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## **TAXATION RELEVANCE OF INDIVIDUALS' INCOME THROUGH PUBLIC DECLARATION**

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**Abstract:** In all economically developed countries, where the principles of market economy and freedom of entrepreneurial activity apply, citizens' general income declaration is widely used. During the gradual implementation of market reforms, the practice of taxation has been improved, mainly by introducing the positive experience of developed countries. Currently, following the ongoing tax reforms in the country, several positive changes are being made in the taxation of personal income. This article examines the experience of economically developed countries and highlights the relevance of taxation in the country by declaring the income of individuals.

**Keywords:** universal declaration, taxation, population income, income tax, the income of individuals, tax system, declaration, universal declaration system, personal income, individuals.

### **Introducing**

Our country has chosen a management structure focused on the laws of a socially oriented market economy along the road of independent growth. The practice of taxation has been being changed for the gradual introduction of market reforms, primarily by incorporating the positive experience of developed countries for several years. There have been many positive changes due to the ongoing tax reforms in the country. [1]

The tradition of the general declaration of income by peoples commonly used in all economically developing countries, where the concepts of the consumer economy and freedom of entrepreneurship apply.

The study of the history of these countries and the examination of the experience of reporting the income of individuals in our country demonstrate that the process of declaring income is highly productive in holding detailed records of individuals' income and in implementing socially relevant tax deductions. It is necessary to ensure the validity of these wages, along with the growth of private enterprise and the creation of freedom to earn money, in the light of liberalization and modernization of the economy. At the same time, by the declaration scheme, citizens' income would be registered and equally charged. The adoption, in our country, of a framework of a general declaration of personal income taxes and its gradual transformation to that system is necessary. The urgency of the issue is dictated by the presence of issues in the country to improve personal income taxes by declarations, the need for scientific proposals to be formulated and realistic advice to fix them.

This article corroborates the importance of personal income taxes in the country using the general declaration process.

### **Literature analysis on the subject.**

In their scientific opinions, several academics and economists shared their thoughts on personal income taxation, including income tax. In disclosing the nature of taxes levied on individuals, O.Abdurahmanov defined it as follows: taxes levied on individuals are non-equivalent, based on some source of lawful action to the State, compulsory payments on personal income earned by citizens[2]. Along with the income tax levied on persons, the method of estimation of other taxes and, in part, the system of declaration of personal income have been studied and scientific ideas have been created to increase the efficiency of the taxation system of individuals in the light of economic liberalization.

The taxes levied on individuals are summarized by A.Adizov as follows: “Taxes on individuals are fees for services provided by the state and society as a liability, a mandatory payment to the state in the amount and within the time limits established by law to provide them with funding.”

In addition to the concerns of market creation in the study of economic systems, members of the School of Marginalism discussed taxation problems. The role of marginalists in the formation of empirical and analytical principles of income taxation (K. Menger, F. Wieser, I. Tunen, A. Cournot, etc.) was also great. In fact, as a result of their study on income taxes, it was proposed that a democratic process should tax income and that it is important to assess the minimum amount of non-taxable income [4].

I. Yuldashev’s work on ‘Issues relating to the implementation of the method of a general declaration of personal income taxation’ discusses the difficulties connected with the introduction, in the practice of the republic, of the system of a general declaration of personal income taxation [5].

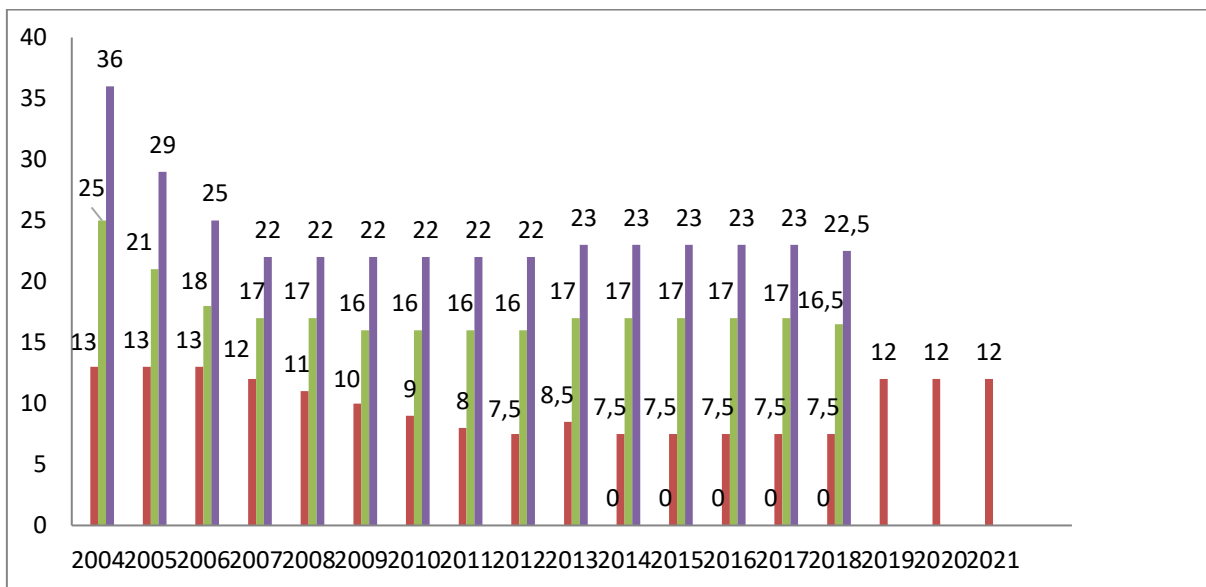
### **Analysis and results**

An objective and the required prerequisite for creating market ties is the adoption of a mechanism to declare the gross annual income of people. The implementation of a mechanism for declaring the overall income of individuals in the country would decide the likelihood of declaration of citizens’ income, hamper the shadow economy and create more favorable conditions for private entrepreneurship growth. In the Republic of Uzbekistan tax law, the taxation of personal income is carried out by the following methods: - withholding from the source of payment; - taxation depending on the document.

Legal persons, non-residents of the Republic of Uzbekistan, and representations of foreign legal entities working by permanent institutions in the Republic of Uzbekistan, i.e., tax officers, shall be responsible for the calculation of withholding payment of personal income tax at the point of payment.

It is expected that the reduction of the personal income tax rate and the streamlined framework for those groups of taxpayers, the single tax advantages applicable to their

operations, would promote the growth of the activities of the aim. As a result, the tax base ensures the stabilization of the fiscal income and the sectors financed by the budget.

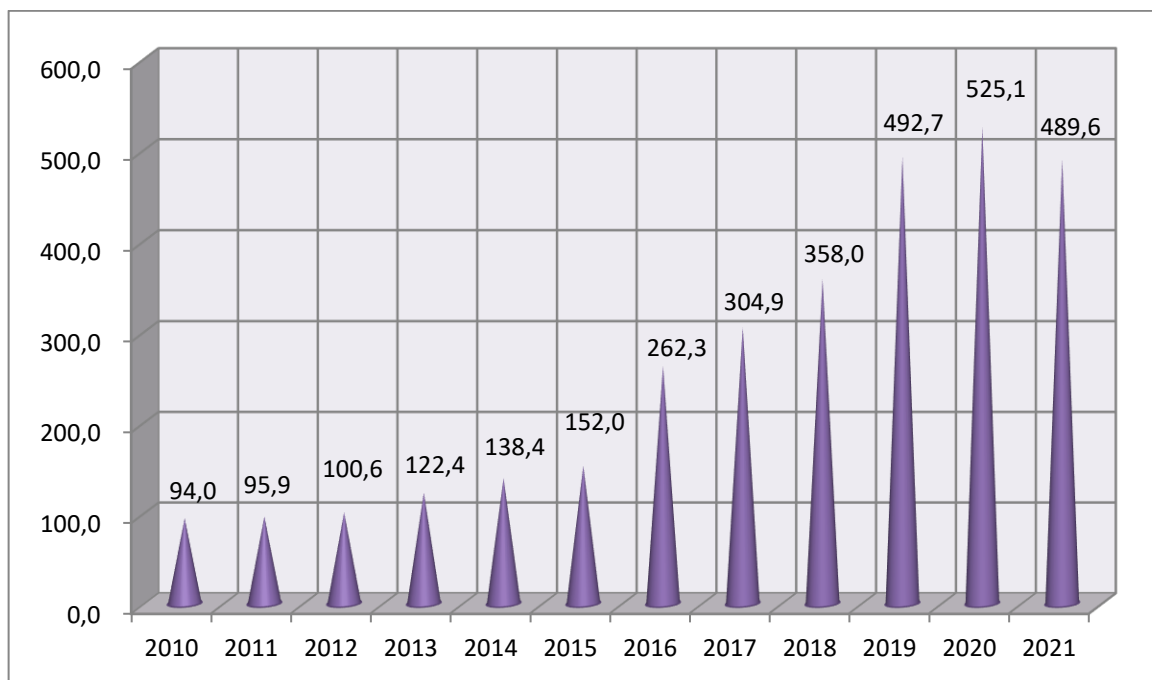


**Figure 1. Analysis of income tax rates by years [6]**

The personal income tax was implemented in 1991 by examining the data in Figure 1 above. By 2015, we had introduced rates based on the European level, but we started to shift into a four-tier tax structure due to our unprepared socio-economic condition. Since we reduced the rates from 2-3 to 18 and 25 percent from 2001 to 2006 to stop discrimination and stratification among people, these rates were reduced to 16 and 22 percent from 2008 to 2014, and the lower rate was reduced to 7.5 percent. To boost the country’s socio-economic strata, 2 times the income of the workforce was removed from income tax by 2015. The maximum tax rate was set at 22.5 percent in 2018, while the maximum tax rate was set at 45 percent in 1998, which is twice as high. At present, to maximize the income of people, this tax is set at a single 12 percent. “The implementation of a single tax rate on personal income will completely cover income and ensure revenue efficiency.” [7]

The fact that the share of income from entrepreneurial practices in the income structure of the population would grow as market connections deepen. It is therefore essential to examine the complexities of income received by people outside the primary workplace.

The number of people (which is expressed in the data in Figure 2 below) filing income tax returns in our country has risen from year to year in recent years.



**Figure 2. The number of individuals who submitted declarations for 2007-2018. (Thousand people) [8]**

A 7 percent boost. As of January 1 of this year, 489.6 thousand declarations were issued from persons, or 395.6 thousand or 5.2 times more than in 2010, or 227.3 thousand or 186 times more than in 2016, according to Figure 2 above. However, the growth rate of these metrics took place until 2020 and started to decrease from 2021, i.e., the number of persons who submitted a declaration in 2020 rose by 262.8 thousand, i.e., 2 times, relative to 2016. It decreased by 35.5 individuals in 2021, or 107 percent relative to 2020. The growth in the number of people who submitted statements in the world in 2016-2020 is attributed to a rise in the population’s sources of revenue, as well as to an increase in income.

In our region, there is a rise from year to year in the number of persons who have submitted a declaration and in the amount of additional income tax levied on the declaration.

Table 1

**Information on individuals who have submitted a declaration in the Republic of Uzbekistan. [9]**

| T<br>/ R | Indicators                                       | Years |       |       |       |       |
|----------|--|-------|-------|-------|-------|-------|
|          |  | 2017  | 2018  | 2019  | 2020  | 2021  |
| 1        | Number of citizens who submitted the declaration | 304,9 | 358,0 | 492,6 | 525.1 | 489,6 |

|   | (thousand people)                                |      |      |      |       |       |
|---|--|------|------|------|-------|-------|
| 2 | Total additional tax, (billion soums)            | 33,1 | 61,8 | 81,0 | 105.2 | 133.5 |
| 3 | Collection of additional taxes (as a percentage) | 100  | 100  | 100  | 100   | 100   |

In 2017, a total of 304.9 thousand people and in 2021, 489.6 thousand citizens filed declarations of income earned outside the central place of employment by evaluating the data from Table 1 2017-2021. Notably, the appearance during the examined era of deferred reporting of income on the declaration confirms that there are issues that need to be resolved in the practice of the overall annual income declaration method.

As a result of the 2017-2021 declaration, 414.6 billion extra tax credits were estimated.

Changes in some current legislation are necessary to implement a scheme of the universal declaration. The system for valuing and revaluing the property of people, for instance. This suggests that residents would be forced to exert discretion over costly transactions and spending on housing or non-residential development until the general declaration scheme. [9]

It is evident from the experience of foreign countries that regulation over the completeness of the taxation of individuals' income can only be accomplished by verifying that the expenditures borne by them are per the income stated in the declaration. In this respect, it would be expedient to create a system for monitoring the individual spending of persons according to their income to assess the income stated in the individual declarations completely. Under the proposed framework, significant spending on cash purchases in banks, insurance, and credit agencies from related institutions and organizations is needed to ensure that individuals obtain information on land, import, or export of products through the customs border. The details given in the declaration should be contrasted with the information provided by banks, vendors, sales agents, government departments, and other organizations that report transactions on the real profits of persons, i.e., the information supplied to the tax authorities.

If the value of the expenses increases the amount of the individual's income stated in the declaration, if the tax authority has no records of the individual's income, the tax authority shall give a written order to the individual to disclose the income of the individual's expenses. Individuals and foreign nationals shall, at the written request of the tax office, be expected to supply reports specifying, in writing, the number and sources of revenue incurred in carrying out large expenses. In our view, in order not to

adversely impact the willingness of the populace to make costly transactions and to use the resources of banks, lending unions, and financial institutions, it is important to limit the level of major individual expenses to 1,000 times the amount of the simple estimate.

The following is noteworthy in one foreign source: "... We show the ability of our model to minimize the number of eligible taxpayers for simplified taxpayers to classify and audit the tax returns on simplified tax returns. Our model does not evaluate tax returns as suspicious and identifies previously undetected tax returns as suspicious. We do not require traditionally classified records to improve operational productivity in the tax audit process." [8]

If we look at the history of developing countries, including Germany, where the tax system is perceived to be comparatively close to us, the system of declarations is driven by it. One of the most complicated structures in the world is the German tax system. A strong centralization distinguishes it between the federal center and the federally owned properties and simple separation of obligations. The announcement of the gross income of people, which is used for both taxes and social services, is one of the best features of the government. The German experience analysis will help us resolve the difficulties that may emerge in introducing the citizens' income declaration system in our country.

Before World War II, the scheme of the declaration of personal income started to exist in Germany and has a long tradition. In Germany, in withholding income tax and filing a statement of net taxable income, the family arrangement of an individual plays a crucial role. Information about him is reported on the taxpayer's card and distributed before the beginning of the new year by the society (organ self-governing) at the citizen's residence, based on records (for example, the population card). The tax card also provides statistics on social insurance, the amount of non-taxable minimum exemptions for children under 18 years of age, and religious convictions, in addition to the marital status of a resident. Where other social deductions are possible (for example, tuition for children above the age of 18), the tax authority shall include them in the taxpayer's card at the request of the corporation. A taxpayer-individual card provided by the team has been adopted to report the revenue. Without this passport, it is not possible to get a job. It is important to enter on the card the details on the wage determined by the employer and the income tax levied on it. The taxpayer must present it to his tax inspectorate before filing the return at the end of the year. Income tax is retained by a company like ours from the payment source and added to the budget. The contractor is responsible for determining the amount of workers' payroll tax in a timely and accurate way.

Taxation specifics for the gross taxable profits of people from foreign countries in the United States, Japan, Russia, China, Singapore, and Israel are shown in the following table.

Table 2

**Peculiarities of taxation of the total annual income of individuals in foreign countries [10]**



| <b>Countries</b>    | <b>Specific features</b>  |
|---------------------|---|
| <b>Russia</b>       | Tax rate - 13% (1 point)  |
|                     | The number of children is taken into account (1400 + 1400 + 3000)                     |
|                     | Property discount (3 years in its name)   |
| <b>Japan</b>        | Tax rate - progressive (5% -40%), (6-tier)  |
|                     | Mandatory city status tax for each citizen (3200 yen)                                 |
|                     | There is a deductible minimum and there is a personal discount.                       |
|                     | There are prefectural and municipal taxes. (10%)                                      |
| <b>UnitedStates</b> | Tax rate is progressive (10% -35%), (4-tier)  |
|                     | The number of children is taken into account  |
| <b>China</b>        | Discount for medical expenses (up to 7.5% of income)                                  |
|                     | Marital status is taken into account.   |
|                     | Tax rate is progressive (5% -45%), (9-tier)   |
| <b>Singapore</b>    | Minimum discount available (1600-3200 yuan)   |
|                     | High-income recipients are required to complete a Declaration. (Above 120,000 yuan)   |
|                     | The tax rate is progressive (2% -20%), (8-tier)                                       |
|                     | There is a deductible minimum. (20,000)   |
| <b>Israel</b>       | The deadline for submission of the declaration is April 15.                           |
|                     | Tax rate is progressive (10% -50%), (5-tier)  |
|                     | The rate is set at 45% for know-how and 35% for income from the sale of the property. |
|                     | Property and income taxes make up 50% of the budget.                                  |

In summary, it should be noted from Table 3 above that the high tax rates in Israel and the high budget share, the availability of deductible medical costs in the US, and the availability of child deductions in Russia are notable.

One of the most powerful weapons in the battle against money laundering, graft, bribery, and other economic crimes is the general declaration of citizens' profits. On the one hand, the key condition of the current declaration scheme in foreign countries is that, voluntarily, persons themselves supply information about their income and sources. In the other hand, in order not to include transparency on the origins of funds expended on the purchase of the land, there is a robust system of economic restrictions and penalties that are lawfully imposed, even criminally, for a statement intentionally understating or concealing the revenue.

### **Conclusions and recommendations**

Citizens' income statements are one of the most powerful weapons in fighting the shadow economy, money laundering, graft, and other economic crimes. Based on the

above, we can infer that our country's tax law is well known and is strengthening from year to year. However, we agree that it is important to make optimal use of the best choices open to foreign countries in the tax system.

The current tax reforms in the world, along with the shift of personal income tax from the four-step method of calculation to the proportional method of calculation, have set the income tax rate at a minimum of 12% as of 2019. The mechanism by which taxpayers send reports on the latest declaration and confirmation of revenue consists of three parts:

1. Personal submission of reports by persons on profits and expenses;
2. Comparative review of information obtained from legal institutions and tax authorities in other regions by the tax authorities;
3. Verification of primary records relevant to the entrepreneur's operations.

Generally speaking, it is necessary to establish a framework of a general declaration of individuals' income based on the following principles:

1. The method of withdrawing income tax from persons at the source of taxation, using the essential features of the general income statement, would need to be further improved.
2. Specific guidelines for assessing the composition of entities submitting a detailed statement must be established and implemented.
3. Stock of people-owned land by claiming it.
4. Creation of a draft law concerning the general disclosure framework of individuals' revenue.

Tax collecting based on a declaration means regulation over the security and quality of the revenue and cost details presented by the taxpayer to ensure the tax incentives are correctly used. In this case, the monitor carries a comparative analysis of the formed data on the declaration. The taxpayer's key records represent the principal source of information given to the tax authorities.

The mechanism of creating financial funds has shifted dramatically in the current situation, demonstrating that the liberalization of the system of measuring income tax, i.e., the participation of individuals in the budget by disclosing the sum of tax, changes the composition of individuals' overall incomes. To this end, it is important to simplify and maximize the administration of taxes in the taxation of individuals' total income, as well as to ensure a fair and equitable distribution of the tax burden among taxpayers, to coordinate, based on democratic values, the relationship between taxpayers and taxpayers.

In the list of steps to be taken in the taxation of individuals' profits based on a general declaration, the following should be included:

**First**, we conclude that to legalize the profits of high-income entrepreneurs, it is appropriate to implement a declaration-based tax procedure for them, imposing to a certain degree a regressive tax rate. At the same time, as a result of the swap of measures with the introduction of reduced but direct taxes to a certain degree, the progressive scale-based tax system would further boost activity. In world experience,

for example in the Russian Federation, there is a need to build a sense of apprehension of “legalization of maximum income” based on the state’s “modified” “recalculated” income base in taxing business income, which “advanced” entrepreneurs generally use.

Secondly, the taxation of persons is based on a decree to take the national mindset. The adoption of tax minimums, taking into account the worth of the ancestral land, polygamy, namely:

— Revenue from the use of wealth, funds, inheritance, and properties inherited from our families must be totally (completely excluded from tax) or several exemptions (partial exemption) from the tax base for a given amount of time until the gross income of persons is declared. This event would help to legalize the population’s profits, increase its entrepreneurial operation with high trust;

— The characteristics of “Uzbek pluralism” must be considered when taxation the wealth of the people. They are mainly compared to European countries when evaluating financial indicators, for starters. Personal income tax inclusive. It is understood that each family has 1 or 2 children in most European countries. Each family has, in our case, at least 6 members. It is highly important to compare the weight of the family expenditure relating to each family member under such circumstances. It is also important to remember that mothers are only housewives in most Uzbek households.

Thirdly, the experience of industrialized countries in personal income taxes must be reviewed utilizing the gross declaration process and its beneficial implications must be creatively added to our country’s tax system.

Fourth, methodological recommendations that represent the beneficial features of the gross declaration scheme need to be given to taxpayers to maximize the number of ads that inform them that this technique is successful.

Fifth, filing a return for taxpayers needs to be streamlined and the receipt of the database via e-mail popularized.

Any concerns regarding the measurement of municipal taxes on persons are also present. For starters, the taxation of individuals’ properties is based on the cadastral valuation of public services. But when people sell their houses, there is a major gap between the selling price and the official price. Therefore, in determining the valuation of the property tax item, we deem it suitable to use its market value. Since the valuation of citizens’ property (housing) is measured at the cadastral value by the new BTI (Bureau of Technical Inventory), the purchase and selling of citizens’ property are carried out at market rates. It is also prudent, while taxing land, to measure it at market value and to incorporate corrective factors in the prices. STD, STA, and STC are important. They formalize the procurement and sale records according to the cadastral meaning when paying taxes. In our view, implementing a single information system in the state tax authorities. Because information on individual taxpayers can be improved from one day to the next in the process of estimating local taxes, including the application of benefit-related records at various periods, for example, disability information given by the tax authorities to the regional tax authorities has a dramatic

effect on the output of the estimated tax revenue as a result of the disability information provided by the tax authorities to the regional tax authorities. Therefore, whether the taxpayer is terminated today or exempt from paying the tax, the STD must inform the STC and based on this information, determine the plan (forecast) of future tax revenues for tomorrow.

Suppose, at the cost of its current local taxes and levies, each local region will entirely make up its local budget. In that case, this region can grow even more economically and socially than other regions. To do so, it is important to ensure that municipal taxes and levies, which are the source of budgetary income, are immediately accounted for by tax service workers, that their balances are measured, that taxes are calculated on schedule, and that payment reports are issued without delay to taxpayers. But now, in billing, estimating, and collecting revenue, the recognition of municipal tax items and levies levied by persons poses many challenges. To overcome these problems, we found it necessary to recommend the following proposal:

- Introduce a scheme of such (special) municipal tax reports paid on a valid basis by persons. If taxpayers in local areas reflected in the claim on their property and their husband's records, the taxpayer would be forced to pay property tax and land tax, and taxes would be collected on time.

The taxation of the net profits of persons engaging in entrepreneurial activity without establishing a legal organization based on justice is another topical issue. The tax law of emerging market economies sets incremental tax rates to calculate income tax. They consist of a tax share, calculated as a percentage of the taxable item, which rises as the taxpayer's revenue appears. We believe these rates most thoroughly embody one of the most important tax law principles - the concept of equal taxation.

In conclusion, no matter how difficult it is to implement a modern form of personal income taxes, this route is the correct option because it would ultimately be more successful and socially equal than the previous taxation process.

It is evident from the above that the general income declaration standards do not require the implementation of a less complicated framework. At the same time, however, the peculiarities of the cultures of our country's existing cultures and the institutional and organizational steps required to implement this framework entail the adoption of unique requirements in this field.

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