



FOREIGN EXPERIENCE IN TAX ADMINISTRATION OF LARGE TAXPAYERS

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Abstract:

This article analyzes foreign experience in implementing tax administration for large taxpayers, and as a result of these analyses, issues of improving the tax legislation of the Republic of Uzbekistan, proposals and recommendations for further improving the tax administration of large taxpayers were developed.

Keywords: Tax, budget policy, budget, tax administration, large taxpayers, foreign experience, tax potential, tax burden, tax rate, tax benefits.

Introduction

The experience of dividing taxpayers into categories according to their various characteristics, and applying administration based on separate tax regimes in relation to them, taking these characteristics into account in terms of their socio-economic status, is improving significantly in countries around the world. If we look at the main essence of such approaches, on the one hand, it is aimed at simplifying the state's financial policy through the effective use of state financial instruments by taxpayers, and on the other hand, it is aimed at achieving the effectiveness of the policy aimed at the convenient and maximum formation of state budget revenues, which is the main fiscal issue of any state. This requires identifying enterprises that fall into the category of large taxpayers and developing optimal management of their activities through tax instruments.

2. Literature Review

Several scholars have conducted scientific research on improving the tax administration of large taxpayers, and this topic is being studied as a large-scale topical research area.

In particular, Australian scholars Z. Akhand and P. Grob [1,2] studied the achievements and shortcomings in the implementation of a system of control over the management of large taxpayers by special units in developing countries. M. Ahmed [3] presented the experience of Pakistan in the tax administration of large taxpayers in his study. Russian scholars A. Yunak [4] argued that the norms defining the concept of a large taxpayer, the criteria for classifying legal entities into a certain category of taxpayers, the specific features of tax control and accounting should be determined by law. O. Sitnikova [5] identified shortcomings in the practice of taxation of consolidated taxpayers on the example of the Russian Federation. S. Pepelyaev [6] studies assessed the legal and functional shortcomings in the activities of tax authorities. At the same time, studies on the tax administration of large taxpayers expanded, and researchers such as A. Karataev [7,8], G. Aitkhozina [9], M. Belugina [10] studied the specific characteristics of large taxpayers from a scientific and practical perspective. L.



Goncharenko [11] studied the problems of using transfer prices by large taxpayers, K. Novosyolov [12] and L. Koroleva [13] scientifically substantiated the importance of introducing a separate consolidated structure of taxpayers.

3. Research Methodology

This article uses logical methods and modeling methods, analysis and synthesis, normative approach, systematic and comparative analysis, statistical analysis methods.

4. Analysis and Discussion of Results

We will consider the practical situation of tax administration of large taxpayers in some foreign countries and the features of the state's economic (tax) policy in this regard. First of all, it is appropriate to look at the experience of the states of the Commonwealth of Independent States, where taxation mechanisms are similar. In the Russian Federation, the criteria for determining whether an entity belongs to the category under consideration are established by the Federal Tax Service. These criteria are periodically changed depending on the current economic situation in the country. The current legislation provides a list of legal entities (large taxpayers), which provides for the differentiation of their control (regional, federal level control) in accordance with the subject of taxation at the appropriate level. The following are taken into account to classify a payer as a large category:

1. Financial and economic indicators of economic activity (MIX). Determined on the basis of data from the accounting and tax reporting of the enterprise.

2. Criteria for interdependence with other participants in tax law relations, indicators expressing the degree of influence of the company's interconnected structure on its activities and performance results.

3. The presence of a special permit (license) for the implementation of a certain type of activity by the business entity.

4. Results of continuous monitoring of the work of the analyzed enterprise, etc.

In the Russian Federation, the criteria for large taxpayers are determined in the following order:

At the regional level:

the amount of federal taxes calculated:

- communication services - from 75 million rubles - to 300 million rubles.
- transport services - from 30 million rubles - to 50 million rubles.
- other types of activity - from 30 million rubles - to 50 million rubles.
- total sales revenue - from 1 billion rubles - to 20 billion rubles.

Assets - from 1 billion rubles - to 20 billion rubles. The indicators are calculated for any year within the last 3 years. It is established that the assigned status is maintained for 3 years after the year of the decrease in the indicator. In addition, not only commercial organizations, but also non-profit organizations can be recognized as large taxpayers.



Table 1. Criteria for inclusion in the category of large taxpayers in the Russian Federation¹

Indicator	Federal level	Regional level
Total amount of accrued taxes	from 1 billion rubles to	2-20 billion rubles
Total amount of income received	from 20 billion rubles	
Enterprise assets	from 20 billion rubles	100 million to 20 billion rubles
Average number of employees	–	from 50 people

If the organization is engaged in the provision of services in the field of transport and communications, then this indicator is set at 300 million rubles. In the regions where the organization requires this status, the assessment criteria are equal to the total value of federal fees and charges (75 million rubles - 1 billion rubles). When including taxpayers in this group, several aspects must be taken into account:

1. One of the conditions for determining the subject of economic activity at the federal level must be taken into account.

2. To include a taxpayer within the region, all the conditions listed in Table 23 above must be met.

If a legal entity is identified as a large taxpayer in the current reporting period, it ceases to meet a number of criteria and the status remains in it for a period of two years. Enterprises that are taxpayers may be of federal and regional significance.

Federal level: In order for an organization to receive the status of a large taxpayer, it must meet at least one of the following restrictions on the total amount of accrued funds, income received and assets. Some categories of taxpayers apply their own values. In particular, here are companies operating in the defense industry, as well as strategic companies:

- Amount under export contracts - 27 million rubles per year;
- Revenue - from 20% of the total revenue;
- Average number of employees - from 100 people;
- Share of state participation - from 50%.

Sometimes the Federal Tax Service decides to include individuals in this list that do not meet a number of criteria.

Regional level: To include a taxpayer in this category, it must meet all the conditions in the table. The Federal Tax Service is entitled to include a regional organization, such as federal enterprises, in this category, even if it does not meet all the criteria.

Today, one of the main large taxpayers in the Russian Federation is the company "ROSNEFT". It is followed by the companies "GAZPROM" and "LUKOIL". Along with the oil industry, this list also includes "Russian Railways" and "Sberbank of Russia". Organizations that have received the status of

¹ Россия Федерацииси қонунчилегига аосан муаллиф томонидан түзилген.



large taxpayers in Russia are obliged to register, depending on the level and scale of their activities. Tax structures, in turn, monitor the implementation of tax legislation without direct participation.

During the registration process, the relevant state bodies perform the following actions:

- assigning a new code for the reason for registration (the first 4 digits are the tax service code, the 5th and 6th digits are the criterion for determining the status);
- entering data into the Unified State Register of Legal Entities;
- issuing a notification in accordance with Form 9 (YSTHO-registration of large taxpayers) (taxpayer identification number, reason code).

The status is assigned from the moment of registration with the relevant inspection. It can be interdistrict and interregional. In the process of determining the interdependence of large taxpayers, the norms of Article 105.1 of the Tax Code of the Russian Federation play an important role. This criterion can be applied in a situation where the taxpayer's relations affect the conditions or results of the main line of activity. In such a situation, not only the taxpayer himself, but also the organization with which he is interrelated is classified as the largest.

In Russia, the Federal level includes credit institutions, securities market participants operating at a professional level, enterprises engaged in pension insurance and provision activities, companies engaged in insurance, reinsurance, and brokerage operations.

There are also several special situations that should be taken into account in practice:

1. Non-profit organizations can be included in non-profit organizations if the total income from sales and non-sales income amounted to 20 million rubles.
2. In the event of reorganization of a large taxpayer, its legal successor may retain this status for three years.
3. If bankruptcy is initiated, the status expires.
4. Banks transferred to the Federal Tax Service as large taxpayers retain their status until a court decision in the event of cancellation of the license.

The Ministry of Finance of Russia, in accordance with Article 83 of the Tax Code of the Russian Federation, is authorized to determine the specifics of accounting for large taxpayers. In recent years, there has been a trend in Russia to transfer organizations, even if their total turnover is less than 10 billion rubles, to interdepartmental inspections of large taxpayers. The administration of taxpayers belonging to the largest category is carried out in special conditions, and control over their activities by the Federal Tax Service is carried out with greater attention than over the activities of other companies.

The large share of revenues to the budget of the Russian Federation from large taxpayers, changes in the structure of interregional and interdepartmental inspections of the Federal Tax Service of Russia for large taxpayers, as well as changes in regulatory documents regulating the administration of large taxpayers indicate that the reform of the system of administration of large taxpayers will continue to develop in the future.

Also, when working with large taxpayers, the Federal Tax Service of Russia primarily relies on tax monitoring - a form of tax control, which involves not only convenient interaction between the inspectorate and the taxpayer (in online format), but also aims to identify tax risks at an early stage.



Let us consider the experience of independent states on the example of the Kyrgyz Republic in the field of tax administration for large taxpayers. In accordance with Article 102 of the Tax Code of the Kyrgyz Republic, the category of large taxpayers is determined in accordance with the criteria established by the Government of the Kyrgyz Republic. In accordance with the Resolution of the Government of the Kyrgyz Republic "On Approval of the Rules and Procedure for Tax Administration" dated April 7, 2011, the Regulation "On the Criteria and Procedure for Determining Large Taxpayers" was approved, and taxpayers who meet one of the following conditions are included in the composition of large taxpayers. Including:

- funds received from the sale of goods, works, services in accordance with the selected accounting method and established standards over the past 12 months:
 - a) taxpayers with income from trading activities of 50 million soms and above;
 - b) taxpayers with income of 20 million soms and above for taxpayers other than paragraph "a";
- taxpayers with an amount of taxes and mandatory payments calculated and paid in the past 12 months exceeding 2.5 million soms;
- taxpayers with a net asset value (excluding liabilities) exceeding 5 million soms, etc.

Belarusian organizations that meet the conditions for the category of large taxpayers of the Republic of Belarus are analyzed by October 1 of the reporting year and are granted the status of a large taxpayer from January 1 of the following year and are maintained for two years. In accordance with Article 82 of the Tax Code of the Republic of Belarus, the specific features of tax control over large taxpayers are given.

For inclusion in the list of large taxpayers, taxpayers who received income in the amount of not less than 207.6 million Belarusian rubles during the previous tax period, but paid taxes in the amount of more than 16.2 million Belarusian rubles during the previous tax period, as well as taxpayers whose difference between the calculated and paid value added tax is more than 16.2 million Belarusian rubles, may be included.

In the Republic of Kazakhstan, large taxpayers are controlled in the form of "monitoring of large taxpayers". Large taxpayers subject to monitoring in accordance with Article 130 of the Tax Code of the Republic of Kazakhstan are identified by October 1 of the reporting year and approved by the authorized body by December 31 and are monitored for 2 years.

Large taxpayers subject to monitoring are determined based on the following criteria:

- the balance sheet value of their assets is not less than 325,000 times the monthly calculation index (the monthly calculation index is 3,063 tenge);
- the number of employees is not less than 250 people.

In the Republic of Tajikistan, large taxpayers are determined based on a point system. For this, if they have 6 or more points based on the following criteria, they are automatically included in the category of large taxpayers.

Figure 1 below shows the inclusion of large taxpayers in the category of large taxpayers in the Republic of Tajikistan.



Above, we examined the criteria for inclusion in the category of large taxpayers in member states of independent commonwealth organizations, and below we will consider the criteria for inclusion in the category of large taxpayers in other foreign countries.

The sectoral criteria used to determine large taxpayers in Germany are: trade - turnover of more than 7.3 million euros or profit of more than 280,000 euros, manufacturing - turnover of more than 4.3 million euros or profit of more than 250,000 euros, freelancers - turnover of more than 4.7 million euros or profit of more than 580,000 euros, financial institutions - net asset value of more than 140 million euros or profit of more than 560,000 euros, insurance companies - income from insurance premiums of more than 30 million euros, agricultural and forestry companies - land-based economic value of more than 230,000 euros or profit of more than 125,000 euros, other enterprises - turnover of more than 5.6 million euros or profit of more than 330,000 euros profit.

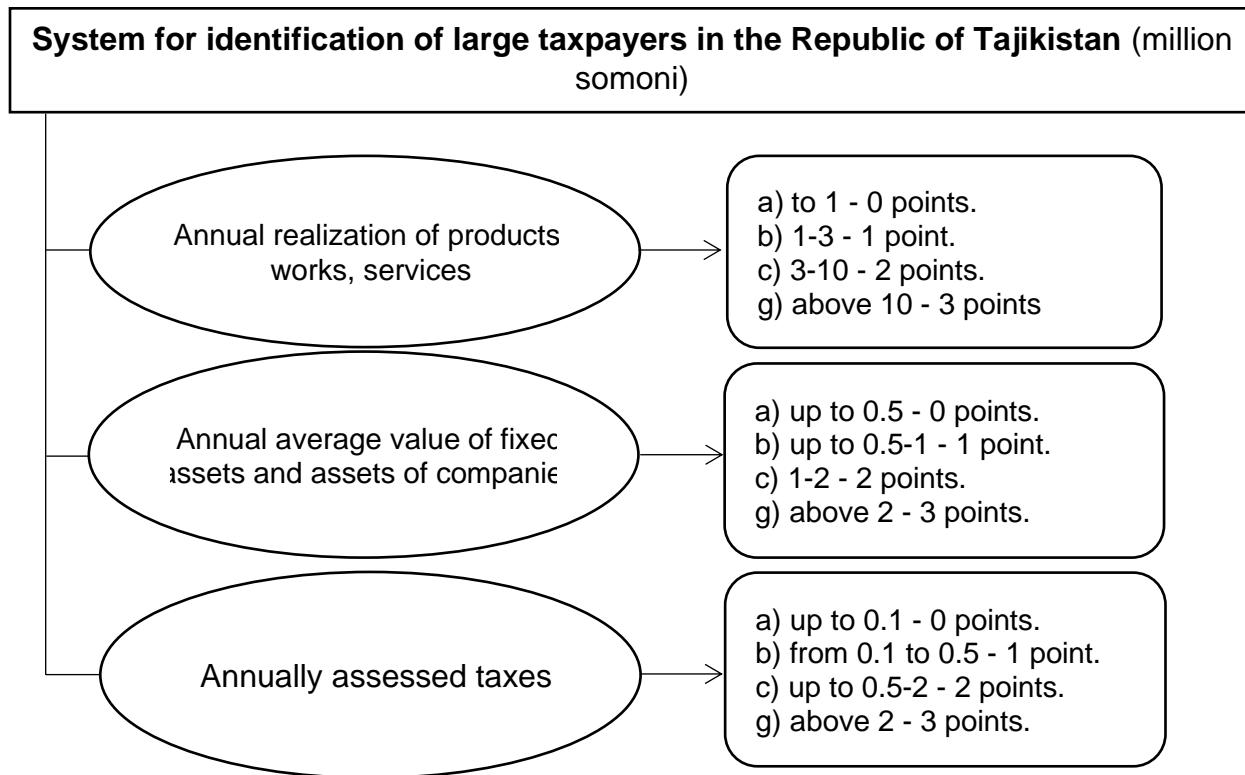


Figure 1. System for identifying large taxpayers in the Republic of Tajikistan ²

In France, companies with a turnover of more than 400 million euros (excluding VAT or gross assets) and more than 50 percent of the affiliated companies (directly or indirectly) are included in the category of large taxpayers.

² Compiled by the author.



Similarly, in Australia, companies with a turnover of more than 250 million Australian dollars are considered large taxpayers, while in Greece, companies with a turnover of more than 20 million euros, all banks, insurance companies and other companies listed on the stock exchange with a turnover of more than 10 million euros, as well as all taxpayers carrying out cross-border operations, regardless of their size, are considered large taxpayers.

Let us consider the criteria in foreign countries for the separate treatment of large taxpayers by tax administration based on the data in Figure 2 below.

As can be seen from Figure 2 above, in the studied countries of Australia, Austria, Chile, Finland, Germany, Italy, Japan, New Zealand, Norway, the United Kingdom, the United States, Colombia, Costa Rica, Cyprus, Indonesia, Morocco, Singapore, Thailand, Canada and Finland, large taxpayers are mainly defined by turnover, income and assets as criteria for determining large taxpayers, while in Denmark, Sweden, Argentina and Brazil, turnover and number of employees are the criteria.

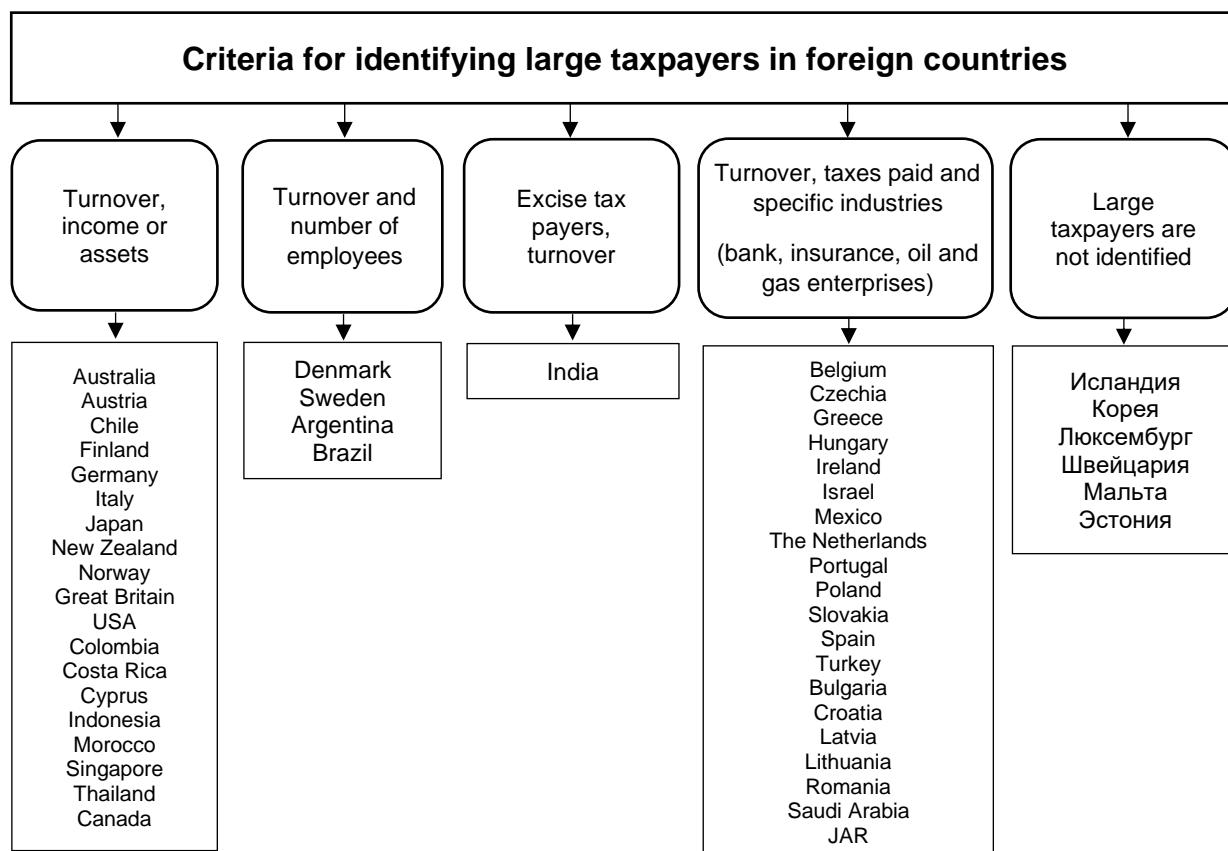


Figure 2. Criteria for identifying large taxpayers in foreign countries³

³www.oecd.org/tax/forum-on-tax-administration/database/Table%20A02.5.%20Large%taxpayer%20operations-20Identificatio%20criteria%20used%20in%202013.xlsx. сайт маълумотлари асосида муаллиф томонидан тузилган.



In India, payers of a certain turnover and excise tax are considered large taxpayers, while in Belgium, the Czech Republic, Greece, Hungary, Ireland, Israel, Mexico, the Netherlands, Portugal, Poland, Slovakia, Spain, Turkey, Bulgaria, Croatia, Latvia, Lithuania, Romania, Saudi Arabia and South Africa, large taxpayers are formed by turnover, taxes paid and specific sectors. At the same time, it became known that in Iceland, Korea, Luxembourg, Switzerland, Malta, and Estonia, taxpayers are not divided into a separate category of large taxpayers, but are subject to general tax administration.

5. Conclusions and Proposals:

Based on the experience of implementing the Large Taxpayers Tax Administration in foreign countries, it is advisable to put the following proposals into practice:

Since, according to Article 36 of the Tax Code, a permanent establishment is understood to mean any subdivision, it is proposed to amend paragraph e) of the above regulation to read: "permanent establishments in the Republic of Uzbekistan of legal entities extracting, processing, supplying and selling hydrocarbon raw materials and mineral resources, as well as generating and supplying electricity, and foreign legal entities supplying goods (works and services) to them. This excludes gas stations for automobiles."

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