

# Improving the representation of tax issues in the accounting policy of public organizations in Uzbekistan

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**Abstract.** Globally, accounting is seen as a system for measuring, tracking and summarizing business activities, interpreting financial information and communicating the results to management and other stakeholders to help them make effective business decisions. Therefore, today it is important to improve the development of accounting policies in economic entities, including supply organizations operating in the agricultural sector, based on the conceptual rules established by the Law of the Republic of Uzbekistan “On Accounting” and other regulations. It is known that the development of accounting policies is based on the general rules set out in the National Accounting Standard (NAS) of the Republic of Uzbekistan No. 1 “Accounting Policy and Financial Reporting”. In particular, the IFRS states that “Accounting policies represent the specific principles, conventions, procedures and practical approaches used by an entity to prepare and prepare financial statements”. At the same time, the accounting policy of the business entity is formed by the head of the entity on the basis of IFRS 1, and the financial indicators presented in the financial statements of financial and economic activities for different years are compared and used in conjunction with other related IFRSs.

## 1 Introduction

The results of the study show that in supply organizations accounting policy is based on the general rules set out in IFRS 1. However, we cannot say that they meet today’s demand. This is because, first of all, the procedure for recording, measuring and disclosing business transactions in accounting and financial reporting is not described in detail. This indicates that the developed accounting policy is not logically coherent and it does not meet the needs of users and affects the level of reliability of accounting data. Secondly, the structure of the accounting policy is mainly limited to the copying of the rules set out in IFRS 1 on the objects of accounting. This, of course, does not fully meet the requirements for formulating accounting policies. Third, because procurement organizations are taxpayers of turnover tax, the “Accounting Methods” section of the accounting policy addresses tax issues in general terms [1-3].

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The need to address this problem and shortcomings will intensify research on this topic. Of course, the scientific-methodological and practical problems associated with the formation of accounting policies are discussed by foreign experts V. P. Astakhov, N.P. Lyubushin, V.V. Jarinov and N.V. Borodina, as well as economists of the republic R.D. Dusmuratov. , A.A. Karimov, A.K. Ibragimov, K.B. Urazov, J.E. Kurbanbaev and B.M. Djuraev and other scientists [1-9]. Theoretical and organizational-methodological aspects of accounting policy are studied in their scientific and educational-methodical work. However, in these studies, tax issues in accounting policy are covered in general terms. This, in our opinion, does not fully provide users of information with accounting information related to the calculation, accounting, reporting and payment of taxes. Therefore, we would like to dwell on the procedure for disclosing tax issues in the accounting policy.

It is known that the Law of the Republic of Uzbekistan No. ZRU-599 of December 30, 2019 “On amendments and additions to the Tax Code of the Republic of Uzbekistan” approved a new edition of the Tax Code of the Republic of Uzbekistan and entered into force on January 1, 2020. In accordance with Article 77 of this Code, the accounting policy for tax purposes is determined independently by the taxpayer and approved on a voluntary basis, which must reflect the following [1-4]:

- the form of tax registers independently developed by the taxpayer or tax agent and the procedure for their compilation, unless otherwise provided by the tax legislation;
- officials responsible for its observance;
- the procedure for separate accounting for tax purposes, if the obligation to maintain such accounting is provided by the Tax Code;
- inclusion of expenses in the list of expenses for the purpose of calculation of income tax by the taxpayer, as well as selected methods of accounting for value added tax;
- policy of identification of hedged risks, hedged items and hedging instruments applied to them, methodology for assessing the level of hedging efficiency in the event of hedging operations, as well as other financial risks;
- depreciation rates (calculation methods) for each group and subgroup of assets.

This means that according to Article 77 of the Tax Code, the taxpayer must develop an accounting policy for tax purposes. This begs the legitimate question: What is an accounting policy for good tax purposes? Why is an accounting policy needed for tax purposes? What happens if an accounting policy is not developed for tax purposes?

Of course, such questions arise naturally. This is because the Tax Code does not provide comments in response to these questions. In addition, the taxpayer has developed an accounting policy for tax purposes, approved by the order of the head of the business entity, does not provide for the obligation to submit to the territorial tax authorities, and the regulations do not provide for financial sanctions for its non-existence.

Therefore, let us first dwell on the concept of accounting policy for tax purposes. According to experts, “Accounting policy for tax purposes - these are the rules of record keeping and tax calculation only for tax purposes.”

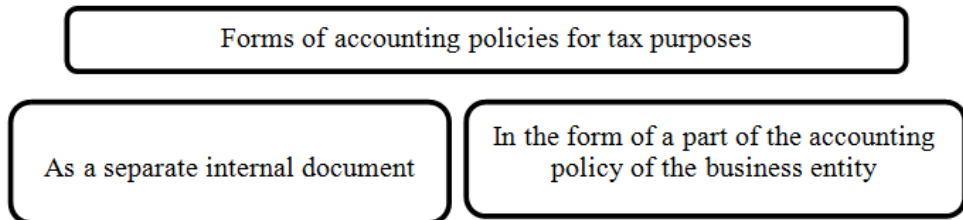
## **2 Materials and methods**

D. Saidova, an expert in the field, called this concept a tax accounting policy, noting that “Tax Accounting Policy (TAP) is an internal document of the taxpayer, which confirms the adopted tax accounting system” [1, 4].

According to the above definitions, the accounting policy for tax purposes is intended to be developed as a separate document. However, according to Article 77 of the Tax Code,

this accounting policy must be approved on a voluntary basis [2]. Therefore, it can be drafted as a separate internal document or as part of an entity's accounting policy (Fig. 1).

In general, it is important to pay attention to what forms a taxpayer chooses when developing an accounting policy for tax purposes. Of course, Article 77 of the Tax Code defines what should be reflected. However, it is a wrong approach to take these rules as the norm in its development [7, 8].



**Fig. 1.** Forms of accounting policies for tax purposes.

Opinions and practical approaches in the economic literature have been studied in this regard. In particular, economists A.Ibragimov, I.Ochilov, N.Kuziev and N.Rizaev called the third section of the accounting policy “Tax issues” and recommended that it reflect the following [5-8]:

- the order of organization of separate accounting (by type of activity, by goods sold, VAT at different rates, non-VAT, etc.);
- organization of separate accounting of social sphere objects (for the right to property tax privilege in case of joint use of property in privileged and non-privileged productions).

The rules indicated by the above economists that should be reflected in accounting policies are more applicable to income tax, value added tax (VAT) and property tax. However, other types of taxes may also be paid by the taxpayer. However, it does not specify the object of taxation, the base, tax benefits, tax rates, calculation, submission of tax returns and payment procedures for these types of taxes.

Experts in the field R.D. Dusmuratov and B.M. Djuraev also proposed to develop tax issues as part of the accounting policy, revealing the tax aspects of the accounting policy of the farm [7-10]. In other words, the fourth section of the farm accounting policy is called “Tax Accounting Issues” and it is recommended to pay attention to the following issues:

- calculation, procedure and terms of payment of the single land tax;
- the method of accounting for income tax, other deductions and deductions levied on employees;
- the method of taxation of income from other activities;
- method of accounting for taxes and customs duties on export-import operations;
- tax reporting and other tax calculations.

In this approach, since the object of study is farms, the issues related to tax accounting in accordance with the tax legislation, mainly taking into account the characteristics of their activities.

In the Tashkent region JSC “Agrokimyohimoya” (JSC), which is the object of research, in the section “General rules” of the accounting policy on tax issues. It is calculated in the system of taxes (or on a single tax payment) established by the budget. In taxation: separately for the sale of goods; agrochemical (other) services will be accounted for separately [1-3].

### 3 Results and discussion

In our opinion, the rules set out in the section “General rules” of the accounting policy of JSC “Agrokimyo Himoya” in Tashkent region on tax issues do not meet today's requirements. This is because it stipulates that as a taxpayer, according to the current tax legislation, tax payments are made separately, depending on which taxes are paid and by type of activity. In practice, it is not specified which tax payments are to be made, the object of taxation by type of tax, the tax base, the procedure for calculating taxes, submission and payment of tax returns, and the persons responsible for compliance with the established rules. This does not allow users of the information to know exactly what taxes are paid, how they are calculated (methods) and why they are calculated in the same order (justification), when it is necessary to submit a tax return and pay.

According to the current tax legislation, today JSC “Agrokimyo Himoya” Tashkent region is a taxpayer of several types of taxes (value added tax, profit tax, personal income tax, land tax, property tax, social tax). Therefore, we believe that the procedures for calculating, paying, and controlling taxes should be reflected in accounting policies. Also, tax issues should be disclosed not in the “General Rules” section of the accounting policy, but in a separate “Taxation” section.

Thus, the study of scientific and methodological sources and practice confirmed that the aspects of accounting policy related to tax issues are inextricably linked with individual accounting objects, so the introduction of accounting policy for tax purposes should be introduced as part of the organization's accounting policy, we offer. At the same time, the rules set out in the accounting policy of organizations in the system of JSC “Agrokimyo Himoya” Tashkent region do not fully provide users with accounting information related to the calculation, accounting and recording of taxes. Therefore, it is advisable to reflect the following in the section “Taxation issues” of the accounting policy:

Tax issues:

- normative-legal bases of taxes and fees. In this case, the taxpayer shall cite the procedure for calculation, submission and payment of established taxes, as well as the regulatory legal documents required for reflection in the account. For example:
  - Tax Code of the Republic of Uzbekistan;
  - Law of the Republic of Uzbekistan “On Accounting”;
  - National Accounting Standards of the Republic of Uzbekistan (NAS);
  - Duly approved normative documents related to taxation.
- Persons responsible for tax matters. Here is a list of persons responsible for tax matters and their responsibilities:
  - 1) List of persons responsible for tax issues:
    - the head of the accounting entity;
    - Head of Accounting Service;
    - Persons financially responsible for the safety of property;
    - other responsible persons (if auditing organizations, tax advisory organizations and other organizations, the charter of which provides for the provision of accounting services, must be returned on a contractual basis).
  - 2) Responsibilities of persons responsible for taxation:
    - Follows the rules established by the current regulations;
    - registration of objects of taxation and objects related to taxation and ensuring the accuracy and correctness of information about them;
    - ensuring that accounting documents are maintained in accordance with the requirements of the Tax Code for the purpose of tax calculation and tax reporting;
    - timely correct calculation, accounting and reflection of taxes, as well as strict compliance with the deadlines for submission and payment of tax returns;

- Ensuring full compliance with the obligations set out in Article 22 of the Tax Code, etc.
- List of taxes payable. This section indicates the taxes paid by the taxpayer in accordance with applicable tax legislation. In particular, taxes paid by JSC “Agrokimyohimoya” Tashkent region:
  - 1) Value added tax;
  - 2) Income tax;
  - 3) Land tax (land tax levied on legal entities);
  - 4) Property tax (property tax of legal entities)
  - 5) income tax levied on individuals;
  - 6) Social tax.
- Form and procedure for compiling tax registers. This section identifies the following:
  - 1) Accounting and tax documents are drawn up on paper and (or) in electronic form;
  - 2) The tax report for each type of tax established for the taxpayer shall be prepared in the forms approved by the State Tax Committee (STS). In this case, the tax return form for each type of tax is indicated;
  - 3) The procedure and forms for compiling tax registers independently developed by the organization shall be attached to the accounting policy as additional documents;
  - 4) When calculating taxes, if the data is taken from the accounting registers, these registers shall be indicated;
  - 5) Terms of storage of tax reports are specified.
- Procedure for separate accounting for tax purposes. In this case, when the taxpayer simultaneously carries out the types of activities for which the tax code provides for different procedures of taxation, it is specified how the separate accounting of taxable items and taxable items is carried out on the basis of accounting data.
- Taxation procedure. This is an important part of the “Taxation” section of the accounting policy. In this case, the taxpayer must describe in detail the tax elements for each type of tax. That is, for each type of tax, the following information must be disclosed in full:
  - what is the object of taxation;
  - what benefits are available and by whom or on the basis of which regulatory document it is established;
  - how the tax base is determined;
  - how tax rates are set;
  - how the tax is calculated;
  - the deadline for tax reporting;
  - the amount of tax assessed must be paid no later than the deadline;
  - how business transactions related to the calculation, accounting and accounting of taxes are reflected in the accounting.

Other issues related to taxation. how to change and (or) add to the rules established for tax purposes by the taxpayer, the method of accounting for tax purposes, liability for persons violating the rules established in this section for the calculation, submission and payment of taxes, state tax the procedure for appealing to the court for violation of the rights of a taxpayer as a result of the actions (inaction) of officials of the bodies established by Article 21 of the Tax Code, and other issues related to taxation.

## 4 Conclusions

In summary, taking into account the above proposals in the formation of accounting policies in procurement organizations will allow:

- the structural structure of the accounting policy is logically consistent and fully covers all aspects of financial and economic activities;
- In the section “Taxation issues” the tax elements for each type of tax are specified in detail. This makes it simpler and clearer for the user;
- allows to regulate tax accounting in supply organizations;
- determines the form of tax registers, reflecting the relationship between accounting and tax accounting;
- establishes the norms and rules applicable to business operations when determining the tax liabilities of supply organizations;
- Increases access to information on the correct calculation of taxes, the timely preparation and submission of tax returns.

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