

THEORETICAL FOUNDATIONS OF TAXATION OF PERSONAL INCOME

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ABSTRACT

The personal income tax is central to the system of taxation of individuals, and in developed Western countries it is the most important and main source of replenishment of the state budget. Thus, in the state budget, the source of replenishment in the form of personal income tax takes 60%. In the conditions of market relations and especially in the transition period to the market, the personal income tax is one of the most important economic regulators. The effective functioning of the entire national economy depends on how well the system of collecting personal income tax is built. It is the personal income tax that today has turned out to be the main subject of discussions about ways and methods of tax reform.

KEYWORDS: *Tax, Personal Income Tax, VAT, Tax Functions, Tax Policy, Tax Regulation, Individuals, Tax Code.*

INTRODUCTION

Taxes are legally established payments that economic entities and the population are obliged to pay in accordance with the established rules for filling the state treasury.

Nowadays, taxes are used by the state to redistribute national income and serve as the main source of state revenue necessary for the implementation of its main functions: the maintenance of the administrative apparatus, law enforcement and social services, financing of the social security system. Also, with the help of taxes, the state can level income inequality among different groups of the population in order to increase their well-being as a whole.

"So, according to I. M. Kulisher, "Hand in hand with the theory of the social contract, justifying the emergence of the state, is the theory of the "fiscal contract", explaining the essence and meaning of taxation. By virtue of the first, people united in the state, for protection and for this protection "they give part of their property in order to be sure of the other part and use it calmly."

There are three functions of taxes: fiscal, economic and control.

The fiscal function of taxes ensures the withdrawal of part of the financial resources of society to create the material basis for the existence of the state and its functioning. In the Republic of Uzbekistan, tax revenues account for more than half of the consolidated budget revenues. The bulk of the revenue is provided by value added tax (VAT), mineral extraction tax, excise taxes on petroleum products, corporate income tax and personal income tax (personal income tax).

"Through the fiscal (budget-forming) function, a part of citizens' income is withdrawn for the maintenance of the state apparatus, the defense of the country and that part of the non-productive sphere that either does not have its own sources of income (many cultural institutions - libraries, archives, etc.), or they are insufficient to ensure the proper level of development - fundamental science, theaters, museums, etc. many educational institutions, etc. It is this function that provides

a real opportunity to redistribute part of the value of national income in favor of the least affluent social strata of society."

The economic function of taxes is their impact on the economic development of the country. The task of the state is to form a tax policy that will provide the necessary level of state income, but will not hinder the economic development of the country.

"The purpose of the tax policy is not only to ensure the legal procedure for collecting tax payments from taxpayers, but also to conduct a comprehensive assessment of economic and economic relations that develop under the influence of taxation. Therefore, tax policy is not an automatic fulfillment of the requirements of tax laws, but their improvement in order to balance the interests of the state as a power subject and taxpayers."

Using the tax system, the state can give the social structure a pronounced social character. Similarly, the welfare state model is implemented in Germany, Sweden, Denmark, Norway: progressive tax rates are used, a significant part of the budget is spent on the social needs of the population, and citizens in need of social protection are fully or partially exempt from taxes.

The economic function of taxes is realized through regulation, stimulation and distribution. The regulatory and stimulating component involves the use of taxes to achieve a particular economic effect, for example, the growth of investments, capital investments, modernization of the production base, the development of innovation and foreign economic activity, and an increase in the number of jobs.

With the help of taxes, it is possible to stimulate the development of those industries and regions in which society is interested, to promote the development of entrepreneurship.

"The regulatory function manifests itself in changing the rates of taxes and fees, establishing benefits for certain categories of taxpayers, creating conditions for optimal development of entrepreneurship in the Republic of Uzbekistan., regulating foreign economic activity. The stimulation of taxpayers is manifested in the introduction of tax benefits, in the differentiation of tax rates that are applied by the state when conducting tax policy."

It is the regulatory component of tax policy that most often serves as a reason for publications in the media. The greatest public response is caused by such topics as the introduction of a progressive scale of taxation of personal income, reducing the tax burden on small businesses and domestic producers, taxation of vehicles.

Taxes are also used as a tool for the distribution of gross domestic product in territorial, sectoral and social sections. Due to the redistribution of tax revenues, the state gets the opportunity to improve the welfare of the population of economically backward regions, develop sectors of the economy recognized as priorities, and support socially vulnerable segments of the population.

"With the help of taxes, the state redistributes part of the profits of organizations and entrepreneurs, citizens' incomes, directing it to investments in capital-intensive and fund-intensive industries with long payback periods (priority areas of economic policy)."

The control function allows the state to analyze the dynamics of tax revenues to the budget, compare the amount of tax revenues with the needs for financial resources. This makes it possible to assess both the effectiveness of the current tax system, to identify the need for its reform, and the state of affairs in the regions, various industries and spheres of activity.

Basic Concepts of Taxation

The totality of taxes and fees forms the tax system. Our country has a three-tier tax system, according to which taxes are paid to the budgets of three levels of government: state, regional and

local. Based on this, each tax in full or in a fixed percentage goes to the corresponding budget, to which it is assigned.

National tax legislation includes the Tax Code of the Republic of Uzbekistan and state laws that make additions and changes to it.

The Tax Code establishes general principles of taxation:

- ✚ Types of taxes and fees operating on the territory of the Republic of Uzbekistan;
- ✚ Grounds and procedure for the performance of duties for the payment of taxes and fees;
- ✚ The procedure for calculating and paying taxes;
- ✚ Rights and obligations of taxpayers and tax authorities;
- ✚ Forms and methods of tax control;
- ✚ Responsibility for committing tax offenses;
- ✚ The procedure for appealing acts of tax authorities.

The procedure for calculating and paying regional and local taxes and fees is established by legislative acts of the subjects of the Republic of Uzbekistan and regulatory legal acts of municipalities.

All taxes are divided into two groups: direct and indirect.

Income and property of individuals and legal entities are subject to direct taxes. These taxes include: personal income tax, corporate income tax, resource payments, corporate property tax.

Indirect taxes are taxes on consumed goods and services and are included in the price of a good or service. Formally, the seller is the payer of the tax, but in fact the buyer pays the tax at the time of sale of goods or services. Indirect taxes include sales tax, value added tax and excise taxes.

"There are no direct taxes from the population in a number of Arab countries – Brunei, Bahrain, Qatar, Kuwait. Although the economic and political situation of these countries is different, however, they have one thing in common – the participation of the population in government is minimal. At the same time, there is a direct connection between the political system and the taxation system: indirect taxes hide from the taxpayer the amount he pays to the state, suppress the desire for self-government. Direct taxes, on the contrary, encourage each taxpayer to control the spending by the government of the amounts paid in the form of taxes."

"A tax is considered established only when taxpayers and elements of taxation are determined:

- ✚ The object of taxation;
- ✚ Tax base;
- ✚ Tax rate;
- ✚ Tax period;
- ✚ The procedure for calculating the tax;
- ✚ The procedure and terms of payment".

A taxpayer is a natural or legal person who is legally obliged to pay taxes. In addition, employers are assigned the function of a tax agent. Organizations and individual entrepreneurs who pay salaries to their employees are required to keep records of the income calculated and paid to the taxpayer, calculate, withhold and transfer taxes to the tax inspectorate at the place of their

registration. The same rule applies to dividends that the company pays to its founders – individuals.

✚ Types of taxes paid by individuals

✚ Taxation of individuals

Since 2019, personal income tax is paid at a single rate of 12%, the calculation is made monthly, and payment is made no later than the deadline for its submission. The tax rate on dividends and interest of individuals. the number of residents is reduced from 10 to 5%.

The personal income tax scale is canceled and a single rate is set

For the income tax of resident individuals, instead of the current 4–step scale of taxation, a single rate of 12% will be introduced in 2019 (Article 181 of the Tax Code). Dividends and interest paid by individuals residents are now taxed at the rate of 5% (in 2018 – 10%).

Cancellation of the current procedure for calculating personal income tax:

✚ Will significantly reduce the tax burden on the payroll, which is very important for both employees and employers;

✚ It will simplify the procedure for calculating taxes, which is especially important for accountants.

Landlords – property owners will now pay more personal income tax. The rate for them will also be 12%. Recall that they previously paid tax at the minimum rate of 7.5% in 2018. The tax on other incomes that were taxed at the minimum rate will also increase:

✚ Additional payments for work in high-altitude, desert and waterless areas;

✚ For the performance of temporary agricultural works in the direction of enterprises and organizations;

✚ Gratuitously received from individuals .individuals shares, units and shares;

✚ From the sale of physical .persons of their own real estate.

In case of failure to submit a physical .by the person of the certificate from the place of the previous main job or the personal income tax TIN was retained at the maximum rate. Now, due to the cancellation of the scale, the income of individuals. persons in this case will be taxed without applying the benefits provided for in paragraph four of paragraph 1 of Article 179 (financial assistance) and Article 180 of the Tax Code. Also, the norm on submitting an application to the accounting department for withholding tax at the maximum rate upon receipt of a physical person loses its meaning .a person of income not at the place of main work or from other legal entities.

The norm is canceled, according to which the employer was obliged to inform the State Tax Service in writing within 30 days about the amounts paid to the employee after the termination of the employment contract with him.

The list of physical persons is being reduced .persons fully exempt from taxation.

Excluded from the list:

✚ Military personnel of the Ministry of Defense, the Ministry of Internal Affairs, the Ministry of Emergency Situations, the State Security Service, persons of ordinary and commanding staff of internal affairs and customs bodies, as well as military conscripts called up for training or verification fees – according to the amounts of monetary allowances, monetary rewards and other payments received by them in connection with service (performance of official duties);

✚ Judges of the Constitutional and Supreme Courts, civil and criminal courts, economic, administrative and military courts, as well as employees of the prosecutor's office with class ranks – according to the income they received in connection with the performance of official duties.

The calculation will be submitted monthly

The reporting period for tax agents withholding personal income tax at the source of income payment is now a month (article. 183 Tax Code). Information on the amounts of accrued and actually paid income and the amounts of withheld personal income tax (appendix. No. 2 to the resolution. MF and GNK, reg. DOJ No. 2439 of 22.03.2013) must be submitted monthly no later than the 25th day of the month following the reporting one, and at the end of the year - by the deadline for submitting the annual financial reporting.

Now the information reflects the information in the context of each individual persons on accrued:

✚ Income in the form of wages, amounts of personal income tax withheld and contributions paid to INPS;

✚ Property income (except for interest and dividends) and income in the form of material benefits, amounts of personal income tax withheld at the source of payment.

By phys .persons who have received income not at their main place of work, within 30 days after the end of the tax period, a special certificate is submitted to the State Tax Service. Now it reflects only income in the form of material benefits, not taxed at the source of payment.

The payment period is limited

Personal income tax was paid by the tax agent simultaneously with the submission of documents to the servicing bank to receive funds. Since 2019, the payment period is limited by the deadline for submitting the calculation.

When submitting documents for receiving a salary advance for the first half of the month, the tax is still not paid. Also, the deadline for payment of tax for in-kind payments permitted by law has been preserved - within 5 days after the end of the month in which they were made.

The taxation procedure for the income declaration has been adjusted

Taxable incomes received by individuals. Persons from two or more sources were taxed on the basis of the declaration, if the maximum rate was not applied to them (article. 189 Tax Code).

In connection with the abolition of the taxation scale and the establishment of a single tax rate, it is no longer necessary to submit a declaration in these cases.

Also, the income declaration is not submitted if personal income tax was withheld from the income received by the taxpayer not at the place of his main job at his request. The exception is income received from sources:

✚ Outside of Uzbekistan;

✚ Who are not tax agents.

A preliminary declaration of rental income is not needed

From January 1, 2019, real estate lease agreements must be registered with the tax authorities (Regulation, reg. Ministry of Justice No. 3077 dated 11.10.2018). Therefore, it is no longer necessary to submit a preliminary declaration on rental income from real estate. Changes have also been made to the procedure for paying tax on such income. The tax is paid, as before, monthly until the 5th day of the month following the month of receipt of income. Since the preliminary declaration is not submitted, the notification of the tax authority will serve as the basis for

payment.

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