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Tax Liabilities and its Implementation Regulation Issues

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Abstract – A tax liability is a taxpayer obligation that arises with the state emergence. But fulfilling this obligation is not acceptable for all taxpayers either. Therefore, in tax relations history, the tax collection mechanisms to the state treasury, the collection mandatory methods have been used. The human society development makes it vital to improve the tax relations system as well. As a research result conducted in the article framework on the topic, ideas on the tax liabilities elimination, ensuring its execution and tax offenses arising from its non-execution and their elimination are proposed.

Keywords – Tax Relations, Tax Liability, Tax Liability Enforcement, Tax Policy, Tax Legislation, Tax Offense, Tax Administration.

I. INTRODUCTION

The development processes analysis in developed and developing countries of the world economy constantly at all society study levels of the socio-economic relations system and the need for consistent reforms based on research findings.

The fiscal policy of any state must ensure that, in addition to raising funds for the treasury, it also serves the economy sectors development. Therefore, in the state budget and tax policy development, special attention is paid to the business entities support.

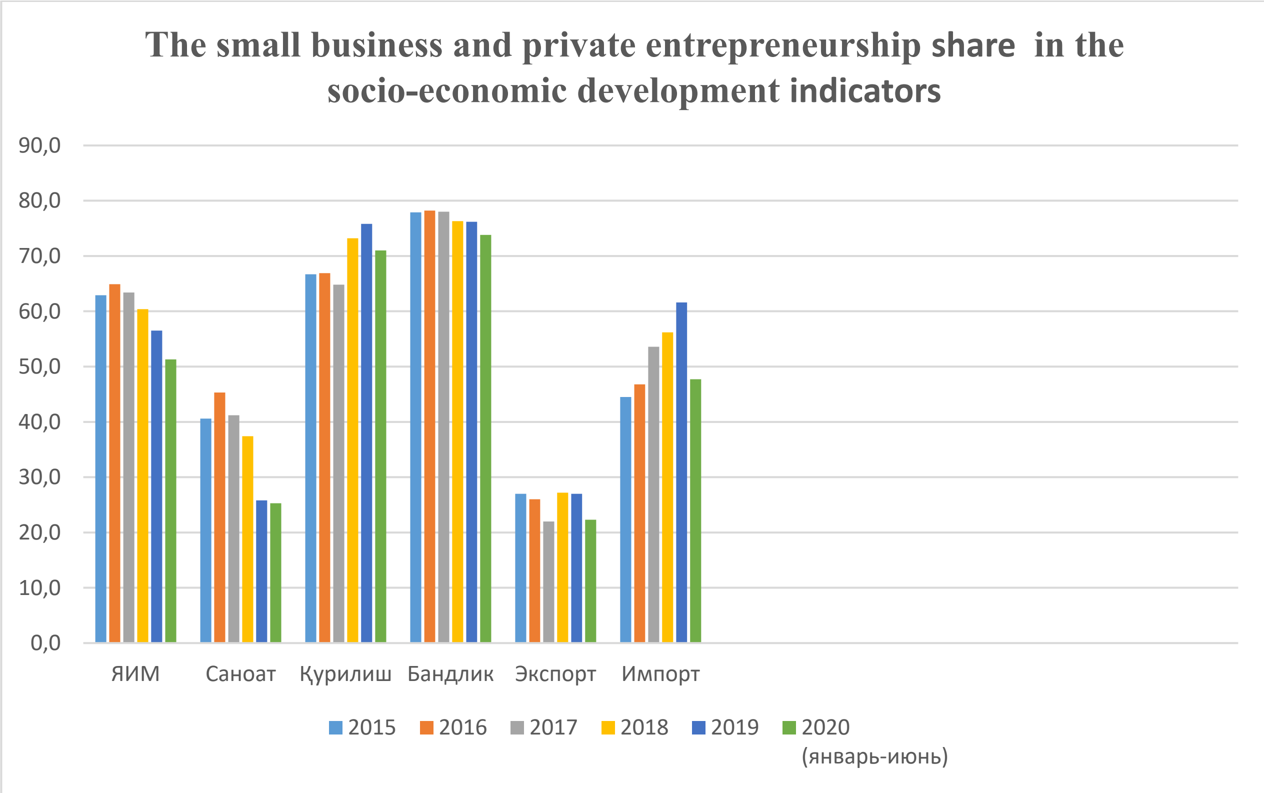
As a result, the number of business entities in the economy has been growing year by year and Uzbekistan share in the socio-economic development indicators has changed for the better (Figure 1).

The increase in the taxpayers number will also affect the budget revenues and expenditures amount. From the expenditures analysis and the state budget revenues of the country, it can be seen that in the following years, the change in state expenditures and revenues has a tendency to change in proportion to real GDP growth rate.

It is known that the prudent state tax policy result in optimizing the tax burden will serve to ensure the budget revenues execution. We believe that the improving public fiscal policy issue should be a scientific research permanent object.

Opinions about this have also been acknowledged by many scholars [1-7].

In our opinion, therefore, it is important to conduct research and analysis on the topic.



II. Material and Methods

Based on research purposes the local and foreign scholars views, the state tax service materials, Internet sites are used to study the topic and methods such as structural analysis, comparative analysis, and grouping are used to develop appropriate recommendations for solving existing problems.

III. Results and Discussion

Participants in tax relations are their subjects. An important feature of these entities that are participants in tax relations is that they are individuals with specific rights and obligations established by law. Our research shows that a scholars group proposed to divide the rights and obligations system into three groups, and the second scholars group proposed to divide it into four groups. The second scholars group recommended dividing the tax rights and obligations system into the following groups:

- Tax legal capacity possession, i.e. The ability to have a certain rights and obligations set, participation regardless in other tax-legal relations;

- Legal capacity, i.e. An individual ability to independently perform legally significant actions;

- Tax solvency, i.e. The ability to be held accountable for their actions in relation to tax offenses;

- Ability to enter into tax proceedings, i.e. To be able to personally enter into civil agreements.

Therefore, the tax legal relations subjects are individuals and legal entities with certain rights and obligations provided for in the tax legislation. On the one hand, they are taxpayers, and on the other hand, the state tax service and other competent authorities that have the right to exercise tax control powers. Such a classification of the tax subjects relations represents the legal regulation distribution of tax relations in the private ratio and public principles terms. This fully reflects their interests specificity and serves to explain the contradictions and conflicts existence.

Based on the above, we can conclude that "tax relations are a economic relations system between the state and taxpayers arising from the tax obligations and their implementation"[1].

Tax relations are relations between the state and taxpayers, the specific feature of which is the mandatory collection of funds from the owner in the amount established by law in the manner prescribed by the budget.

[1] Copyright definition.

Liability for violation of tax legislation is an important element of tax relations. Tax evasion is a violation of the state's property rights and damage to its economic interests. Refusal of legal entities and individuals to pay taxes and fees leads to the destabilization of fiscal policy and the emergence of social tensions and political instability in society.

Therefore, the Constitution of the Republic of Uzbekistan stipulates that citizens are obliged to pay taxes and local fees established by law [8]. Taxes Payment and local fees established by law is the every citizen duty of the Republic of Uzbekistan. Hence, given that the duty performance is carried out on a voluntary basis, taxes and local levies must be paid on a voluntary basis within a specified period, by the full taxpayer, without the administrative application measures by the tax authorities.

If a taxpayer fails to fulfill its tax obligations (duty), its actions (inaction) are assessed as abuse and compulsory measures of the tax administration are applied to ensure the fulfillment of tax obligations. These circumstances show that the tax obligations issue and enforcement remains important at any stage of socio- country economic development.

The tax liability issue and its implementation is widely discussed in the scientific literature. A group of scholars, such as S.Ya. Bojenok [9], E.P. Antipova [10], have refused to recognize tax liabilities as an independent type, arguing that it has the same legal character as administrative liability.

The second group of scientists A.Yu.Smagina, I.I. Kucherovs [11] emphasize the opposite, because, first of all, they recognize it as a separate type of liability, emphasizing that the tax liability has its own characteristics, its own legal framework, ie legislation, objects and subjects, the taxpayer, the tax authority.

The new edition of the Tax Code of the Republic of Uzbekistan defines the tax liabilities system of the taxpayer arising in accordance with the tax legislation [12]. Accordingly, the general terms of the penalty system applied in violation case by the taxpayer in connection with this system violation of obligations are also set out in the Tax Code.

Liability for a tax offense is different from the penalties applicable to other offenses types. Offenses falling into this category are not limited to administrative or criminal penalties. Additional financial penalties are also applied for tax offenses (Table 1).

Thus, the legal basis for liability for the tax liability violation is a tax offense, which in turn is characterized by an objective and subjective characteristics set that make it up.

It can be seen from the data in the table that the tax offense content is a symptom that allows illegal acts defined by the tax legislation norms to be considered as a tax offense.

In our opinion, the tax liability and the significant socio-economic importance of its implementation is reflected in the full and timely implementation of the state's responsibilities.

Table 1. Specific aspects of penalties established by administrative and tax legislation for taxes and other offenses*

Criteria for determining the offense	**In accordance with tax legislation** **(Chapters 27-29 in the new edition of Tax Code of The Republic of Uzbekistan)**	**Established administrative responsibilities for taxes and other mandatory payments.** **(Administrative Responsibility Code of the Republic of Uzbekistan CHAPTER 13)**
Object	The relations system established by the Constitution of the Republic of Uzbekistan and tax legislation on the calculation, accounting and obligation to pay taxes and mandatory payments.	The relations ystem related to non-fulfillment of tax obligations of taxpayers, such as calculation, accounting, taxes payment and mandatory payments, reports submission.
Subject	Legal entities and individuals taxpayers.	Officials, individuals

Guilt form	It was committed intentionally or negligently	It was committed intentionally or negligently
Punitive measures	Financial penalties in the amount established by the tax legislation, as an income percentage or the minimum wage or the income amount.	Administrative fine in the amount specified in the Administrative Responsibility Code

* Author's work on the Tax Code and Administrative Responsibility Code of the Republic of Uzbekistan new edition basis of the Republic of Uzbekistan

Violations in the taxation field are reflected in the following cases:

- *The offense object, i.e. The social relations system existence protected by law in the taxation field;*
- *The existence of action (action or inaction) signs set in the norms violation established by the tax legislation;*
- *The tax offense subject presence, i.e. The person who committed it and should be held legally liable.*

The subjective aspects of tax offenses are reflected in the characteristics set that reflect the illegal act (action or omission) of the person, as well as in the internal psychological description of the offender actions and the processes that take place as a result.

The liability peculiarity for tax liabilities violation is that its composition is characterized by manifestation in various legal areas. Mechanisms of tax relations legal protection is provided by financial, criminal, administrative and customs laws.

The above is the basis for our conclusion that the inevitability principle of punishment for liability in the protection system of tax liabilities is ensured with the intersectoral legal structures participation.

Studies show that tax evasion emerged at the same time as the state's tax system and developed in parallel. Some taxpayers groups are reluctant to give their property part to the state as tax and hide tax-related information. In order to protect its interests and to prevent such actions by taxpayers, the state will be forced to establish a liability system for non-compliance with tax legislation, to combat tax evasion. Of course, at different development stages of tax relations, the social risk level of tax offenses is assessed differently.

Therefore, the taxpayers obligations, the tasks and amounts of penalties for tax evasion have been liberalized by states. In 1990 in the Republic of Uzbekistan began the formation process of market relations, during which time the taxpayers had many obligations, responsibilities and a high level of financial penalties for tax offenses.

According to the Law of the Republic of Uzbekistan on February 15, 1991 "On taxes levied on enterprises, associations and organizations" [13], taxpayers are obliged to:

- *Maintaining accounting and reporting on financial and economic activities in the prescribed manner;*
- *Submission to financial institutions of accounting reports and balance sheets, tax calculations and other necessary documents and information related to the taxes calculation and payment;*
- *Provide information on the opening of foreign currency accounts in banks in the country within a week;*
- *Provide documents confirming the right to tax benefits, and, if appropriate, submit;*
- *Timely and complete payment of taxes due;*
- *Financial institutions officials are tasked with inspecting buildings related to the income receipt or the taxable items maintenance, as well as to conducting inspections on the taxes calculation and payment.*

In addition, the taxpayer is obliged to sign a document on the inspection conducted by the tax authority, and in disagreement case with the facts stated in the document, to provide a written explanation of the reasons for disagreement. Taxpayers were also required to comply with the state tax authorities requirements to eliminate violations identified as an compliance inspections result with tax laws.

In addition, the laws of the Republic of Uzbekistan stipulate the obligation to submit tax accounting and balance sheets, tax calculations or income tax returns to the tax authorities.When taxpayers' financial activities are audited by an accounting entity (auditors), the taxpayer is required to submit a document to the tax office confirming that the audit was conducted within one year after the reporting year, failure to comply with which resulted in financial penalties.

Taxpayers and their officials are responsible for the taxes correct calculation, their full and timely payment to the budget, compliance with applicable tax legislation, and the following financial penalties are imposed for violations:

- *For (understatement) income concealment received in practice, which is subject to taxation, a fine in the amount of the income hidden (reduced) part in full and the hidden (reduced) part of the income, and a fine in the amount of two shares in case of repeated violations;*
- *Income concealment in freely convertible currency is recalculated by recalculating the income amount in two shares at a special rate of the state bank.*

In order to further improve the protection system of the rights and legitimate business entities interests, to create favorable legal and economic conditions for doing business, the penalties for tax offenses were liberalized in the following order [14].

In our opinion, the main reason for the need to liberalize tax offenses was that the tax system for a long time was mainly focused on the state fiscal functions performance. During this period, as noted above, various mechanisms for forcing taxpayers to pay taxes to the maximum have been actively used. The tax authorities priority was at the top of their oversight rights and powers. At the same time, they were passively involved in the tax process because the taxpayers interests were almost not taken into account.

In the early years of Uzbekistan's tax policy, high fiscal obligations and pressures were recognized by scholars as one of the reasons for the increase in the tax offenses number in the tax system and the shadow economy development [15].

As a result, there is a need to liberalize the tax relations regulation, to adopt fundamentally new legislation on the tax system development and change the tax collection order, and to form the state control over their observance on the new principles basis.

The main criterion for the effective functioning of the tax system is the tax revenues share in the revenue side formation of the budget. As a research result on the historical development of mechanisms for regulating tax relations, the following laws can be observed:

- *tax liabilities and criteria for regulating their implementation depend on the society economic development level;*
- *the state will reduce the tax burden in improving the population welfare;*
- *further penalties liberalization for tax evasion.*

The need to develop cooperation between the state tax service and taxpayers predetermines taxpayers' active participation in tax processes, voluntary fulfillment of tax obligations in full within the established timeframes, tax authorities and taxpayers' interests' harmonization and the need to form a new tax relationship type based on strengthening mutual trust.

International experience has shown that an effective tax system comes at a time when it stimulates economic development and growth, as well as creating a favorable environment for business. Such conditions are determined not only by the tax rates level, but also by the procedures for calculating and paying taxes, regulating the tax audits conduct and submitting tax returns, which are provided only through the tax administration.

Life proves that the opinion of the former head of the Russian tax service M.V. Mishustin that *"today the tax authorities task is not to punish taxpayers, but to reduce tax offenses by improving system of providing them with information and methodological support."* [16].

Therefore, we believe that a tax policy aimed at radically changing the relationship with taxpayers, creating transparent schemes for doing business and an environment ready to provide the tax authorities with the necessary information on the tax base in accordance with the law is a factor that serves the taxpayer.

This requires the new conditions creation for the state tax service interaction with taxpayers and the tax control transformation into a criterion for evaluating the innovative methods development as well as the new image creation among them as a business partner and consultant, the state tax service activities to serve taxpayers.

In this regard, we agree with A.V. Demin statemant "the transition from a command-and-control system of tax administration to a 'cooperation' model based on the customer-oriented service principle, pre-trial disputes settlement, mutual trust and mutual benefit management".[17].

The tax administration models analysis of the USA, Switzerland, the Netherlands, Germany, Japan shows that the partnership relations system is the most effective in taxation. Because any relations system based on mutual benefit is beneficial for all its participants. This has more impact than any threat or repression and forces them (taxpayers) to move in the direction needed by society [18].

Our research has led to the conclusion that in order to ensure the effective functioning of the tax system, it is necessary to abandon the one-sided nature of the relationship between the state tax service and taxpayers and ensure mutually beneficial cooperation between the state tax service and taxpayers.

Currently, a new relationship is being established between the state tax service and taxpayers on the cooperation principle, which excludes the formal approach to the tax legislation application. Taxpayers provide all the information that is the basis for taxing their activities. In turn, the state tax service bodies fairly apply the procedure for calculating and paying taxes. It also guarantees fair taxation and non-prosecution, as well as a protection system against negative litigation as a possible confusion and errors result.

The tax relations regulation transition from an administrative-command system to a partnership relationship will significantly change the tax administration entire system and help taxpayers to fulfill their tax obligations more rigorously.

In the normative and legal acts development regulating tax relations as a research result on tax liability and its implementation problems we believe that the following requirements proposed by the legislature and scientists should be taken into account:

- *In imposing penalties for non-fulfillment (improper fulfillment) of tax obligations, it is necessary to envisage differential penalties, taking into account its nature and social risk level;*
- *The punishment level is proportional to the crime committed and the damage to the budget;*
- *Double punishment avoidance for the same offense;*
- *Ensuring that the guilt nature, mitigating and aggravating circumstances are taken into account in sentencing.*

These principles are shaped by many years of experience in the historical tax relations development. Therefore, their consideration in the regulations development governing tax relations will serve for the timely and full implementation of tax obligations.

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