

ISSUES OF LEGAL ENTITIES REGISTERED AS LARGE TAXPAYERS AND THE  
TAXES PAID BY THEM TO THE STATE BUDGET

Muratjanova Lobar

Student of Gulistan State University

ORCID:0009-0000-3300-0046

**Abstract:** Particular attention is paid to ensuring the necessary level of collection of taxes and other mandatory payments in the Republic of Uzbekistan, radical improvement of services on the basis of cooperation between large taxpayers, tax administration and tax obligations. In the Address of the President of the Republic of Uzbekistan Sh.M.Mirziyoev to the Oliy Majlis dated December 28,2018, "one should be interested in the timely payment of taxes, not tax evasion. The new version of the Tax Code should provide incentives for honest taxpayers, who are the backbone of the country's development, and punish those who operate in secret. It is necessary to reduce the tax burden, introduce a fair tax regime for all, and gradually abolish tax benefits. " is one of the important tasks in this regard.

**Keywords:** budget policy, budget, tax incentives, tax administration, business entities, tax revenues, taxes, tax rates, preferences, large taxpayers, state tax inspection.

Introduction. In our country, particular attention is being paid to the establishment of entirely new sectors of the economy and, especially, to the modernization of their management methods. This includes the introduction of international business practices and management standards. The large-scale reforms being implemented in the national economy are aimed at developing enterprises, ensuring their access to foreign capital markets, and effectively utilizing advanced international experience in this process.

In addition, the number of business entities in the republic, including large taxpayers, is steadily increasing. This growth contributes to the rapid development of our economy, the expansion of industrial potential, the assimilation of high-tech industries, and, ultimately, the enhancement of the country's competitiveness.

**Analysis of Literature on the Topic**

The Russian scholar I.Yu. Bocharova expanded the concept of corporate governance and stated that *"corporate governance is a system of organizational, economic, and managerial relations that influence the condition of shareholders and the behavior of joint-stock companies, arising in the relationships among corporate actors interested in the company's activities."*

According to Malikov and Jalilov (2011), *"fiscal policy, on one hand, involves the rational formation of budget revenues, and on the other hand, the efficient use of budget expenditures. Thus, fiscal policy consists of two interrelated components — budgetary and tax policies."*

In his scientific research, Khudoyqulov (2019) identified forecast indicators of total state budget revenues for the years 2018–2023 using econometric methods based on the interrelationship among key factors such as the number of taxpayers with tax obligations, the total amount of tax benefits granted to taxpayers, the total amount of tax arrears, and the average tax rate.

According to I.A. Blank (2013), *"investments represent capital—both monetary, material, and intangible—allocated to business activities with the purpose of generating income or increasing its value in the future."*

Aleksandrov (2009) defines a tax incentive as *"a reduction in the amount of taxation or a preferential treatment granted to a specific taxpayer compared to others."*

According to Tyutyuryukov (2009), *“a tax preference is a benefit provided by the state to certain types of taxpayers through various methods of reducing tax obligations.”*

Juswanto and Simms (2017) emphasized that *“the digitalization of tax administration and procedures should create a foundation for further tax system reform. Tax policy reform should ensure fair and sustainable taxation of digital businesses in accordance with economic growth.”*

Meanwhile, Serdyukov et al. (2005) argued that *“state tax policy is an integral part of the state’s overall economic strategy, aimed at comprehensively resolving taxation issues at a specific stage of a country’s historical development, taking into account its interests and objectives.”*

### Research methodology

This article employs comparative analysis as well as inductive and deductive evaluation methods. Using the comparative method, data on large taxpayer enterprises were collected and analyzed, and scientific conclusions were drawn.

### Analysis and discussion of results

The concept of a “large enterprise” is not defined in legislation. In practice, an enterprise that does not fall within the category of a small business entity is considered a large enterprise. The following are classified as small business entities (as stipulated in Article 5 of the Law “On Guarantees of Freedom of Entrepreneurial Activity”):

- individual entrepreneurs (sole proprietors);
- microfirms — in the manufacturing sector, those whose average annual number of employees does not exceed 20; in service and other non-manufacturing sectors, those with no more than 10 employees; and in wholesale, retail trade and public catering, those with no more than 5 employees;
- small enterprises — enterprises whose average annual number of employees is determined by sector (Classifier, Appendix 1 to Resolution No. 275 of the Cabinet of Ministers dated 24 August 2016).

If microfirms and small enterprises exceed the prescribed average annual number of employees, they are deprived, for the period during which the increase in staff persists, of the benefits, preferences, guarantees and rights provided for by legislation.

For example, the fixed assets of small business entities are revalued once every three years. Other entities submit year-end financial statements (only forms No. 1 and No. 2) annually, whereas the remaining entities submit financial statements (all forms) quarterly.

The criteria for classifying legal entities as large taxpayers are established by the Regulation (registered with the Ministry of Justice on 12 July 2019 under No. 3172) and are applied for the purposes of tax administration. Taxpayers included in the large taxpayers category submit centralized tax reports that take into account their separate subdivisions and pay taxes (levies) (Article 20, paragraph 3 of the Tax Code). Large taxpayers, regardless of their place of registration, submit their tax reports to the Interregional State Tax Inspectorate for Large Taxpayers (Article 82, paragraph 4 of the Tax Code).

### Categories of large taxpayers

Pursuant to the Regulation No. 3172, registered by the Ministry of Justice on 12 July 2019, “On Establishing the Criteria for Classifying Legal Entities as Large Taxpayers,” the criteria for including legal entities in the category of large taxpayers are as follows:

- a) Enterprises that produce goods subject to excise tax and provide excisable services;
- b) Commercial banks, commodity and raw materials exchanges, stock and currency exchanges;

- c) “Navoi Mining and Metallurgical Combine” State Enterprise, “Almalyk Mining and Metallurgical Combine” JSC, and organizations included in their structure;
- d) Organizations participating in the implementation of product-sharing agreements;
- e) Legal entities whose net sales revenue exceeds 100.0 billion soums based on the results of the previous calendar year or the last consecutive twelve months, as well as permanent establishments (branches) of foreign legal entities operating in the Republic of Uzbekistan;
- f) Legal entities engaged in the extraction, processing, supply, and sale of hydrocarbon raw materials and mineral resources, as well as in the production and transmission of electricity, and the permanent establishments (branches) of foreign legal entities supplying goods (works or services) to them, except for automobile fueling stations;
- g) Legal entities engaged in international air transport and the transportation of passengers through the airspace of the Republic of Uzbekistan, including their structural subdivisions;
- h) Foreign legal entities providing electronic services whose place of supply is within the territory of the Republic of Uzbekistan.

According to paragraph 4 of the Regulation, legal entities are determined based on indicators in their tax and financial reports submitted to the tax authorities for the previous calendar year or the last twelve consecutive months. If legal entities fail to meet the specified criteria at the end of the calendar year, such business entities remain in the category of large taxpayers for the following three years. Furthermore, the list of large taxpayers to which the requirements of this Regulation apply is approved annually by the State Tax Committee of the Republic of Uzbekistan no later than one month before the beginning of the next tax period.

Legal entities included in or excluded from the list of large taxpayers are notified in writing by the State Tax Committee of the Republic of Uzbekistan within five days from the date of the corresponding decision, including notification via the taxpayer’s personal electronic cabinet.

#### **Foreign experience in the administration of large taxpayers**

In the Russian Federation, the criteria for determining the category of large taxpayers are established by Order No. MM-3-06/308 of the Federal Tax Service dated May 16, 2007. Non-profit organizations and individual entrepreneurs are not included in the category of large taxpayers.

As of 2020, organizations meeting the following criteria are classified as large taxpayers:

- For federal-level organizations — annual income exceeding 35 billion rubles;
- For regional-level organizations — annual income between 10 and 35 billion rubles;
- Entities that are economically interrelated with other large taxpayers;
- Entities that have applied for tax monitoring;
- Entities included in the category of large taxpayers by decision of the Federal Tax Service.

The tax authorities independently notify taxpayers. In accordance with Article 83 of the Tax Code of the Russian Federation, the Ministry of Finance of Russia has the authority to establish specific procedures for registering large taxpayers.

In the Kyrgyz Republic, the procedure for maintaining records and defining the category of large taxpayers is established under Article 102 of the Tax Code. According to the Government Resolution dated April 7, 2011, “*On Approval of the Rules and Procedures for Tax Administration*”, the Regulation “*On Criteria and Procedures for Determining Large Taxpayers*” was approved.

Taxpayers meeting one of the following conditions are classified as large taxpayers:

- Over the last 12 months, according to the selected accounting method and established standards, revenue from the sale of goods, works, or services:
  - a) 50.0 million soms or more for trade activities;
  - b) 20.0 million soms or more for all other activities;
- The total amount of taxes and mandatory payments accrued and paid during the last 12 months exceeds 2.5 million soms;
- The value of net assets (excluding liabilities) exceeds 5.0 million soms.

In the Republic of Belarus, the classification and control of large taxpayers are defined in Article 82 of the Tax Code. Organizations meeting the established criteria are analyzed before October 1 of the reporting year, and the status of “large taxpayer” is granted from January 1 of the following year for a two-year period.

In the Republic of Kazakhstan, large taxpayers are monitored under the system of “*Large Taxpayers Monitoring*.” According to Article 130 of the Tax Code, taxpayers subject to monitoring are determined before October 1 of the reporting year, approved by the authorized body by December 31, and remain under monitoring for two years.

#### **Statistical overview of large taxpayers in Uzbekistan**

As of today, based on the criteria of the Regulation, 1,152 enterprises have been included in the category of large taxpayers. In 2019, these enterprises paid a total of 45.9 trillion soums in taxes, including 11.9 trillion soums allocated to local budgets in accordance with Presidential Decree No. PQ-4086 dated December 26, 2018. The allocation to local budgets did not change after these enterprises were categorized as large taxpayers.

In 2020, 1,416 enterprises paid 67.7 trillion soums in taxes, of which 6.0 trillion soums were allocated to local budgets, based on the Law No. O’RQ-589 dated December 9, 2019, and Presidential Decree No. PQ-4555 dated December 30, 2019. Furthermore, according to the Regulation registered by the Ministry of Justice under No. 3172-1 on January 10, 2020, 284 enterprises were newly classified as large taxpayers. These enterprises paid 1.4 trillion soums in 2019 (including 370 billion soums to local budgets) and 5.7 trillion soums in 2020 (including 720 billion soums to local budgets).

It should be noted that compared to 2019, local budgets received 5 trillion soums less from large enterprises in 2020. The main reasons for this include:

- In accordance with Presidential Decree No. PQ-4555 dated December 12, 2019, “*On Measures to Ensure the Implementation of the Law of the Republic of Uzbekistan ‘On the State Budget for 2020,’*” profits and value-added taxes paid by 85 major enterprises were directed to the republican budget, resulting in a shortfall of 2.1 trillion soums in local budgets;
- In accordance with Law No. O’RQ-589 dated December 9, 2019, and the same Presidential Decree No. PQ-4555, certain types of taxes allocated to local budgets were reduced, leading to an additional shortfall of 2.4 trillion soums.

On January 1, 2020, the new edition of the Tax Code came into force. Article 20 of this Code stipulates that large taxpayers must submit centralized tax reports considering their separate subdivisions and pay taxes (fees) accordingly. Based on this, tax obligations of 861 regional branches of commercial banks were consolidated under 34 main operational directorates, resulting in the transfer of 0.5 trillion soums from the budgets of certain regions to the local budgets of Tashkent city and Tashkent region.

#### **Conclusion and recommendations**

Based on the above analysis, it is advisable to implement the following measures to enhance the efficiency of taxes paid to the state budget by legal entities registered as large taxpayers:



1. To improve the efficiency of tax administration, taking into account the gradual increase in the minimum wage, the need to maintain inflation balance, and the high level of total income of large taxpayers, it is recommended to set the net revenue from the sale of products (goods, works, and services) at 200.0 billion soums based on the results of the previous calendar year.
2. If the legal entities included in the category of large taxpayers no longer meet the established criteria by the end of the calendar year, it is advisable to retain such business entities within the large taxpayer category for one additional year.

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