Asian Journal of Research in Business Economics and Management
ISSN: 2249-7307 Vol. 11, Issue 11, November 2021 SJIF 2021 = 8.075
A peer reviewed journal

CREATION OF A TRIAD OF EFFECTIVE MEASURES IN THE COMPANY'S TAX RISK MANAGEMENT SYSTEM

Khasan Numanjanovich Djamalov*; Abror Bozarboevich Abdullaev**

*Associate Professor,
Candidate of Economical Sciences, Tashkent Financial Institute,
Tashkent, UZBEKISTAN

**Associate Professor,
Tashkent Financial Institute, UZBEKISTAN

DOI: 10.5958/2249-7307.2021.00066.9

ABSTRACT

The activities of any entity in the field of taxation involve risks. To reduce the consequences of risks, an effective system for managing them is needed. Under the management of tax risks is understood the process aimed at the consistent determination, assessment (quantitative and qualitative) and the development of measures to neutralize, eliminate or reduce tax risks. The authors' approaches to the determination of tax risks and their effective management are examined.

KEYWORDS: *Risk, Tax Risk, Tax Risk Management, Insurance, Insurance Protection Against Tax Risks.*

INTRODUCTION

In the "Strategy of actions in five priority areas of development of the Republic of Uzbekistan in 2017-2021", approved by the Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. PD-4947, special attention is paid to the development of general methodological foundations of tax planning in economic Wednesday [1].

Summarizing the messages to the Oliy Majlis (in 2017, 2018), the President of the Republic of Uzbekistan Sh.Mirziyoev drew attention, first of all, to the transition to an effective tax policy, which will:

- Extremely understandable and clear for taxpayers;

- Optimal for business;

- streamlined from the point of view of tax control and preparation of financial and tax reporting;

- Clearly define the practice of using tools for tax optimization of taxpayers, thereby avoiding business criminal tax evasion.

THE MAIN FINDINGS AND RESULTS

In the process of conducting business activities, each company faces different risks that can affect the results of operations and financial security. In the system of financial risks, tax risks occupy the largest share, since it is with them that business entities most often face, and not with credit, investment and other types of risks.

In the scientific literature, the essential issues of tax risks have been discussed in the works of such economists as V.G. Panskov, L.I. Goncharenko, N.G. Viktorov and others. publications are controversial and insufficiently studied.

Taxation is a complex process, a key element of which is the formation of tax relations between the state and the taxpayer. V.G. Panskov emphasizes that the goals of the participants in tax relations - the taxpayer's state - are opposite: “For the state, the primary task is to maximize budget revenues, and for the payer - to minimize tax exemptions” [2, pp. 74-78]. Participants in tax relations make management decisions that can lead to a violation of the “functional state of the system, determined by deviations from the specified parameters” [3, pp. 430-432].

The absence of a fixed definition of tax risk in the regulatory legal acts on taxation gave rise to the ambiguity of interpretations of this concept. Thus, most economic and legal dictionaries define financial, investment, insurance and other risks. Let's consider the approaches to the definition of tax risk, proposed by different economists. In order to identify the essence of tax risk, let us turn to its most popular definitions.

V.G. Panskov notes that the interpretation of the concept of “tax risk” is a debatable issue, but from the position of a taxpayer, this can be understood as “the likelihood of an increase in the tax burden and, accordingly, a decrease in its financial potential, financial stability” [2, pp. 74-78]. The author identifies the factors influencing the emergence of tax risk of a taxpayer: changes in tax legislation, insufficient qualifications of persons who make financial decisions in the company, behavioral strategy of the taxpayer. Internal factors exert the greatest influence on the formation of tax risk, i.e. the taxpayer's own tax planning activities. Considering the tax risk on the part of an economic entity, it is worthwhile to separately highlight such factors that affect the likelihood and severity of the consequences of the implementation of tax risk, such as the duality of interpretations of some articles of tax legislation, the lack of financial and legal literacy of taxpayers, and their nihilism in relation to tax legislation. All this often forms the “opportunism of taxpayers” seeking to minimize their tax liabilities or even evade taxes [4, pp.4-15].

Consider tax risks as a kind of financial risks T.A. Tsyrkunov and M.I. Migunova. The main essential characteristic of tax risk, according to these authors, is the monetary expression of the level of possible losses of participants in tax relations in the event of risk realization [5, pp. 48-52].

L.I. Goncharenko emphasizes that in case of realization of tax risk, they may have losses of both financial and non-financial nature [6, pp. 30-31].

L.Yu. Laskina and V.M. Vlasova consider tax risks as an integral part of entrepreneurial risk, and define them as “possible financial losses of the company as a result of changes in accounting policies for tax purposes” [7, p. 128]. The authors emphasize that tax risks can be attributed to entrepreneurial risks due to the fact that, according to tax legislation, the obligation to pay income tax by companies arises, regardless of the performance of the counterparty in the business transaction of its obligations to pay for the goods supplied, work (services) performed. In case of delay in payments by the counterparty of the entrepreneur for the work performed, the company, according to the authors, arises a tax risk that has the essential characteristics of the entrepreneurial risk. In our opinion, the violation of contractual relations between business participants is a factor affecting the level of tax risk associated with the calculation and payment of taxes, but does not determine the essential characteristics of tax risk. If the unfair performance by counterparties of their obligations is systemic, then this leads to the emergence of additional costs that were not taken into account in advance, which can result not only in the loss of solvency, but also in the loss of the entire capital of the company, i.e. to bankruptcy.

In general, “tax risks are objective possible financial losses associated with the procedure for calculating, paying, as well as the procedure for optimizing taxes and other non-tax payments”.

Of all types of financial risks of an enterprise, the following types of risks are related to tax: risks of tax control; risks of increasing tax burden; risks of criminal prosecution. In addition to these, there are other classifications of tax risks (table-1).

TABLE 1 TAX RISK CLASSIFICATION (COMPILED BY THE AUTHOR)

Classification criteria	Classification types of tax risks
By subjects bearing tax risks	taxpayer risks; government risks
By sources of occurrence	risks depending on the tax policy of the state; risks associated with the financial and economic activities of taxpayers; economic; social; technical; organizational.
By factors of occurrence	internal and external; systematic and non-systematic; predictable and unpredictable.
By the amount of possible losses	acceptable; critical; disastrous
By the type of upcoming consequences	tax control risks; risks of an increase in the tax burden; risks of prosecution
According to the sources of uncertainty, in the conditions of which the activities of payers are carried out	informational risks; process risks; environmental risks; "Reputational" risks
By time of action	temporary (current); permanent
By the importance of the result	majorandminor
In relation to tax legislation and related penalties	speculative tax risk; net tax risk
In relation to a taxpayer - a legal entity	the risk of insolvency; loss risk

To manage tax risks and correctly formulate measures to minimize them, it is necessary to establish the reasons for their occurrence. Objective reasons can be the following:

- Erroneous interpretation of tax legislation and other regulations;

- Judicial practice on certain issues; changes and reforms in legislation in the field of taxation.

Subjective reasons arise most often due to incorrect organizational policies:

- violation by the taxpayer of legislation on taxes and fees; uncontrolled document flow, incorrect execution of supporting documentation;

-implementation of transactions aimed at reducing the tax burden; making mistakes in bookkeeping and tax accounting [8, pp. 32-38].

At present, due to the aggravation of the economic situation, the issues of anti-crisis management, including the issues of control and management of tax risks, are becoming extremely urgent. The financial risk management process includes tax risk management.

As experts note, in order to achieve the most effective tax risk management, the implementation of the tax planning system must be carried out even before the start of the enterprise's life cycle [9, p. 49]. This point of view is explained by the fact that at the stage of creating an economic entity there is a possibility of choosing the most optimal organizational and legal form, analyzing the planned activity from the point of view of taxation and identifying possible tax risks in order to determine the most effective ways to minimize them that do not violate current legislation.

Based on the existing practice and approaches of various authors to the problem of managing tax risks of business entities, we consider it expedient to highlight the **following key stages of risk management in the field of taxation**:

- Detailed qualitative risk analysis;

- Quantitative assessment of tax risk;

- Preparation of a work plan to reduce the risk;

- Calculation of the effectiveness of the proposed work;

- making a decision by the management to eliminate tax inefficiency;

- Evaluation of the results obtained.

The first stage is a qualitative analysis of tax risk. It includes the definition of tax risks, their causes and reasons for their occurrence. At this stage, the company itself assesses the possible consequences of the tax risk.

A *quantitative* risk *assessment* can be calculated as the probability of occurrence or non-occurrence of a risk event with further calculation of financial consequences.

Considering the main methods of quantitative risk analysis, they can be classified as follows:

Analytical methods based on the study of registers and documents of tax accounting and reporting in order to: analyze the taxes paid by the enterprise, including in dynamics; calculation and analysis of changes in the tax burden of an enterprise; consideration of tax optimization scenarios; direct calculation of possible financial losses in case of realization of the risk of tax control [10, pp. 17-18].

Probabilistic-theoretical methods used to determine the likelihood of a particular tax risk: statistical methods; simulation modeling; tree construction methods (event trees, fault trees, consequence events); logical-probabilistic methods.

Expert assessments, including those carried out with the involvement of tax consultants and auditors.

Tax audit includes audit engagements:

-checking the accuracy of establishing the taxable base;

- Analysis of the possibility of using tax incentives;

- Arithmetic verification of the calculation of tax liabilities;

- Assessment of the consequences in case of violation of tax legislation;

-consulting on taxation issues;

- Implementation of tax planning and optimization of the tax burden on an economic entity;

-statement of tax accounting, etc. [11, pp. 95-98].

Heuristic and non-traditional methods of quantitative analysis, developed directly in the enterprise. Tax analysis should form the basis of all calculations. Tax analysis is understood as a method of studying the entire set of taxes, duties, fees, contributions and mandatory non-tax payments, establishing relationships between them and the degree of mutual influence in order to further effective tax management, planning and forecasting.

At the next, *third stage* of tax management, the processed tax analysis data are summarized in tables, drawn up in the form of diagrams, graphs and diagrams.

Based on the results of the analysis, an explanatory note should be drawn up, in which it is necessary to reflect the general assessment of the state of taxation of the enterprise, formulate specific conclusions and proposals for eliminating tax inefficiency using all known methods of tax optimization. In other words, it is necessary to develop measures to reduce or neutralize tax risks. The results of the analysis and the planned activities should be communicated to the management and officials authorized to make management decisions.

Further, at the *fourth stage* of tax risk management, it is necessary to calculate the economic efficiency of measures that help minimize tax risks.

The next, *fifth stage* of tax risk management is the adoption of management decisions and the choice of methods and tools for risk management. At this stage, measures are being taken to optimize taxation in order to minimize risks.

The *final stage* of tax risk management is control and evaluation of the results obtained. They are necessary because there are no guaranteed tax risk mitigation methods.

CONCLUSION

1. As a result of making certain managerial decisions in conditions of unresolved contradictions between the state and taxpayers, tax risks arise.

2. the most optimal way to manage tax risks is not minimization, but optimization of tax payment flows, which consists in achieving certain proportions of all aspects of the activity of an economic entity as a whole.

3. A tax risk management policy is necessary for every enterprise. The tax risk management process is purely internal and is carried out only within the enterprise. To eliminate risks, it is necessary to timely identify and eliminate both the risks themselves and their causes. For this, it is necessary to use the developed methods and methods of risk management. Management of tax risks of an enterprise can become one of the essential sources of increasing the financial efficiency of an enterprise.

4. A well-organized tax risk management system can have a positive effect on the economic condition of an economic entity. The most important element of this system is tax planning based on the principle of tax optimization. Savings on tax payments through the use of legal methods can not only significantly reduce tax risks, but give tangible results in any area of economic activity of the enterprise.

REFERENCES

1. Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. PD-4947 “Strategy of actions in five priority areas of development of the Republic of Uzbekistan in 2017-2021”.

2. Panskov V.G. (2013) Tax risks: manifestation and possible ways of minimization. Economy. Taxes. Right. No. 4. – pp. 74-78.

3. Bushueva M.A., Masyuk N.N., Bragina Z.V. (2014) Leveling managerial dysfunctions as the basis of conflict-compromise methodology. Economy and entrepreneurship. No. 12-3 (53-3). – pp. 430-432.

4. Mayburov I.A., Sokolovskaya A.M. (2012) The problem of tax evasion: theoretical analysis, study of factors and consequences. Bulletin of the Ural Federal University. Series “Economics and Management”. No. 3. – pp.4-15.

5. Tsyrkunova T.A., Migunova M.I. (2005) Tax risks: essence and classification. Finance and credit. No. 33 (201). – pp. 48-52.

6. Goncharenko L.I. (2009) Tax risks: theory and practice of management. Finance and credit. No. 2. – pp. 30-31.

7. LaskinaL.Yu., Vlasova M.S. (2015) Tax risk as an integral part of business risk. Scientific journal National Research University ITMO. Series “Economics and Environmental Management”. No. 1. – p. 128.

8. Shalneva M.S. (2017) Management of tax risks of an enterprise in modern economic conditions. Finance. No. 4. – pp. 32-38.

9. Vakhrusheva A.A., Tyurev V.K. Tax planning is a factor in the economic growth of a business. Vestnik Izhevsk State Technical University. M.T. Kalashnikov. 2014. No. 2 (62). – p. 49.

10. Vlasova EV, KamaletdinovaL.Sh. Economic risks and their role in the transformation process. Science Vector of Togliatti State University. Series: Economics and Management. 2018.No. 4 (15). – pp. 17-18.

11. Kulikova I.V.Tax audit as a way to reduce tax risks of business entities. Innovative directions in scientific and educational activities: materials of the International conference. scientific-practical conference: Smolensk, 2018.P. 3. – pp. 95-98.

12. Djamalov Kh.N. Role and functions of the estimation of the business in the system of financial management// Public finance// Paris, 2010 year may, - pp. 22-28.

13. Djamalov Kh.N. Contract mechanism of the economic interaction of the state and business // Corporate finance// Turin, 2010 year june, - pp. 14-17.