand.

For more than one hundred and eighty-three calendar days for more than one hundred and eighty-three calendar days in any consecutive month, the tax period for which the tax period begins or ends, individuals in the Republic of Uzbekistan are recognized as tax residents of the Republic of Uzbekistan.

Raising the income tax of individuals to the modern level plays an important role in solving the following tasks:

- a) the continuous increase in the income of workers and employees and its regulation by the state;
- b) increase their income by individuals through the creation of various partial jobs within the law;
- c) to earn more income for individuals through various activities;
- d) the creation of new infrastructures and the involvement of individuals to work in them, to create new infrastructure and to work in them.

Taxpayers of personal income tax are said to:

Individuals who are residents of the Republic of Uzbekistan are individuals who are actually present in the Republic of Uzbekistan for a total of more than one 183 calendar days during any

consecutive 12-month period starting or ending with the tax period for which the relevant status is established. are recognized as tax residents of the Republic of Uzbekistan;

Individuals who are non-residents of the Republic of Uzbekistan and who receive income from sources in the Republic of Uzbekistan are recognized as tax residents of the Republic of Uzbekistan when they lived in there less than 183 calendar days. (transit, recreation, tourism and treatment are not included in this time).

The system of taxation of individuals is divided into 3 main categories from the point of view of tax subjects:

1. System of taxation of natural persons (resident).
2. The system of taxation of individuals engaged in sole entrepreneurship.
3. System of taxation of non-resident individuals.

Taxes levied on individuals are mainly direct taxes. They also pay some types of rent-like taxes.

Individuals pay taxes on their income, property and consumption. The share of taxes paid by them in the formation of the state budget is high. The share of the tax paid from the income of individuals in the state budget is especially high. Also, taxes collected from individuals have a significant share in the income of local budgets.

Taxes and fees levied on individuals:

State taxes are as follows:

1. Income tax from individuals.
2. Fixed tax on individual business activities without establishing a legal entity.
3. Fixed tax on certain types of business activity.
4. Local taxes and fees:
5. Property tax.
6. Land tax.

We will consider property tax and land tax collected from individuals in detail in our next topics.

A natural person who permanently resides in the Republic of Uzbekistan or stays in Uzbekistan for 183 days or more during any period up to twelve months beginning or ending in a fiscal year is considered a resident of the Republic of Uzbekistan.

Individuals who are residents of the Republic of Uzbekistan are taxed on their income from the sources of their activities in the Republic of Uzbekistan, as well as outside it.

Individuals who are not residents of the Republic of Uzbekistan are taxed on income received from sources within the territory of the Republic of Uzbekistan.

The following are recognized as taxpayers of personal income tax (hereinafter referred to as taxpayers in this section):

- 1) natural persons who are residents of the Republic of Uzbekistan;
- 2) Individuals who are non-residents of the Republic of Uzbekistan receiving income from sources in the Republic of Uzbekistan.

The following are included in the total income, including the money or other funds that the taxpayer is required to receive (received) or received for free from the total annual income of individuals:

- income in the form of payment for labor;
- property income;
- income in the form of material benefits;
- other income.

Incomes that are not included in the total income of individuals are:

The value of one-time state monetary awards or souvenirs of equivalent value received by a taxpayer who has received state awards and state monetary awards of the Republic of Uzbekistan, as well as the value of the President of the Republic of Uzbekistan or the Cabinet of Ministers of the Republic of Uzbekistan one-time monetary reward and gifts based on the decision;

- monetary rewards for donation, as well as sums received by employees of medical institutions for blood collection;
- state pensions, benefits established by law, excluding temporary incapacity benefit (benefit for caring for a sick family member);
- incomes of self-employed persons as a result of labor activities, including from the organization of paid training courses, sports clubs and other educational services of students in the territory of higher education organizations of the Republic of Uzbekistan income received from showing;
- Income from international bonds issued by the Republic of Uzbekistan and legal entities that are residents of the Republic of Uzbekistan.

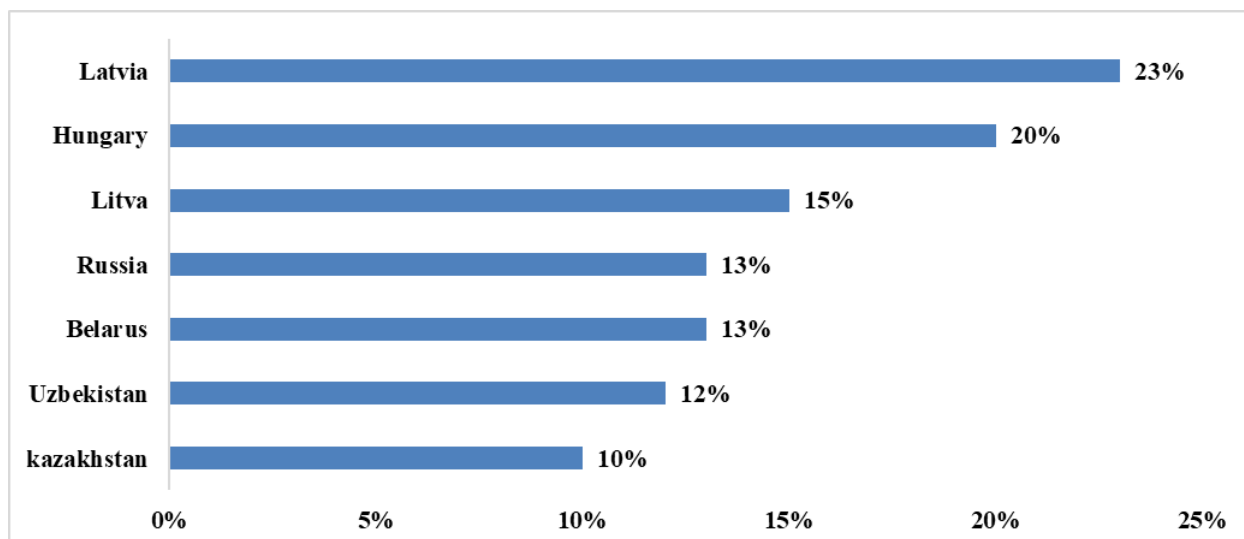
The personal income tax in Uzbekistan was considered a progressive tax until 2017, and from 2017 it was transferred to a proportional rate. These tax rates are determined by the Tax Code of the Republic of Uzbekistan.

According to the tax legislation of the Republic of Uzbekistan, personal income tax rates are divided into the following groups:

- differentiated progressive tax rates imposed on wages, bonuses and other income of individuals;
- tax rate on dividends and interest income of individuals;
- tax rates imposed on the income of non-resident natural persons at the source of payment;
- preferential tax rates.

According to the tax legislation, since 1998, the tax rate on wages, bonuses and other income of individuals in our republic has been set at 15, 25, 35, 40, 45 percent, i.e. 5 steps. Since 2000, it has been 4-step, that is, 15, 25, 36, 40 percent, and since 2001, it has changed to 3 steps, its rate is 12, 25, 30 percent, since 2002, it has been 13, 23, 33 was set as a percentage. Since 2017, the basic rate has been charged at 12 percent. Dividends and interest income are taxed at the rate of 5%.

#### PERSONAL INCOME TAX RATES IN FOREIGN COUNTRIES



Foreign natural persons are taxed on the territory of the Republic of Uzbekistan, taking into account the features specified in the international treaties of the Republic of Uzbekistan.

A resident - a foreign individual is subject to the same tax imposed on the income of individuals as a citizen of the Republic of Uzbekistan.

Non-resident - foreign individuals are subject to personal income tax on income received from sources in the Republic of Uzbekistan, regardless of the place of payment.

For the purposes of taxation, non-resident natural persons are considered as non-residents who carry out activities in the Republic of Uzbekistan through a permanent establishment or as non-resident individuals who are not connected with a permanent establishment.

A non-resident natural person carrying out activities in the Republic of Uzbekistan through a permanent establishment is a taxpayer on income received from sources in the Republic of Uzbekistan related to the permanent establishment.

Collection of taxes and fees from foreign individuals may be suspended or limited by mutual agreement in cases where similar measures are taken against individuals of the Republic of Uzbekistan in the relevant foreign country.

When concluding transactions with foreign individuals, the terms of such transactions include the assumption that taxpayers and other persons operating in the Republic of Uzbekistan will bear the costs of paying taxes and fees of foreign individuals. It is not allowed to enter comments about the tax withheld.

The income of an individual who is a non-resident of the Republic of Uzbekistan from sources in the Republic of Uzbekistan is taxed at the following tax rates:

No	Tax object	Tax rates are in percentages
1	Dividends and interest.	10
2	Revenues from the provision of transport services in international transport determined in accordance with this Code (freight revenues).	6
3	Incomes received under employment contracts (contracts) and civil-legal contracts, other incomes not specified in paragraphs 1 and 2	20

The legal entity paying the income is responsible for withholding and transferring to the budget the tax imposed on the income of individuals. If the amount of tax is not withheld, the income-paying legal entity must pay the amount of tax not withheld and related fines and penalties to the budget. The legal entities specified in paragraph 36 of the Directive must perform the following:

- at the time of payment of wages to an individual, according to his request, a certificate about the amount and type of income, the amount of withheld tax, as well as the amount transferred to the personal savings account to give
- income received from a non-main place of work, with the registration number or passport information of an individual, surname, first name and patronymic, address of permanent residence,

the total amount of income made in the reporting year and the total amount of tax withheld are correct to submit the information to the tax authorities within 30 days after the end of the financial year;

– in every quarter of the year, no later than the 15th of the month following the reporting month, to the state tax authorities in the place where the legal entity is registered for tax payment, the amounts calculated and actually paid to employees in the form of wages and other income must also provide information on the tax amounts imposed on these incomes.

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