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IMPROVING ACCOUNTING OF TAX LIABILITIES IN UZBEKISTAN

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Abstract
This article is devoted to consideration of the theoretical foundations of corporate tax liabilities and issues of their accounting. The author outlines the focus areas for improving the accounting of income tax liabilities on the basis of international financial reporting standards.

Keywords: Accounting, tax, income tax, tax liability, tax expense, IFRS.

Introduction:
While the peculiarities of the profit tax systems vary around the world, some common principles underlie them, including the use of IAS №12 "Income Taxes", which are used for taxing international business income.
The average corporate income tax rate in 181 jurisdictions worldwide in 2024 constituted 23.51 percent. The average rate of GDP accounted for 25.67 percent. The average corporate tax rate across 225 jurisdictions amounts to 23.51 percent. The United States has the 82nd highest corporate tax rate with a combined federal and state rate of 25.63 percent [1].
Global corporate income tax rates (STRs) ramained stable between 2021 and 2024, halting their long-term decline over the past two decades, but rates remain well below historical averages. Average STRs from 2019 to 2024 were relatively stable at 21 percent in 2019 and 21.1 percent in 2024 [2].
In investigating the problems of accounting of tax liabilities it is important to study its theoretical and legal foundations.That is why it is essential to investigate the accounting system of tax liabilities and its legal basis and to

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develop the proposals for solving problems based on its assessment.

The organization of accounting for tax liabilities based on IFRS set as a key objective in the Resolution of the President of the Republic of Uzbekistan № PR-4611 dated February 24, 2020 "On additional measures for the transition to international financial reporting standards"

Literature review:

In the literary sources, there are different interpretations and definitions of profit tax and profit tax liability.

According to L.I. Goncharenko (2019), "the corporate income tax plays a significant fiscal role, but at the same time it has essential regulatory potential for the economy and the social sphere" [Goncharenko, 3].

From the point of view of V.G.Panskov (2019), "The profit generated by the company is distributed between the government, the owners of the company, and the company itself. As for the relationship between the government and companies, they are built on the basis of profit taxation, in which the taxable profit itself is calculated on the basis of tax accounting information" [Panskov,4].

A.Yu.Ilyin (2021) believes that "Profit tax is one of the taxes that can actively influence the development of the state's financial processes" [Ilyin,5]

From the point of view of J.Block (2021), "corporate income tax affects the amount and type of business activity, which, in turn, influences economic development. Empirical evidence demonstrates that high corporate income tax rates reduce business density and entry rates and increase the capital stock of newly established companies" [Block,6].

When taxing profits, it is necessary to distinguish between profits for accounting purposes and profits for taxation purposes. According to International Accounting Standard №12 "Income Taxes" (2018), accounting profit is profit or loss before deducting income tax expense for the period. Taxable profit is the profit determined in accordance with the rules established by the tax authorities and recognized as profit for the period for which income taxes are paid [7].

According to J.R. Zaynalov (2018), "The nature of corporate profit tax is reflected in the relations that arise when part of the profit is centralized to the

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state budget as a compulsory payment. In this regard, the following proposal has been formulated for the concept of "profit tax": "Profit tax means monetary relations related to the transfer of part of the added value created by enterprises, organizations and associations to the state budget as a mandatory payment within the limits established by law" [Zaynalov, et al., 8].

In the opinion of Rizaev (2022), with the current introduction of IFRS in Uzbekistan, it is clear that there will be conflicts between IFRS reporting and the tax system. Therefore, when switching to IFRS accounting, it will be necessary to issue rules for using IFRS standards for financial accounting and a large number of instructions.In particular, one of the most urgent issues is to develop a financial accounting procedure for determining the amount of taxable profit for calculating income tax, in compliance with the tax code, while at the same time making it beneficial for business owners and investors [Rizaev,9].

Pulatov and Abdugapparov (2022) describe the impact of the transition to the IFRS on profit tax as that "Application of international financial reporting standards (IFRS) in the national economy of countries requires the implementation of specific tasks and approaches.The purpose of this standard is to determine the procedure for accounting for the profit tax [Pulatov et al., 10].

According to Pashakhodjaeva (2023), specialized studies haven't been conducted in the Republic of Uzbekistan to align the calculation of income tax indicators with international financial reporting standards (IFRS) and, based on their requirements, to improve the accounting and reporting procedures for income tax calculations. In the published works, a comprehensive system of profit tax indicators has not been developed, including the issues of systematic formation of information in accounts and reports on them have not been sufficiently researched, the scientific and practical significance of the calculation of profit tax indicators makes it an objective necessity to conduct a deep study of the issues of harmonization of the calculation of profit tax indicators with the international financial reporting standards [Pashakhodjaeva,11].

From the point of view of Z.N. Kurbanov (2024), "The revenues from the sale of goods (services) are determined based on electronic invoices.For profit tax purposes, if the property rights to goods are transferred or services are provided and this situation is confirmed by the e-invoice, the company has a strict liability

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to recognize it as the income when preparing financial statements under the International Accounting Standards or National Accounting Standards [Kurbanov, 12].

Research methodology.

The existing theoretical and empirical research methods used in the research have been used in the study of the accounting of profit tax liabilities.In particular, theoretical-research methods such as logical thinking, gathering evidence, imagining, comparing, forming and posing a problem have been widely used in the analysis of current statutory acts.Empirical research methods such as analysis of the literature, study of economic activity, observation and periodical research have been also used. This fact definitely constitutes the methodological basis of the research works conducted on the topic of the article.

Analysis and results

Deferred tax assets are part of income taxes and reduce future income taxes by reflecting expenses or income in different periods in book-keeping and tax accounts. The use of deferred tax assets is derived from international accounting practice in relation to the separation of accounting and tax accounting.

Tax liabilities are reflected in the statement on financial position according to the IFRS, while they are reflected in the passive part of the balance sheet according to the National Accounting Standards. Profit tax liabilities are shown in a separate line in the IFRS reports.

The IFRS requires the company to recognize the current and future tax consequences of transactions and other events recognized in the financial statements. These recognized tax amounts consist of current tax and deferred tax. Current tax is the income tax paid (reimbursed) on taxable profit (tax loss) for current or prior periods. Deferred tax is income tax payable or recoverable in future periods, typically arising from the settlement or settlement of an entity's assets and liabilities at their current carrying amounts and the tax effects of carrying forward unused tax losses and tax incentives.

According to IFRS 12 “Profit Taxes”, the current liability for profit tax is recognized as follows.If the amount of tax paid for the current and previous periods is greater than the amount of tax payable in these periods, the increased

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amount should be recognized as an asset.

The base of profit tax and the amount of tax paid to the budget depends on the source of the formation of the total profit of the company and the risk finding related to the organization of its activities.

The source of income tax is the revenues from the sale of goods (works, services). The proceeds from the sale of goods (works, services) are determined by the amount of the goods shipped (works performed, services rendered) minus the value of the goods shipped (works performed, services rendered). The amount of the goods shipped, the work performed, the services rendered is determined by the issuing authority.

IAS №12 "Income Taxes" defines profit tax expense as follows: Expenses for the profit tax (income for the profit tax) is the total amount taken into account in determining the current and deferred tax benefit or loss for the period. Expenses for the profit tax (income for the profit tax)include expenditures for current profit tax (income for deferred profit tax) and expenses for deferred profit tax (income for deferred profit tax).

Accounting for profit tax incentives is important in improving the accounting of profit tax. In this regard let's consider accounting of the incentives on profit tax.

Providing tax incentives and their accounting are regulated by the Tax Code of the Republic of Uzbekistan, the Law "On Accounting" and the Regulation "On the Procedure for Reflecting in Accounting the Incentiuves Provided to Legal Entities on Taxes, Customs Payments and Fees".

Accounting for tax incentives is governed by IFRS №12 "Income Taxes". Paragraphs 34-35 of this standard require that tax incentive be recognized for accounting purposes.Recognition of tax incentives is reflected in the standard as follows: a deferred tax asset should be recognized for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax incentives can be utilized.

The criteria for recognizing deferred tax assets arising from the carryforward of unused tax losses and tax credits are similar to the criteria for recognizing deferred tax assets arising from deductible temporary differences. However, the existence of unused tax losses is strong evidence that future taxable profit may

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not be available. Accordingly, if an entity has had losses in the recent past, it recognizes a deferred tax asset for the unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is other convincing evidence that sufficient taxable profit will be available against which the entity can utilize the unused tax losses or unused tax incentives.

In accordance with Article 75 of the Tax Code of the Republic of Uzbekistan, an enterprise may use the funds that have become available for another year after the end of the preferential period. During this period, the unused amounts of the preferential period in the following year shall be returned to the state budget.

Accounting for tax incentives is regulated by the Regulation "On the procedure for reflecting in accounting the incentives provided to legal entities on taxes, customs payments and fees" approved by a joint resolution of the Ministry of Economy and Finance of the Republic of Uzbekistan and the Tax Committee (Regulation, 2024), registered by the Ministry of Justice of the Republic of Uzbekistan on December 25, 2024 under number 3590 [13].

In our opinion, it is advisable to transfer the unused amount of write-offs after the end of the preferential period for targeted tax incentives to the credit of account 8720 "Accumulated profit (uncovered loss)" and the following accounting entry is made for this:

Debit – 8840 "Targeted tax incentives",

Credit – 8720 "Retained earnings (uncovered losses)".

The main objective of this proposal is to continuously monitor the unused amount after the end of the tax credit period. Business entities can use these funds for other purposes. In this case, the economic nature of the targeted tax incentives does not meet the requirements

Conclusion and proposals

In the process of analyzing the problems of accounting of the liabilities on profit tax, it is crucially important to study its theoretical and legal foundations. That is why it is essential to study the accounting system of tax obligations and its legal basis and to develop proposals for solving problems based on its assessment.

Organization of accounting for tax liabilities based on the IFRS has been set as

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a key task in the Resolution of the President of the Republic of Uzbekistan №PR-4611 dated February 24, 2020 "On additional measures for the transition to international financial reporting standards".
Accounting for income tax liabilities is a complex process, which becomes even more complicated when organized on the basis of international financial reporting standards.

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