

**THE IMPORTANCE OF NEW MODERN APPROACHES TO
THE NEGATIVE DIFFERENCE COMPENSATION
MECHANISM IN VALUE-ADDED TAX ADMINISTRATION**

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Abstract: *This article examines new modern approaches aimed at improving the mechanism for compensating for the negative difference in the administration of value added tax. In particular, the importance of reforms implemented on the basis of digitization, automated tax control, risk management systems and electronic data exchange is highlighted. During the study, the impact of these mechanisms on the activities of taxpayers, the stability of the state budget and the efficiency of tax administration was analyzed. The conclusions obtained will serve to develop practical proposals for further simplifying and increasing the transparency of the processes for compensating for the negative difference under VAT.*

Keywords: *value added, value added tax base, tax, budget policy, tax administration, tax capacity, regulatory analysis, tax burden, tax reporting, tax revenues, tax incentives.*

Introduction: Today, improving tax administration, in particular, increasing the efficiency of the value added tax (VAT) system, is one of the priorities of the state financial policy. The mechanism for timely and transparent compensation of the negative difference arising under VAT (the amount of overpaid tax) is of great importance in strengthening the financial stability, investment activity of taxpayers and confidence in the economic environment. Traditional administrative approaches are often characterized by

excessive paperwork, lengthy inspections and risks associated with the human factor. Therefore, in recent years, there has been a need to introduce new modern approaches based on digital technologies, risk analysis systems and automated control mechanisms. These approaches serve to simplify, accelerate the processes of compensation of the negative difference under VAT and reduce corruption factors.

If the priority of developed countries is to maintain the socio-economic stability achieved over many years, then for developing countries it is important to increase the amount of profit per capita, which requires a consistent increase in economic growth rates. To achieve these goals, countries choose different tax models. For example, if in developed countries the basis of the tax system is direct (profit, income, property and social) taxes, then in developing countries indirect taxes (VAT, excise tax, goods and services tax, i.e. expenses) prevail. That is, efforts aimed at ensuring economic growth by stimulating capital growth and saving. As is known, in our country, amendments and additions are made to laws and regulatory legal acts aimed at developing the tax sphere every year. Also, the fact that consistently reducing the tax burden, simplifying the taxation system and improving tax administration are the most important conditions for the rapid development of the economy and improving the country's investment attractiveness indicates the need to ensure consistent economic growth in this area, increase business and investment activity, create a healthy competitive environment, as well as ensure the necessary level of tax and other mandatory payment collection. Therefore, in order to improve the tax system and introduce the most favorable tax regime, on June 29, 2018, the Decree of the President of the Republic of Uzbekistan No. 5468 "On the Concept of Improving the Tax Policy of the Republic of Uzbekistan" was signed. The Decree paid special attention to the inefficient system of collecting value-added tax, the presence of mandatory payments that attract taxpayers' working capital, as well as lead to an increase in the intermediate and final cost

of consumer products and impede the development of cooperation between large and small businesses, and determined the introduction of a full system of accounting for value-added tax from January 1, 2019. In addition, the Decree determined the directions and procedures to be introduced in the tax system in the coming years. The most important of these changes was the preparation of a new draft of the Tax Code of the Republic of Uzbekistan. Based on the tasks set out in the Decree, on December 30, 2019, the Law of the Republic of Uzbekistan No. ZRQ-599 “On Amendments and Additions to the Tax Code of the Republic of Uzbekistan” was adopted. The Law introduces amendments and additions to the Tax Code of the Republic of Uzbekistan, approved by the Law of the Republic of Uzbekistan No. URQ-136 adopted on December 25, 2007, and approves its new edition.

Article 60 of the new tax code defines the concepts used in the code. According to it, the amount of overpaid tax is the positive difference between the amount of tax paid and the amount actually due. That is, if taxpayers who own a taxable object pay more tax than the taxes calculated for this taxable object, this excess is recognized as an overpayment. For example, the enterprise's sales of value-added tax in January amounted to 1,040.5 million soums. Tax was calculated at a rate of 12 percent against this tax base. However, the enterprise paid 164.3 million soums. Then the enterprise's tax base generated an overpayment of 39.4 million soums. That is, the enterprise has a claim in the budget reconciliation report at the end of January. The enterprise, upon its application, may transfer this overpayment to future value added tax payments or to existing debts from other taxes in accordance with the Tax Code. The “Regulation on the Procedure for Compensation of Value Added Tax Amounts”, approved by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 489 dated August 14, 2020 “On Improving Tax Administration in Relation to Value Added Tax and Foreign Legal

Entities”, establishes the conditions and procedure for compensation of the VAT amount.

In accordance with the Budget, Tax and Customs Codes of the Republic of Uzbekistan and the Resolution of the President of the Republic of Uzbekistan No. PQ-594 dated February 28, 2007 “On measures to further develop the treasury execution system of the state budget”, the Instruction “On cash execution of budget revenues of the budget system” was approved by the resolution of the Ministry of Finance of the Republic of Uzbekistan, the State Tax Committee and the State Customs Committees and was state registered by the Ministry of Justice of the Republic of Uzbekistan on March 30, 2016 under No. 2771. This Instruction determines the procedure for cash execution of budget revenues of the budget system. That is, it regulates the accounting of payments made and collected by individuals and legal entities.

Refund or crediting of payment amounts in case of overpayment, including incorrect payment of these payments, shall be carried out by the authorized bodies for the collection of customs duties, taxes and fees in accordance with the procedure established by the Tax and Customs Codes of the Republic of Uzbekistan and other regulatory legal acts regulating the issues of refunding or crediting of payment amounts. In accordance with Articles 104 and 105 of the Tax Code of the Republic of Uzbekistan, when it is necessary to submit an application by a taxpayer:

- an application for crediting the amounts of overpaid or collected taxes shall be submitted in the following form;
- an application for refunding the amounts of overpaid or collected taxes shall be submitted in the following form in accordance with Appendix 8 to the Instructions.

In accordance with Articles 104 and 105 of the Tax Code of the Republic of Uzbekistan, in order to return or credit overpaid, overcollected or erroneously paid taxes, penalties, fines, the state tax service body prepares an

electronic order on the return or credit of funds in the information system and sends it electronically to the "U'RMV" IT by confirming it with an electronic digital signature. In cases where it is not possible to create an electronic order, orders may be sent in paper form to the relevant treasury departments based on a written request from the state tax service body.

The tax authority official shall draw up a conclusion setting out the circumstances identified as a result of the in-house tax audit and shall submit it to the head or deputy head of the tax authority for a decision no later than one day. Following the in-house tax audit conducted to recover the tax amount, the head of the tax authority shall issue a decision to the head or deputy head of the tax authority on the recovery of the tax amount (in full or in part) or on the refusal to recover the tax amount. The decision adopted by the tax authority shall be sent to the taxpayer through his personal account no later than one day from the date of the decision. In accordance with Article 274 of the Tax Code, the amount of tax to be recovered shall be recovered in two different procedures: general and accelerated. In accordance with Part 4 of Article 274 of the Tax Code, the procedure for the accelerated recovery of the total amount of tax shall be indicated in the application for a tax refund, that is, when submitting a report. An application for tax refund in an accelerated manner is considered for the following taxpayers:

1. Legal entities included in the category of large taxpayers in the established procedure;
2. Taxpayers who, together with an application for tax refund, have submitted a valid bank guarantee or have executed a pledge agreement with the tax authorities in accordance with the procedure established by Articles 109 or 107 of the Tax Code;
3. Persons carrying out export and equivalent operations - in the part of the excess tax amounts resulting from the application of a zero-level tax rate, if

the tax amount has previously been reimbursed to these persons and no violations have been identified in this regard;

4. Diplomatic missions, consular institutions and equivalent organizations of foreign states accredited in the Republic of Uzbekistan;

5. Participants in a product distribution agreement, if such an agreement provides for the application of a zero-level rate;

6. Participants in tax monitoring.

When submitting an application by persons carrying out export and equivalent operations, the following documents must be attached to the application:

- contract (extract from the contract certified in the prescribed manner);
- customs cargo declaration with a mark of the customs authority carrying out the release of goods for the export of goods from the customs territory of the Republic of Uzbekistan;

- documents attached to the goods with a mark of the customs authority located at the customs border crossing point of the Republic of Uzbekistan confirming that the goods have been sent to the country of destination;

- when the goods are sold for export through an intermediary (trustee) under an agency (assignment) agreement, an agency agreement or an assignment agreement additionally concluded by the principal (principal) with the intermediary or authorized representative of the taxpayer to confirm the export (extract from the agreement);

- a single register of international transport documents for the international transport of passengers, baggage, cargo and mail when providing services for the international transport of passengers, baggage, cargo and mail;

- a bank statement confirming the receipt of foreign currency;
- information on the export of goods and the receipt of foreign currency;
- other documents, depending on the type of activity carried out, to confirm the export of goods.

Also, the audit report will contain a statement of the work carried out. That is, in connection with the validity of the VAT amount requested to be reimbursed in the enterprise's application No. 10, an in-house tax audit was conducted without an order from the tax authority in accordance with the procedure established by the "Regulations on the Procedure for Compensating the Amount of Value Added Tax", approved by Resolution No. 489 of the Cabinet of Ministers of the Republic of Uzbekistan dated August 14, 2020. The period from which the in-house tax audit began and ended is indicated. Of course, the tax period covered is indicated. It is indicated whether a tax audit or in-house tax audit was conducted or not during this tax period. The circumstances identified as a result of this in-house tax audit are clearly indicated.

Recommendations

It is recommended to fully digitalize the process of refunding the negative value-added tax (VAT) balance in order to minimize the human factor and introduce automated decision-making mechanisms.

The introduction of a risk-based VAT refund system is advisable, whereby taxpayers are segmented according to their risk level, and low-risk, compliant taxpayers are granted an accelerated and simplified refund procedure.

Further development of an integrated information system connecting electronic invoices, online cash registers, and customs data is necessary to enable automatic verification and confirmation of negative VAT balances.

Clearly regulating VAT refund timeframes and strengthening the accountability of tax authorities in cases of unjustified delays would enhance taxpayer confidence and improve the overall efficiency of VAT administration.

Taking into account international best practices, it is recommended to establish analytical platforms for continuous monitoring and assessment of the VAT negative balance refund mechanism.

LIST OF USED LITERATURE:

1. O‘zbekiston Respublikasi Vazirlar Mahkamasining “Qo‘shilgan qiymat solig‘i hamda chet el yuridik shaxslari bilan bog‘liq soliq ma‘murchiligini takomillashtirish chora-tadbirlari to‘g‘risida” gi 2020-yil 14-avgust qarori
2. Soliq kodeksi. 2019-yil 30-dekabrda O‘RQ-599 Qonuni bilan qabul qilingan. 365-bet.