

ISSUES OF IMPROVING THE MECHANISMS FOR
ASSESSING THE ACTIVITIES OF LARGE TAXPAYERS
AND TAX CONTROL

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Abstract: *This article examines the possibilities of identifying potential tax evasion cases, ensuring fair taxation, and ultimately contributing to the overall efficiency of the tax system by improving the practice of inspections and monitoring of taxpayer activities by tax authorities. The article highlights the advantages and challenges of implementing foreign experience within the context of Uzbekistan, and develops proposals and recommendations for improving the national tax policy.*

Keywords: *tax revenues, risk analysis, hazards, efficiency, digital platform, methods and tools, advanced information and communication technologies, analysis, optimization, tax incentives, tax rate.*

Introduction. In a market economy, the effective functioning of the tax system directly depends on the perfect organization of tax control over the activities of taxpayers. Tax control is an essential component of the state's financial policy, serving to ensure the stability of budget revenues, monitor compliance with tax legislation, and strengthen tax discipline. From this perspective, a profound study of the theoretical foundations of regulating taxpayer activities through tax control is of significant relevance.

Administration of Large Taxpayers

(Ensuring Tax Control):

Throughout 2020, as a result of 2,082 desk tax audits (kameral soliq tekshiruvlari) conducted on the activities of large taxpayers, an additional 7,919.9 billion UZS in taxes were assessed. Of this amount:

5,203.7 billion UZS (including 1,481.4 billion UZS under Form-10) were recovered through the submission of revised tax reports;

97.0 billion UZS were accounted for through adjustments to existing reports;

2,618.6 billion UZS were supported by the submission of justifying documentation.

Furthermore, 180.6 billion UZS in financial penalties were applied due to discrepancies identified in the tax reports.

Regarding the recovery of the additionally assessed tax amounts:

4,329.9 billion UZS were directly collected;

914.0 billion UZS were offset against existing overpayments;

140.4 billion UZS are being processed through compulsory collection measures.

Specifically, in December, 598.1 billion UZS in additional taxes were assessed across 119 cases following desk audits. From this, 545.1 billion UZS were collected, 51.5 billion UZS were offset against overpayments, and the remaining 1.4 billion UZS were directed toward compulsory enforcement. Notable collections included 22.2 billion UZS from "O'ZBEKKO'MIR" JSC and 8.6 billion UZS from the Unitary Enterprise "TOPALANG HPD WATER CONSTRUCTION" under "TOPALANG HPD HOLDING" LLC.

Furthermore, 28 evidence-based proposals and analytical reports regarding the practical impact and effectiveness of the Tax Code norms were prepared and submitted to the Committee.

In accordance with the Presidential Decree No. 6098 dated October 30, 2020, "On organizational measures to reduce the shadow economy and increase the efficiency of tax authorities' activities," the structural composition of the State Tax Committee was re-approved. Within this structure, the Tax Control Department was established. To prevent corruption and eliminate bribery risks among personnel during tax control measures, as well as following the remarks made by President Sh. Mirziyoyev during the video-selector meeting on January 8, 2020—where the Interregional State Tax Inspectorate for Large Taxpayers was recognized for exceeding budget revenue targets and assigned high-level future responsibilities—it was proposed to incentivize employees based on Key Performance Indicators (KPI) to enhance their social protection and work efficiency. In this regard, the department drafted relevant amendments and additions to the Cabinet of Ministers Resolution No. 320 dated April 17, 2019, "On measures to further improve the activities of state tax service bodies," and submitted them to the State Tax Committee for review.

Additionally, a presentation was prepared outlining methods for identifying and eliminating enterprises utilizing tax avoidance schemes.

Institutional and Operational Changes in the Administration of Large Taxpayers

In accordance with the Presidential Decree No. UP-6098 dated October 30, 2020, "On organizational measures to reduce the shadow economy and increase the efficiency of tax authorities' activities," the total number of staff units for the Inspectorate for Large Taxpayers was increased by 52 units (30%), reaching a total of 168 units.

To provide high-quality services to taxpayers and perform in-depth analysis, two departments and one division were established within the Inspectorate:

Risk and Transfer Pricing Analysis Department (10 units);

Value Added Tax (VAT) Administration Department (8 units);

Administration of Ultra-Large Taxpayers Division (9 units).

Based on the recommendations of the International Monetary Fund (IMF) and considering the high workload, the number of staff units in the Tax Control Department was increased to 20.

Furthermore, in 2021, the composition of taxpayers served by the Inspectorate is expected to grow from 836 to 1,128, incorporating producers of excisable products (2), systemic enterprises (2), and other large enterprises (288).

Key Strategic Directions:

Risk Management and Transfer Pricing: The Risk and Transfer Pricing Analysis Department was established to monitor tax compliance, identify high-risk tax levels, and analyze transfer pricing.

Taxpayers are segmented based on 86 risk criteria specifically developed for large taxpayers (compared to 50 criteria developed by the Committee for other taxpayers).

Tax control based on these criteria is expected to identify an additional source of 1,200 billion UZS in the first quarter of 2021.

Analysis of related-party transactions, offshore operations, and market price alignment is projected to identify 300 billion UZS in additional sources.

Case Study: "Indorama Kokand Textile" exported goods worth \$101.3 million, of which \$59.2 million were shipped to a related party at lower prices. This under-pricing (by \$5.4 million compared to market rates) resulted in a loss of 9 billion UZS in tax revenue.



Expanded Tax Control: Increasing the staff of the Tax Control Department from 40 to 60 will allow for tax audits of 751 taxpayers, achieving a 90% coverage rate.

Previously, 40 employees conducted control measures for 570 out of 836 taxpayers (68.2%), identifying 3,910.7 billion UZS in additional sources. The staff increase is expected to bring an additional 1,500 billion UZS to the budget in 2021.

VAT Administration: During the reporting period, 2 employees of the Tax Control Department processed 381 applications, resulting in the reimbursement of 1,020.8 billion UZS in VAT for 99 cases (25%).

The newly established specialized department will investigate the validity of 2,305.4 billion UZS in overpayments by 196 taxpayers, reducing artificial overpayments and aiming to resolve all tax refund issues by the end of Q1 2021.

Ultra-Large Taxpayers: The Administration of Ultra-Large Taxpayers Division was created to improve service quality and ensure preliminary control of tax reports.

This division monitors 116 entities which account for 82.6% of the total budget revenue provided by the Inspectorate. This includes metallurgical giants (NMMC, AMMC, and Uzmetkombinat) at 48% and oil, gas, and energy enterprises at 16.5%.

Continuous monitoring by this division saves significant resources (time and workload) by addressing discrepancies early—previously, 664.2 billion UZS were recovered through revised reports across 1,147 cases.

Current Status: The Risk and Transfer Pricing Analysis Department (10 units) is currently being staffed with qualified specialists. The Department's

regulations, instructions, and the head of the department's operational action plans have been fully developed.

Administration of Large Taxpayers

(Ensuring Tax Control):

During 2021, the following results were achieved regarding the activities of large taxpayers:

1. Desk Tax Audits and Their Results

As a result of 2,177 desk tax audits (kameral soliq tekshiruvlari) and the submission of revised reports during the period, an additional 10,275.7 billion UZS in taxes were assessed. Of this amount:

9,102.1 billion UZS (including 1,856.4 billion UZS under Form-10) were accounted for through revised tax reports;

1,173.6 billion UZS were supported by the submission of justifying documentation.

Additionally, 407.9 billion UZS in financial penalties were applied due to discrepancies identified in the reports.

Regarding the recovery of the additionally assessed tax amounts:

6,824.4 billion UZS were settled, of which 4,562.2 billion UZS were directly collected and 2,262.2 billion UZS were offset against overpayments;

2,277.7 billion UZS are currently subject to compulsory collection measures.

December Results: In December alone, 764.1 billion UZS in additional taxes were assessed across 142 cases. From this, 577.9 billion UZS were recovered through revised reports and 186.2 billion UZS through justifying documents. Financial penalties for this month totaled 26.8 billion UZS.

VAT Discrepancies: Discrepancies were identified in the VAT reports of large taxpayers, resulting in revised reports for 2,618.6 billion UZS from 965 enterprises. Notable cases include:

"Jizzakh Petroleum" LLC: 65.9 billion UZS;

"Sirdaryo IES" JSC: 54.5 billion UZS;

"O'zneftgaz Burg'ulash Ishlari" LLC: 35.1 billion UZS.

2. Field Tax Inspections and Their Results

Throughout the year, 115 field tax inspections (sayyor soliq tekshiruvlari) were conducted, resulting in 28.4 billion UZS in financial sanctions.

In accordance with Article 218 of the Tax Code, sanctions were reduced by 2.9 billion UZS due to voluntary payment within 10 days.

5.2 billion UZS have been collected.

Of the remaining debt, 16.3 billion UZS belongs to "Creative Trading House" LLC, which has been declared bankrupt, and 4.0 billion UZS are not yet due for payment.

December Results: In December, field inspections at 9 enterprises revealed a product shortage worth 13.6 billion UZS and the presence of products without purchase documentation worth 11.4 billion UZS.

3. Tax Audits and Their Results

During the year, 32 tax audits were conducted, leading to the assessment of 540.9 billion UZS in additional taxes and 45.4 billion UZS in financial penalties.

To date, 65.1 billion UZS of the additional taxes and 6.6 billion UZS of the penalties have been collected.

Six enterprises, each with assessed amounts exceeding 10.0 billion UZS, accounted for 270.5 billion UZS of the total additional taxes.

Major cases include:

"Talimarjon IES" JSC: 94.8 billion UZS;

"Sirdaryo IES" JSC: 79.0 billion UZS;

"13-sonli ko'prik qurilish" JSC: 25.8 billion UZS;

"67-Kuprik kurish otryadi" JSC: 16.9 billion UZS.

Conclusion and Proposals

It is advisable to increase the effectiveness of tax control by widely implementing risk-based approaches in monitoring taxpayer activities, developing digital tax control tools, and strengthening the exchange of information between tax authorities and taxpayers.

ADABIYOTLAR/LITERATURA/REFERENCE:

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