



# Officialization of the results of Chamber tax audit in Uzbekistan

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## ABSTRACT

The article describes the theoretical issues of the formalization of the results of the chamber tax audit.

The effectiveness of the cameral tax audit depends on the level of formalization of its results. The increase in the effectiveness of the cameral tax audit is related to the fact that the auditor conducts a pre-audit analysis before the cameral tax audit begins.

## Keywords:

financial control, camera control, tax audits, audit, tax audit, international audit standards, act, conclusion, decision.

## Introduction:

The reforms that have been carried out in our republic until now have covered all areas and caused the development of the areas. Improvement of tax legislation and tax system in the Republic of Uzbekistan allows to increase the efficiency of tax administration and tax control. In particular, the Decree of the President of the Republic of Uzbekistan No. PF-6098 dated October 30, 2020 "To reduce the level of the hidden economy in our country, to create equal competitive conditions for conducting business activities, including regulation and reducing the administrative burden, to comply with the requirements of tax legislation "automation of procedures and simplification of its procedures" are specified. Ensuring the implementation of these tasks increases the need to study tax audits and requires the improvement of the theoretical, methodological and legal foundations of this field.

## Review of literature

Hotamov (2016) researched the following issues related to VAT in his scientific work:

approval of export of products, application of zero-level value added tax rate, adjustment of the taxable base and its results in accounting reflection; improvement of the methodology of tax audit based on documents in an automated system and accounting of indirect taxes, reflection in documents and connections of processes in accounts on a practical and methodological basis, etc. In his opinion, the essentially correct presentation of accounting records in the account prevents confusion in accounting, and in order to ensure that no mistakes are made in the preparation of tax and financial statements, the sums of overpaid indirect taxes are returned under Article 6410- "To the Budget" A refund was offered from the proposed 4420- "Overpayments to the Budget" account, not from the "Debts on payments (by types)" account.

The importance of tax audit is expressed by Barsulaya (2019) as follows: currently, there is a greater need for tax audit among the types of audit services. According to experts, 30% of the income of Russian audit companies is accounted for by tax audits. In this regard, Ahrens and

Lobbecker (1995) wrote: "The government hires auditors to verify taxpayers' compliance with federal tax laws, tax returns... Tax laws are very complex, and tax audits require in-depth knowledge from an auditor. It is required to have".

Economists Sheremet and Suyslar (2005) define tax audit as "tax audit is an audit of correct and complete calculation and payment of taxes, compliance with tax policy."

Usatova (2008) recognized the tax audit in her scientific works as follows: "Tax audit is an independent examination of the state of accounting and tax accounts, as well as the accounting books of organizations for taxes and levies."

Approved by the commission on audit activity under the President of the Russian Federation (statement No. 1 dated July 11, 2000) "Tax audit and other services on tax issues. The tax audit is written in the methodology of audit activity entitled "Communication with tax authorities" as follows: "Tax audit means the degree of validity of accounting and tax reports of an economic entity and compliance with the norms established by the law, taxes paid to the budget by economic entities and other payments. That payments and allocations to extra-budgetary funds are reflected in the account is understood as the performance of a special audit assignment by auditing organizations". Dosmurotov (2007) in his textbook, monograph and other scientific works, while reflecting the general aspects of the audit, explained the audit of each of the taxes.

According to Hotamov (2016), "Tax audit is a verification by independent auditing organizations of the correct application of all elements of taxes and other mandatory payments and benefits in accordance with tax and accounting legislation."

### Research methodology.

In the study, the financial control system existing in our country was scientifically analyzed. The essence of tax audit is explained.

<sup>1</sup> Ўзбекистон Республикасининг 2021 йил 29 декабрдаги "Ўзбекистон Республикасининг Солиқ

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### Analysis and discussion of results.

The effectiveness of the cameral tax audit depends on the level of formalization of its results. The increase in the effectiveness of the chamber tax audit also depends on the fact that the auditor conducts a pre-audit analysis before the chamber tax audit begins.

Law of the Republic of Uzbekistan dated December 29, 2021 No. O'RQ-741 "On Amendments and Additions to the Tax Code of the Republic of Uzbekistan"<sup>1</sup> Article 138 of the Tax Code was added and amended, and it was determined that tax authorities can conduct a pre-audit analysis before the initiation of a chamber tax audit.

Pre-examination analysis is an automated analysis of the submitted tax report and other information on the taxpayer's activities, carried out by tax authorities using information systems, without the participation of the taxpayer. If, during the pre-audit analysis, discrepancies or errors are found in the tax report submitted by the tax authority with the information available in the tax authority, the taxpayer will be sent a notice to make appropriate corrections to the tax report through the taxpayer's personal office. The taxpayer is obliged to submit the corrected tax report or the justification of the identified differences within ten days from the date of receipt of the notification of the relevant corrections. Non-fulfilment of such an obligation is the basis for the tax authority to order a tax audit of the taxpayer.

An automated system has been introduced by tax authorities to detect discrepancies or errors in tax reports submitted by taxpayers. According to it, the reports submitted by each taxpayer are analyzed by this automated camera verification program based on the established algorithm. In addition, tax reports submitted by taxpayers are also analyzed by tax authorities. For example, the amount of income

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or expenses shown in the "Financial Results" report submitted by the taxpayer for 2021 does not correspond to the corresponding income and expense amounts in the "Profit Tax" report submitted for this period. Such a situation is detected by the automated camera inspection program of the tax authorities and included in the list of taxpayers with a high risk of discrepancies in the tax report of the enterprise. This, in turn, causes a cameral tax audit to be conducted.

One of the main reasons for conducting a chamber tax audit is the case of submitting a clarified tax report, which reduces the amount of tax payable or increases the amount of losses incurred by the taxpayer compared to the previously submitted tax report. For example, a taxpayer has submitted their primary tax return for a specified period. However, the taxpayer submitted a re-tax return with a reduction in the amount of tax due on this primary return. Such a situation increases the risk of the taxpayer falling under the control of the cameral tax audit.

In order to further increase the economic stability in our country, we mention the following changes in the tax policy as the next opportunities for measures aimed at developing the activities of business entities, i.e. ensuring the implementation of priority tasks set within the framework of the open dialogue of the President of the Republic of Uzbekistan with entrepreneurs held on August 22, 2022, as well as the activities of business entities. In order to prevent unjustified interventions, increase the responsibility of supervisory bodies and ensure the openness of their activities, the President's decision of September 13, 2022 "On measures to improve the procedure for coordinating inspections in the activities of business entities" was adopted<sup>2</sup>.

Starting from November 1, 2022, all inspections conducted in the activities of business entities will be registered in the "Uniform State Control" information system. It is illegal to carry out inspections of business entities that are not

registered in this system. Information on the results of inspections and preventive measures in the activities of business entities will be entered into the "Uniform State Control" information system within three days from the date of completion of the inspection or preventive measures.

The decision of the President of the Republic of Uzbekistan dated September 13, 2022 "On measures to improve the procedure for coordination of inspections in the activities of business entities" stipulates that the results of inspections will be formalized with an inspection report. The report of the inspection conducted within one day must be drawn up on the day of the inspection, and for the inspection lasting more than one day, it must be drawn up no later than the last day of the inspection period.

In this case, copies of the inspection report are signed by the officials of the supervisory body and the head of the business entity (the person acting as a leader), one copy is handed over to the head of the business entity (the person acting as the leader) with a signature indicating the date of receipt. The audited business entity may express its objections to the results of the audit in writing in the document. When the audited business entity refuses to receive the inspection document or to sign it, the official of the supervisory body shall record this in the document, and the inspection shall be considered completed from that moment. In this case, a copy of the inspection report will be sent to the business entity by registered mail no later than the next business day.

A document drawn up on the results of the investigation, documents confirming that the business entity has been notified of the violations and the investigation (mail receipt and information from electronic information systems), information on the measures of influence applied to the business entity within three working days after the end of the investigation (a written instruction, report on an administrative offense, decisions on the

<sup>2</sup> Ўзбекистон Республикаси Президентининг 2022 йил 13 сентябрдаги "Тадбиркорлик субъектлари фаолиятида текширувлар ўтказишни

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application of fines and court decisions) must be entered into the Information System by the supervisory bodies no later than one working day after the application of these measures. Текширувда жиноят аломатлари аниқланган тақдирда, назорат қилувчи орган дарҳол ҳуқуқни муҳофаза қилувчи органга хабар бериши ҳамда текширув якунланган вақтдан бошлаб ўн кун ичида ушбу ҳолат бўйича барча ҳужжатларни юбориши шарт. Солиқ текширувида жиноят аломатлари аниқланган тақдирда эса, бу ҳақда хабар бериш солиқ қонунчилигига мувофиқ амалга оширилади.

Also, the Decree of the President of the Republic of Uzbekistan dated September 7, 2021 "On measures to create more favorable conditions for business entities in the fulfillment of tax obligations"<sup>3</sup> from January 1, 2022, it was decided that financial sanctions will not be applied for violations detected in the chamber tax audit, and financial sanctions will be canceled for failure to submit tax reports by business entities within the specified period.

Based on the results of the chamber tax inspection, the official conducting the inspection will draw up a conclusion in the prescribed form.

The summary provides the information that served as the basis for the initiative to initiate a chamber tax audit, whether or not tax violations were detected, partially confirmed or not, discrepancies or errors in tax reports. In the conclusion, if such actions were carried out within the framework of a camera tax audit, the results of the study and analysis of the information (documents) requested from the taxpayer or third parties or obtained during the inspection of the territories and premises of the taxpayer and during mobile tax inspections are also indicated.

The conclusion drawn up on the cameral tax audit is reviewed and approved by the head (deputy head) of the tax authority within two days. Chamber tax audit materials, including a

report on tax violations, a conclusion drawn up on the fact that discrepancies have been identified according to the results of the audit or that there are no violations of tax legislation, must be registered with the tax authority in the prescribed manner.

In the case of cases where discrepancies or errors in the tax report were found based on the results of the cameral tax audit, the tax authority sends a request to the taxpayer to eliminate them within two days, and the date of its sending is the date of completion of the cameral tax audit.

The head (deputy head) of the tax authority, based on the results of the review of the document on the tax offense and other materials of the chamber tax inspection, shall, within five days, assess additional taxes and fines or reject them, or hold the taxpayer responsible for committing a tax offense or reject it. makes a decision.

According to Clause 46 of the Regulation "On the Procedure for Organization and Conduct of Tax Audits" approved by the Cabinet of Ministers of the Republic of Uzbekistan Resolution No. 1 of January 7, 2021, the document of the head (deputy head) of the tax authority who conducted the chamber tax audit and other materials of the chamber tax audit from the date of drawing up this document it is envisaged that he will consider it after ten days, but not later than fifteen days.

According to the conclusion confirmed by the results of the cameral tax inspection, the tax body sends a request to the taxpayer to eliminate them within two days in the case of discrepancies or errors in the tax report. The date of submission of the application is the date of completion of the tax audit. Even if, according to the results of the study and analysis of the submitted tax reports, discrepancies or errors are not detected, the chamber tax audit is considered completed, and the tax authority sends an appropriate notification to the personal office of the taxpayer.<sup>4</sup>

<sup>3</sup> Ўзбекистон Республикаси Президентининг 2021 йил 7 сентябрдаги «Солиқ мажбуриятларини бажаришда тадбиркорлик субъектларига янада қулай шарт-шароитлар яратиш чора-тадбирлари тўғрисида»ги фармони.

<sup>4</sup> Ўзбекистон Республикаси Вазирлар Маҳкамасининг 2021 йил 7 январдаги 1-сонли қарори тасдиқланган «Солиқ текширувларини ташкил этиш ва ўтказиш тартиби тўғрисида»ги Низом.

There are several problems related to the formalization of the results of the Chamber tax audit in Uzbekistan. These include:

The legal framework for formalizing the results of the Chamber tax audit in Uzbekistan is not clearly defined. This leads to ambiguity in the process, which can result in misunderstandings and disputes between the tax authorities and taxpayers.

The Chamber of Accounts has limited resources to conduct tax audits on a large scale. This means that only a limited number of taxpayers are audited each year, and the results of these audits may not be representative of the overall compliance situation.

There is a lack of adequate training for auditors and tax officials on how to formalize the results of tax audits. This can result in errors or inconsistencies in the formalization process.

The use of technology in the formalization process is limited, which can lead to delays and errors in processing audit results.

To address these problems, there are several potential solutions that could be considered. These include:

The legal framework for formalizing the results of tax audits should be clarified and simplified to reduce ambiguity and improve consistency. The Chamber of Accounts should be given more resources to conduct tax audits on a larger scale, which would help to improve the representativeness of audit results. Auditors and tax officials should receive more training on how to formalize the results of tax audits, which would help to improve the accuracy and consistency of the process.

The use of technology in the formalization process should be increased to reduce delays and errors. This could include the development of an online platform for submitting audit results and tracking their progress.

### Conclusions and suggestions.

As an AI language model, I cannot make proposals or opinions, but I can provide you with information that may be useful to formulate a proposal.

Regarding the formalization of the results of the chamber tax audit in Uzbekistan, it is important to ensure that the process is transparent and

accountable. The results of the audit should be documented in a clear and understandable manner, and the auditors should be able to provide a justification for any conclusions or recommendations made.

It may be useful to establish standard procedures for the documentation of the results of the audit, such as a standard format for the audit report, and guidelines for the inclusion of relevant information such as the scope of the audit, the methods used, the findings, and any recommendations made.

In addition, there should be clear mechanisms in place for communicating the results of the audit to the relevant stakeholders, such as the taxpayer, tax authorities, and other interested parties. This could include providing a copy of the audit report to the taxpayer and allowing them to respond to any findings or recommendations made. Overall, formalizing the results of the chamber tax audit in a transparent and accountable manner can help to increase trust in the tax system and promote compliance with tax laws and regulations.

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