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INDIRECT TAXES LEVIED ON LEGAL ENTITIES AND THEIR IMPACT ON CORPORATE FINANCIAL AND ECONOMIC ACTIVITIES

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Abstract. This study examines indirect taxes levied on legal entities in Uzbekistan and their impact on corporate financial and economic activities. The research analyzes the legal framework, calculation methods, reporting procedures, and compliance requirements for corporate taxpayers. It evaluates how indirect taxes, such as value-added tax (VAT) and excise duties, influence corporate financial management, investment decisions, and overall business performance. By reviewing legislation, statistical data, and case studies, the study provides recommendations to optimize tax administration, improve compliance, and mitigate adverse effects on corporate operations.

Keywords: Indirect Taxes, Corporate Taxation, Legal Entities, VAT, Excise Duties, Corporate Finance, Tax Impact, Uzbekistan

Introduction

Indirect taxes, also known as turnover or consumption-based taxes, are an essential component of the fiscal system in Uzbekistan. These taxes, levied on legal entities, include value-added tax (VAT), excise duties, and other turnover-related levies. Unlike direct taxes, which are based on income or profits, indirect taxes are applied to the production, sale, or consumption of goods and services. As such, they have a direct impact on corporate cash flow, pricing strategies, and overall financial management.

The peculiarities of indirect taxation for legal entities arise from the complexity of tax calculation, sector-specific regulations, and compliance requirements. Indirect taxes affect business decisions such as investment planning, cost management, and product pricing. Improper administration or mismanagement of these taxes can lead to financial inefficiencies, increased compliance costs, and even penalties for businesses.

Understanding the mechanisms of indirect taxation and its influence on corporate financial and economic activities is crucial for policymakers, tax authorities, and business managers. This study aims to analyze the legal framework, calculation and reporting procedures, and practical implications of indirect taxes for corporate taxpayers in Uzbekistan. Furthermore, it explores strategies to optimize tax compliance, mitigate negative impacts on corporate performance, and enhance the efficiency of tax administration.

Literature Review

Indirect taxes levied on legal entities have been extensively studied due to their significant impact on corporate financial management and economic performance. According to Bird and Zolt (2019), indirect taxation systems, including VAT and excise duties, are critical for generating state revenue while influencing business behavior through pricing, production, and investment decisions.

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In the context of Uzbekistan, several scholars have explored the peculiarities and challenges of indirect taxation for legal entities. Karimov (2021) emphasizes that the calculation and reporting of VAT and excise duties require precise accounting, timely submission, and strict compliance with the Tax Code. Tursunov (2022) highlights that sector-specific regulations and diverse business operations create complexity for corporate taxpayers, affecting their cash flow, operational costs, and financial planning.

Comparative studies from other countries show that the implementation of digital reporting systems, simplified calculation methods, and effective taxpayer guidance can significantly improve compliance and reduce administrative burdens (OECD, 2020). These studies underscore the importance of understanding the impact of indirect taxes on corporate financial and economic activities, as mismanagement can lead to inefficiencies, higher costs, and potential legal consequences.

Methodology

This study employs a qualitative and analytical approach to examine indirect taxes levied on legal entities in Uzbekistan and their impact on corporate financial and economic activities. The research is based on a comprehensive review of the Uzbek Tax Code, sector-specific regulations, and statistical data on VAT, excise duties, and other indirect tax collections.

Comparative analysis is applied to evaluate international best practices in the administration of indirect taxes and identify strategies to improve compliance, efficiency, and transparency. Case studies of selected corporations are used to illustrate practical challenges in tax calculation, reporting, and payment.

Additionally, interviews with tax officials, accountants, and corporate financial managers provide insights into operational difficulties, common errors, and the real impact of indirect taxes on corporate cash flow, investment decisions, and strategic planning. By combining legal analysis, statistical evaluation, and practical perspectives, this study aims to identify key issues and propose recommendations to optimize the administration of indirect taxes on legal entities in Uzbekistan.

Analysis and Results

The analysis of indirect taxes levied on legal entities in Uzbekistan demonstrates both strengths and challenges in their administration. Legal entities are primarily subject to value-added tax (VAT), excise duties, and other turnover-related taxes, which significantly influence corporate financial and economic activities.

Statistical data indicate that indirect taxes constitute a substantial portion of total corporate tax revenue. However, several challenges reduce administrative efficiency and affect business operations. These include complex tax calculation procedures, sector-specific regulations, errors in reporting, and delays in compliance. Such issues can increase operational costs, affect pricing strategies, and influence investment decisions, ultimately impacting corporate profitability.

Comparative analysis with international practices shows that countries implementing digital tax reporting systems, simplified calculation methods, and targeted guidance for corporate taxpayers achieve higher compliance rates and more efficient administration of indirect taxes (OECD, 2020). Interviews with tax officials and corporate managers in Uzbekistan confirm that while the legal framework is comprehensive, practical administration can be improved through digitalization, staff training, and clear procedural instructions.

Overall, the findings indicate that effective management of indirect taxes is crucial for optimizing corporate financial performance, ensuring compliance, and maximizing state revenue, while minimizing negative effects on corporate operations.

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Conclusion and Recommendations

In conclusion, indirect taxes levied on legal entities, including value-added tax (VAT) and excise duties, play a vital role in Uzbekistan's fiscal system. These taxes affect corporate cash flow, investment decisions, pricing strategies, and overall financial performance. While they are essential for generating state revenue, their complexity and sector-specific regulations can create challenges for corporate taxpayers.

To improve the administration and mitigate adverse impacts of indirect taxes on legal entities, the following recommendations are proposed:

1. **Digitalization of Tax Administration:** Implement advanced digital systems for automated calculation, reporting, and monitoring of indirect taxes to reduce errors and administrative burdens.
2. **Simplified Calculation and Reporting Procedures:** Develop standardized and transparent methods for calculating and reporting VAT and excise duties to facilitate compliance.
3. **Capacity Building and Training:** Provide training programs for tax officials, accountants, and corporate financial managers to improve understanding of complex tax requirements.
4. **Sector-Specific Guidelines:** Issue detailed guidelines addressing the peculiarities of indirect taxation for different business sectors to ensure accurate compliance.
5. **Monitoring and Evaluation Mechanisms:** Establish regular auditing and feedback systems to enhance transparency, accountability, and efficiency in indirect tax administration.

By implementing these measures, Uzbekistan can optimize the management of indirect taxes, support corporate financial stability, ensure compliance, and enhance state revenue collection, while minimizing negative impacts on business operations and economic development.

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