World Experience of Application of the Added Value Tax and Prospects of its use in the Republic of Uzbekistan

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Abstract: The article is devoted to the analysis of the application of value added tax in world practice, the general problems of the development of the tax system as one of the most important regulators of a market economy. The world experience in the field of taxation and the possibility of its application for the Republic of Uzbekistan were taken as the basis for the study.

A comparative analysis of the value-added tax rate and the quality of life of people in some countries (in accordance with the world rating) was carried out, which showed that a low value-added tax rate in a particular country does not always mean a high quality of life for the population. But subject to the payment of high taxes, the population of these countries enjoys a high degree of state social protection. The analysis of the dynamics of the tax burden of the Republic of Uzbekistan for 2013-2019 is carried out, the nature of the effectiveness of the tax system of the state is determined based on the ratio of direct and indirect taxes.

As a result, the study showed that the tax system of the Republic of Uzbekistan is similar to the Eurocontinental and Latin American models with a tendency to a mixed model, which is characterized by diversification of the income structure, i.e. avoiding dependence on one type of tax. From 2013 to 2018 there is a uniform decrease in the tax burden, but in accordance with preliminary forecasts, the tax burden will increase in 2019. Moreover, in the Republic of Uzbekistan the value of the tax burden over the past few years has been one of the lowest in comparison with the countries of the European Union. This is due to the effectiveness of tax reforms in the country aimed at reducing the tax burden on the economy.

A comparative characteristic of certain parameters of the tax system of the Republic of Uzbekistan and the tax systems of European states allows us to identify precisely those areas in which Western taxation models can be successfully applied in our country.

The Government of the Republic of Uzbekistan has chosen guidelines aimed at comprehensively improving the living standards of the population, reducing social tension by reducing the differentiation of the material well-being of the population, where the optimization of the tax system plays an important role.

Keywords: state budget revenues, tax burden, optimization of the tax system, quality of life of the population.

I. INTRODUCTION

World practice shows that the tax system includes great opportunities for influencing the development of entrepreneurship, the dynamics and structure of social production, and its distribution. Tax revenues constitute the main source of formation of the budget of any state, since the state, in fulfilling its functions, needs the money spent on financing state and social programs, the maintenance of the structure that ensures the functioning of the state itself.

The value added tax as part of the budget revenues of any state has an invaluable fiscal value. In many countries, the share of revenues to the state budget from this tax reaches up to 20%, in France - up to 45%. Today, the main goal of ongoing reforms in the economic policy of Uzbekistan is high economic growth, which is difficult to achieve without attracting foreign investment. This means that tax policy instruments should also serve this purpose.

The idea of value-added tax was first expressed in the world in 1918 by the famous doctor Wilhelm von Siemens, who proposed replacing the value added tax that was in force in Germany at that time. The first country in the world where the tax was established in 1954 was France. Today, value added tax in France has become the main budget-forming tax, which accounts for almost 45% of all revenues to the state treasury.

Value added tax has become the main source of revenue for the treasury of most developing economies in Europe and has gone far beyond it: the tax is valid in China, Thailand, Bangladesh, the Philippines, and more than 120 countries worldwide. It is considered scientifically proven that the transition to this tax contributed to economic development in Europe, Asia and other regions.

In the modern world, the value-added tax has created a stable basis for mobilizing state revenues and thereby has turned out to be one of the most important tools for achieving macroeconomic stability and economic growth. It should also be noted that VAT has advantages both for the state and for the taxpayer. Firstly, it is more difficult to evade it. Secondly,
fewer economic irregularities are associated with it. Thirdly, it to a greater extent increases interest in revenue growth.

Value added tax refers to indirect taxes, that is, it is not the producers and distributors who act as its payers, but the final consumer of the product or service. In this regard, it is called the “consumption tax”. VAT payers are buyers of goods and customers of services. It is based on the margin established by law and calculated as a percentage of the price. This tax is considered the most difficult to understand, calculate and pay tax, since it is taken at all stages of production and sale.

Their distinguishing feature is that they do not apply to savings and investments. It is believed that in a particular country, indirect taxes do not affect the entrepreneurial initiative and do not distort the choice of the consumer. Previously, it was believed that indirect taxes are a powerful source of budget replenishment in countries with high unemployment and low incomes, and, accordingly, with low efficiency of direct taxation of income. Today, the transition from direct to indirect taxation has become one of the main global trends, it can be observed even in quite prosperous countries. This is primarily about VAT. Overcoming the consequences of the crisis, a number of European countries raised the tax rate. The highest rate of 27% was introduced in Hungary.

Abroad they proceed from the fact that the most important characteristic of any tax is its stability with respect to tax evasion. If we compare the possibilities of tax evasion from sales and VAT, we can note the following. In a sales tax system, the seller of a product is constantly forced to make a decision as to whether or not its buyer is the final purchaser of the product. If so, then you need to get tax from him. If not, then the goods can be sold without tax. However, the buyer of the goods can always declare that he uses it in the production of other goods intended for sale, although in fact they will never sell this product. In such a situation, the buyer of the product will evade the payment of sales tax. (Markaryan E.A., et al 2010).

II. MATERIALS AND METHODS

In accordance with the new edition of the Tax Code of the Republic of Uzbekistan, adopted at the end of 2018, “the establishment of tax and other mandatory payment benefits must comply with the principles of social justice”. (http://fmc.uz/) However, initially the object of taxation on value added, which is the most significant among indirect taxes in the budgets of many states, were taxable imports and taxable exports, which were considered only luxury goods - silver, gold etc. Today, it is difficult to find a product or service that is not included in the taxable list and, accordingly, representatives of vulnerable segments of the population are also obliged to pay it. In this regard, the value added tax is like no other tax related to the standard of living of the population. Compare the value added tax rate and the quality of life of people in some countries (in accordance with the world rating).

<table>
<thead>
<tr>
<th>A country</th>
<th>The country's place in the ranking of the quality of life of the population</th>
<th>VAT in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>1</td>
<td>8,0</td>
</tr>
<tr>
<td>Germany</td>
<td>2</td>
<td>19,0</td>
</tr>
<tr>
<td>Norway</td>
<td>3</td>
<td>25,0</td>
</tr>
<tr>
<td>Sweden</td>
<td>4</td>
<td>25,0</td>
</tr>
<tr>
<td>Denmark</td>
<td>5</td>
<td>25,0</td>
</tr>
<tr>
<td>Singapore</td>
<td>7</td>
<td>5,0</td>
</tr>
<tr>
<td>Cyprus</td>
<td>23</td>
<td>19,0</td>
</tr>
<tr>
<td>Japan</td>
<td>25</td>
<td>8,0</td>
</tr>
<tr>
<td>Poland</td>
<td>33</td>
<td>23,0</td>
</tr>
<tr>
<td>Hungary</td>
<td>46</td>
<td>27,0</td>
</tr>
<tr>
<td>Thailand</td>
<td>50</td>
<td>7,0</td>
</tr>
<tr>
<td>Nigeria</td>
<td>80</td>
<td>5,0</td>
</tr>
</tbody>
</table>

Information and analytical site: https://infografics.ru/all/nds-v-stranah-mira/ visual analytics of the modern world.

However, in accordance with the table. 1 value, a low value-added tax rate in a country does not always mean a high quality of life for the population. Interest rates on this tax in Hungary (27%), in the Scandinavian countries - 25%, but they are in the main positions in the ranking of countries according to the standard of living of citizens. The lowest VAT rates are in Singapore and Nigeria. This is the first place in today - at 80 place. Thus, prices and volumes of value added tax do not affect the level of well-being of the country as a whole.

Despite the fact that the rates in these countries are also quite high. This is, above all, life expectancy. The Scandinavian Peninsula, Norway, Switzerland and other countries have the opportunity to receive free state medical care, including operations of any complexity, and education. The exception is made only by dentistry, dental prosthetics and cosmetology. With the slightest increase in prices, the wages of the inhabitants of these countries are immediately indexed. Thus, subject to high wages.

Initially, value added tax appeared at the beginning of the last century in Germany, and it was assumed that it would only be on luxury goods - gold, furs, etc. Today it is widely distributed among goods and services. VAT in different countries of the world is very different from each other. In the countries of the European Union there is a directive - not less than 15%. In many European countries, the tax rate is 25% and higher. Low rates are set in Singapore, Malaysia, Thailand, etc. In the USA and Canada there is no value added tax at all. (http://worldtaxes.ru/)

VAT on certain goods and services. For example, the VAT rate on natural furs, tobacco products and alcohol is 33%, while on medicines and food products it is below 10%. In Austria, there is a 10 percent rate on agricultural products.
services in the field of entertainment and tourism. In the Russian Federation, also the VAT on food is 10%, and on medicines, medical equipment and baby food - 0%. Many countries apply a zero rate on export operations. (Http://worldtaxes.ru/)

Non-residents of some countries may return part of the money spent on the purchase of value-added tax. In this case, it is realistic to get back from 7 to 22% of the price of the goods. Cooperation with the system allows you to cooperate with the duty free system.

In the Republic of Uzbekistan, VAT was introduced in 1992 at a rate of 30%. In subsequent years, it was reduced to 25%, from 1998 to today it is 20%.

Recently, radical changes have taken place in the sphere of the tax system of Uzbekistan. Starting January 1, 2019, the concepts of “simplified value-added tax” and “standard value-added tax” are introduced. By law, enterprises with an annual turnover of more than 3 billion value added tax. The value added tax under the simplified procedure should be allocated in the form of the amount payable in accordance with the rate, which should be charged to the buyer-payer. (Https://buxgalter.uz/)

The Government of the Republic of Kazakhstan was exempted from payment of value added tax and consumer goods were exported, including: meat, fish, potatoes, onions, eggs, rice, sugar, and bakery products.

This means that for industrial enterprises it is 7%, for trade - 6%, for construction - 8%, for catering and hotels - 10%. Tax exempted agricultural and domestic products: meat, fish, potatoes, onions, eggs, rice, sugar and bakery products. (Https://buxgalter.uz/)

According to experts, in accordance with the innovations of payers of value added tax in Uzbekistan, it has become five times more - from 7 to 35 thousand people. Although, according to the forecast, this figure was supposed to grow 2.5 times - up to 17 thousand.

In the Decree of the President of the Republic of Uzbekistan “On the concept of improving the tax policy of the Republic of Uzbekistan”

Information in the field of international experience in building an effective tax system can be used to develop a taxation methodology and recommendations on strengthening the revenue base of the state budget of the Republic of Uzbekistan.

In the Russian Federation, “from January 1, 2019, the VAT rate will increase from 18 to 20%.” At the same time, the existing benefits: for VAT in the form of exemption from this tax, as well as VAT rates of 0% and 10% are retained. According to the calculations of the Ministry of Finance, an increase in the VAT rate will bring the federal budget an additional 634 billion rubles in 2019, 678 billion in 2020 and 728 billion in 2021. " (Chumakova N.A., Adamyan J.A., 2018)

One of the most important goals of the current fiscal policy of Uzbekistan is "ensuring the stability of the macroeconomic situation, the sustainability of the formation of the State budget of the Republic of Uzbekistan and its income." (https://nrm.uz/)

Consider one of the qualitative characteristics of the tax system - an indicator of the tax burden on the economy, which reflects the share of GDP redistributed through taxes (Tab. 2).

Tab. 2. The tax burden in the Republic of Uzbekistan in 2013-2019, %

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP, trillion sum</td>
<td>118,987</td>
<td>144,868</td>
<td>171,808</td>
<td>199,325</td>
<td>302,537</td>
<td>407,515</td>
<td>424,113</td>
</tr>
<tr>
<td>State budget revenues, trillion sum</td>
<td>26,223</td>
<td>31,731</td>
<td>36,493</td>
<td>41,031</td>
<td>49,685</td>
<td>62,230</td>
<td>102,628</td>
</tr>
<tr>
<td>Tax burden, %</td>
<td>22,039</td>
<td>21,903</td>
<td>21,241</td>
<td>20,585</td>
<td>16,423</td>
<td>15,271</td>
<td>24,198</td>
</tr>
</tbody>
</table>


Information table. 2 reflect the fact of a uniform reduction in the tax burden that has occurred over the previous six years. But according to preliminary forecasts, in 2019 the tax burden will increase by almost 8%.

A comparative characteristic of certain parameters of the tax system of the Republic of Uzbekistan and the tax systems of European states allows us to identify precisely those areas in which the Western taxation model can be successfully applied in our country.

In the Republic of Uzbekistan, the value of the tax burden over the past years is one of the lowest in comparison with the countries of the European Union (in 2018 - 15.3%). This is due to the effectiveness of tax reforms in the country aimed at reducing the tax burden on the economy.

At the same time, the tax burden in Italy is 42.9% of GDP, in Germany - 37.1%, in Lithuania - 29.4%, in the Czech Republic - 34%, in Poland - 33.2%. Many factors affect the level of the tax burden: the size and structure of GDP, the amount and types of tax payments, the specifics of calculating the tax base, the taxation system used, and tax rates.

Another important indicator determining the nature of the effectiveness of the tax system is the ratio of direct and indirect taxes.

In 2018, the largest part of the state budget revenues of Uzbekistan was indirect taxes, their volume more than 2.5 times higher than direct tax revenues. Resource payments and excess profit tax accounted for a less significant part of Uzbekistan's government revenue. Non-tax revenues of the republican budget did not reach 8%. (see adj.)
As you know, depending on the orientation of the tax system to direct or indirect taxes, there are four models:

- Anglo-Saxon model - focus on direct taxes, especially from individuals;
- Eurocontinental model - a high share of social insurance contributions and indirect taxes, the latter are several times higher than direct volumes;
- Latin American model - inflation in these countries is high, due to this, the share of indirect taxes prevails;
- for a mixed model, diversification of the income structure is characteristic, that is, avoidance of dependence on one type of tax.

The tax system of Uzbekistan is characterized by an advantage in the distribution of the tax burden of indirect taxes. This fact indicates the similarity of the tax system of Uzbekistan with the Latin American and Eurocontinental models.

Table 3: The ratio of direct and indirect taxes in some countries around the world at the beginning of 2019

<table>
<thead>
<tr>
<th>№</th>
<th>Indirect taxes in percent from budget</th>
<th>Direct taxes in percent from budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>22</td>
<td>17</td>
</tr>
<tr>
<td>Chile</td>
<td>46</td>
<td>21</td>
</tr>
<tr>
<td>Bolivia</td>
<td>42</td>
<td>20</td>
</tr>
<tr>
<td>Peru</td>
<td>49</td>
<td>22</td>
</tr>
<tr>
<td>Russia</td>
<td>70</td>
<td>30</td>
</tr>
<tr>
<td>USA</td>
<td>22</td>
<td>56</td>
</tr>
<tr>
<td>Japan</td>
<td>15</td>
<td>78</td>
</tr>
<tr>
<td>China</td>
<td>51</td>
<td>49</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>46</td>
<td>29</td>
</tr>
</tbody>
</table>

But in 2019, according to forecasts, this unevenness will even out relatively and the ratio of indirect taxes to direct will be 46 to 28. Thus, Uzbekistan has come closer to a mixed model of the tax system, striving to achieve independence of state budget revenues from only one group of taxes.

Results. Based on the two considered indicators of the effectiveness of the tax system (tax burden and the ratio of direct and indirect taxes), the following conclusions can be drawn: the tax burden in the Republic of Uzbekistan for 2013-2019, is an average of 22.5 percent; Uzbekistan’s tax system is characterized by priority in the distribution of the tax burden on consumption taxes.

Each year, the World Bank conducts research on tax systems around the world. The rating takes into account the number and timing of tax payments, as well as the total tax burden on a medium-sized enterprise that does not enjoy tax benefits. In 2016, Uzbekistan ranked 118th in the world ranking of the tax burden on business (189 countries of the world participated in the ranking). (http://www.vsemirnyjbank.org/ru/)

III. DISCUSSION

Indirect taxes range from 11.6 (in 2014) to 8.2% (in 2018) in the total gross domestic product of the Republic of Uzbekistan. According to preliminary forecasts, in 2019 its share will increase to 11.1%. The share of indirect taxes in the total budget revenues of Uzbekistan is forecast to reach 53.7%. Moreover, VAT is about 30% of the total revenue of the state budget of the Republic of Uzbekistan. In 2018, this indicator grew by more than 5% and reached 35.4%. The value added tax itself in the total volume of indirect taxes exceeded the bar of 50%, in 2018 it reached a record high for the period under review, 65.9%, and in 2019 even greater growth is forecasted to reach more than 76% of all state revenues in Uzbekistan. From year to year, revenues to the budget for this tax are growing by 25-50%.

The main revenues (74%) of indirect taxes will be provided by VAT, the growth of revenues for which is planned due to an increase in the number of tax payers in connection with the transfer of enterprises that have reached annual turnover (revenue) of 1 billion soums to pay generally established taxes. (Budget for citizens for 2018)

The American scientist J. Schumpeter rightly noted that "excessive taxes contradict the economic needs of society, inhibit productive and effective economic growth, which, in turn, destroys the financial base of the rule of law." (Schumpeter J., 1996).

IV. CONCLUSION

Thus, in the development of the tax system of the Republic of Uzbekistan, and accordingly in the mechanism for replenishing the revenue of the state budget of the Republic of Uzbekistan, positive shifts are evident - this is a reduction in tax rates, an increase in the types of tax benefits. Tax rates in the Republic of Uzbekistan are at a relatively low level among most European countries.

But the analysis showed that the share of indirect taxes, especially value added tax, is still high in the structure of the state budget. In addition, in accordance with the forecast, an increase in the tax burden on the population of the republic is expected during 2019.

Further development of the tax system is seen in the revision of approaches to determining tax bases that affect the amount of taxes transferred to the budget, increasing the efficiency of the tax system.
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