

## **Procedures for Write-Off of Bad Tax Debt in the Experience of Developed Countries and Issues of its Practical Application**

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**Abstract:** This article examines the importance of taxes in the state economy, and it is based on the fact that reducing bad tax debt is one of the most urgent issues in the country today. Opinions and opinions of foreign economists on reducing bad tax debt were studied. Tax debts of legal entities, including individual entrepreneurs, were analyzed. The characteristics of bad tax debt write-offs have been studied in developed countries. Based on the above-mentioned circumstances, proposals and recommendations have been formulated to reduce tax debt in our country, including improving the practice of its effective collection.

**Keywords:** tax authority, taxpayers, delinquent tax, legal entities, individual entrepreneurs, tax burden, taxes and fees, tax debt, state, budget.

### **INTRODUCTION**

One of the main reasons for the increase in tax debts in the countries of the world is the high tax burden. In particular, the tax burden is 48% in Estonia, 46% in France, 44.5% in Ukraine, 42% in Lithuania, 41% in the Russian Federation, 40.5% in Azerbaijan, 39% in Germany, 38.5% in Latvia, and It is 33.9 percent in Belarus [1]. These indicators not only cause tax debt in the country, but also have a negative impact on the entry of investors in these countries and increase the underground economy.

Since the first years of economic reforms in Uzbekistan, an independent tax policy has been created, and its strategy has been developed and is being continuously improved. In particular, as part of the improvement of the tax policy, work was carried out to reduce the tax burden on the wage fund and optimize taxes for business entities. In particular, for the period from 2016 to 2021, the compulsory insurance premium of 8 percent for citizens was canceled, the personal income tax and social tax rates were reduced to 12 percent, including to 1 percent during the pandemic. This, in turn, led to a more than 1.5-fold reduction in the tax burden on the payroll [2].

The State Tax Committee of the Republic of Uzbekistan developed a draft decision "On the approval of the regulation on the procedure for writing off tax debt recognized as hopeless."

It provides recognition of a bad debt as the recovery of a debt that cannot be paid due to the cancellation of the obligation by a court decision or liquidation through bankruptcy, the death of the debtor, or the expiration of the claim period. (Article 60 of the Tax Code)

The project defines specific criteria for tax debt that is recognized as hopeless.

Also, the draft decision approves the list of documents that will serve as a basis for writing off bad tax debt.

The decision to write off the tax debt, which is recognized as hopeless, is set to be written off based on the decision of the tax authority no later than three working days from the date of submission of the relevant documents.

It is established that the decision of the tax authority to write off the tax debt may be invalidated by the State Tax Committee or the court if it is found not to be in accordance with the provisions of this Regulation.

We all know that the main part of the income of the state budget comes from taxes and fees. The timely and full collection of taxes and fees serves to timely finance the cost part of all measures implemented at the state level, that is, the budget and target funds. Accordingly, the task of ensuring timely receipt of taxes is important, and this, in turn, imposes a great responsibility on the tax authority. Also, the procedures for reducing the tax liability of taxpayers in terms of taxes and fees and writing off bad tax debt, and its correct application in practice, the development of necessary measures to prevent the occurrence of tax debts in the future, are today's is one of the most important issues to pay attention to.

### **Literature analysis.**

The priorities of improving the tax administration in the country, including some issues of reducing the amounts owed on taxes and fees, have been researched by a number of foreign and local scientists in their scientific works.

In his research, foreign scientist Michael Brostek points out the following factors for increasing the efficiency of tax debt collection, in particular:

- reducing the tax burden while preventing the emergence of tax debt amounts in the country will lead to a decrease in tax liabilities in the future;
- the strategy of collection of unpaid taxes and fees will give a positive result only during the specified period [5].

In this regard, Russian researchers S.N.Alikhin and D.A.Levacheva cited the theoretical foundations of the tax debt collection mechanism in their research. According to him, they stressed the complexity of collecting tax debt from the taxpayer along with the expansion of the tax base, and noted the need to develop a collection mechanism based on the financial condition of business entities with tax debt, taking into account a special approach to this process. have emphasized [6].

Our local economists A. Tangrigulov and Sh. According to the Toshmatovs, the theoretical reasons for the emergence of tax debts are as follows:

- non-observance of payment discipline by business entities in mutual financial-economic relations and as a result of this, the increase of receivables and payables;
- planning of financial and economic activity and improper management of this activity;
- a sharp change in consumer demand for the products (work and services) of the economic entity;
- the quality of the manufactured product (work and services) does not meet the customer's or market's requirements [8].

A tax debt that has been recognized as bad should be written off.

An unsatisfied tax debt due to insufficient assets of a liquidating legal entity is recognized as a bad tax debt. The following are recognized as bad tax debts of an individual:

- tax debt of a deceased individual - the tax imposed on the income of individuals is a fixed tax and penalties and (or) fines calculated on the insurance contributions of citizens to the off-budget Pension Fund for the period up to January 1, 2019, regarding the excess of the amount of the tax liability for paying taxes and other mandatory payments of a deceased individual over the value of the property to be inherited. Debt of a deceased natural person is considered hopeless even if there is no heir;

Write-off of bad tax debt of legal entities. In the event that there is an unpaid tax debt based on the results of the liquidation case, the liquidator shall submit the liquidation proceedings to the state tax service body at the place of registration of the bankrupt legal entity no later than the date of submission of the report to the commercial court. must provide a copy of the report on the results.

The decision of the economic court on the completion of the liquidation of the declared bankrupt legal entity is the basis for a decision by the state tax service body to write off the tax debt of this legal entity.

Write-off of bad tax debt of legal entities is carried out on the basis of the decision of the head or deputy head of the state tax service body according to the form in accordance with Appendix 1 of this Regulation.

To the decision to write off bad tax debt:

- a copy of the decision of the commercial court on the completion of proceedings on liquidation of a bankrupt legal entity;
- a copy of the report on the results of the termination proceedings;
- information on the amount of tax debt according to the form in accordance with Appendix 2 of this Regulation;
- personal cards of the taxpayer for the current year are attached.

The decision to write off a bad tax debt shall be made no later than three working days from the date of receipt of a copy of the decision of the commercial court on the completion of proceedings on liquidation of a bankrupt legal entity.

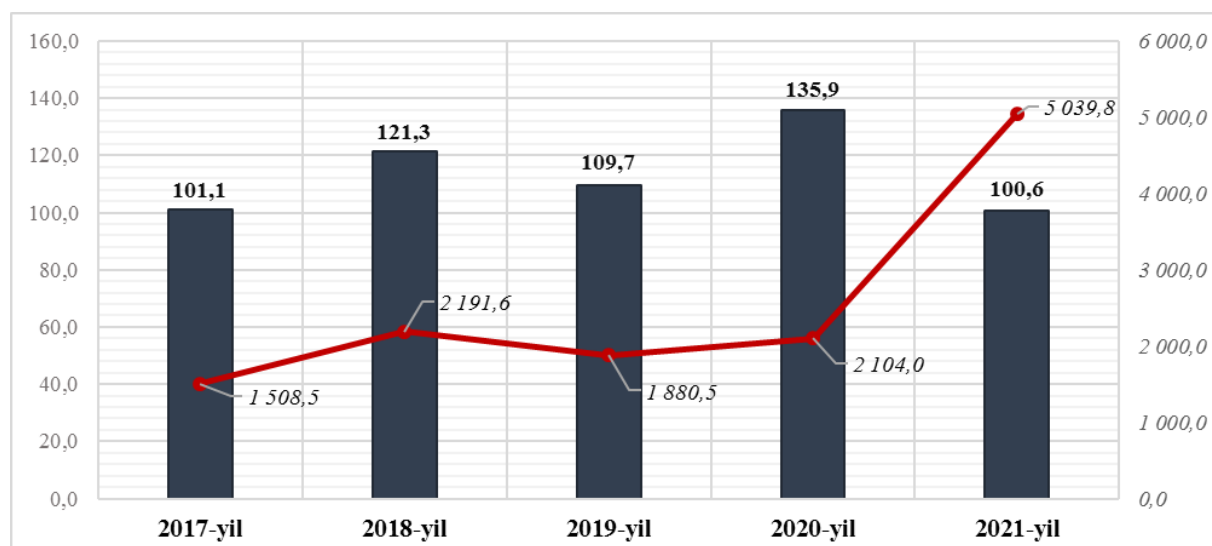
The state tax service authorities write off the amount of bad tax debt by making a corresponding entry on the taxpayer's personal card no later than the next working day from the date of the decision to write off the bad tax debt.

### **Analysis and discussion of results.**

Write-off of bad tax debt of tax-paying individuals.

- Bad tax debt of an individual entrepreneur recognized as bankrupt is written off based on the decision of the commercial court that the liquidation proceedings have been completed.
- Bad tax debt of tax-paying individuals is written off based on the court's decision to recognize the debtor as missing or incapacitated, as well as on the death certificate of the debtor.
- Write-off of bad tax debt of tax-paying natural persons and individual entrepreneurs is carried out on the basis of the decision of the head or deputy head of the state tax service body according to the form in accordance with Appendix 1 of this Regulation.

In our country, this situation is observed in the period of 2017-2021 by taxpayers whose tax arrears are hopelessly collected, including those for which criminal cases have been initiated, enterprises operating in secret, and taxpayers whose land areas have been seized by the court as insolvent ( We can see the analysis of the number of bankrupt) in Figure 1 below.



- Number of taxpayers whose tax debt is considered hopeless (thousands)
- Amount of bad tax debt (billion soums)

From the data of Figure 1 above, we can see that the number of taxpayers with bad tax debt in the republic was 101.1 thousand in 2017, 121.3 thousand in 2018,

It was 109.7 thousand in 2019, 135.9 thousand in 2020 and 100.6 thousand in 2021, and this indicator decreased by 0.5 thousand or 1% on average compared to 2017.

Summarizing the above-mentioned foreign experiences, we can see the positive and negative sides of the measures taken by foreign countries to collect tax debt. In particular, based on the mentality of our country, we can show that the measures used in the practice of the countries of Japan, China and Italy to recover the amount owed on taxes and fees are negative. The reason is that in Japan, compulsory collection measures are applied independently by the tax authority after the taxpayer has incurred a tax debt, that is, there is a certain degree of injustice to the taxpayer without the intervention of the court or other law enforcement agencies. We believe that In China, drastic measures are taken in this matter, that is, the taxpayer's income is completely confiscated, his business license is revoked, and his bank account is banned.

### Conclusions and suggestions.

As a conclusion, we can say that in recent years, our government has reduced the tax burden, optimized tax rates, created a number of reliefs and wide opportunities for business entities to conduct their activities. But despite this, only a few of our taxpayers have tax debt.

The following proposals, based on best foreign experiences, will be effective in reducing the debt due to taxes and fees in their term and increasing the efficiency of their full collection:

Based on the experience of the United States of America, as a result of tax audits conducted by the tax authority in our country, if 90 percent of the amount of additional taxes assessed to the taxpayer is voluntarily paid by the taxpayer within a certain period, as a result of the tax audit it is considered appropriate to establish the practice of canceling the amount of the applied financial penalty. As a result, the rate of payment of additional taxes will increase, and taxes will be paid to the budget on time.

There are many cases of waiving tax debts in Germany. This applies especially to small business entities. They liken small business entities to "sprouting". According to them, this practice will develop entrepreneurship in the country and increase tax revenues to the budget in the future. The use of this practice in the tax system of Uzbekistan will make a significant contribution to the increase in the number of entrepreneurs in our country and, as a result, to the increase in tax revenues to the state budget.

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