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SOI: [1.1/TAS](#) DOI: [10.15863/TAS](#)

## International Scientific Journal Theoretical & Applied Science

p-ISSN: 2308-4944 (print) e-ISSN: 2409-0085 (online)

Year: 2021 Issue: 05 Volume: 97

Published: 19.05.2021 <http://T-Science.org>

QR – Issue



QR – Article



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## METHODS OF CALCULATING THE TAX BURDEN ON LEGAL ENTITIES AND DIRECTIONS FOR IMPROVEMENT

**Abstract:** This article is a scientific study of the improvement of the methodology for calculating the tax burden on legal entities, which describes the various methods, directions of calculation of the tax burden on legal entities today, the pros and cons of the methods used in practice. It is also scientifically based on the method of determining the tax burden of legal entities by calculating the ratio of value added in the calculation of the tax burden, as well as the expediency of calculating the net and total tax burden of legal entities by studying all foreign and domestic methods of calculating the tax burden.

**Key words:** tax burden, tax burden optimization, tax burden calculation methods, value added, sales revenue, indirect taxes, net tax burden, total tax burden.

**Language:** English

**Citation:** Turaev, S. S. (2021). Methods of calculating the tax burden on legal entities and directions for improvement. *ISJ Theoretical & Applied Science*, 05 (97), 235-238.

**Soi:** <http://s-o-i.org/1.1/TAS-05-97-47> **Doi:**  <https://dx.doi.org/10.15863/TAS.2021.05.97.47>

**Scopus ASCC:** 2000.

### Introduction

There are various directions in the scientific literature on determining the tax burden of legal entities. Their calculation allows to determine the extent to which legal entities and the economy operate under the influence of the tax burden. Based on the methods of calculating this tax burden, we can determine the extent to which changes in the number, rates, benefits of taxes affect the activities of legal entities.

It is necessary to determine the average level of the tax burden on the sectors of the national economy. It provides an opportunity for effective development and a steady flow of revenues to the budget. Once the limits of the tax burden on the sectors of the national economy are determined, it is possible to create an optimal model of the tax burden on the sectors of the economy, mathematical models that determine the impact of taxes on economic growth [1, 2].

### URGENCY

In tax theory, it has been found that indirect taxes affect the amount of the tax burden. Analyzes have shown that indirect taxes have such characteristics that their source can be easily changed.

The enterprise that pays the tax includes it in the price of goods, works, services, so that they are imposed on consumers. However, the enterprise can raise the price of the product only as long as the solvency of demand increases.

If the price, including the tax, is too high, demand will fall, some buyers will switch to products from other manufacturers, and others will switch to consuming other products that replace products.

### THEORETICAL APPROCHES

Professor M.Almardonov proposes distinguishing between absolute and relative tax burden. According to the author, the absolute tax burden is the absolute amount of tax liabilities of economic entities, representing the burden of tax and social insurance contributions in enterprises, which are transferred to the budget and extra-budgetary funds. The relative tax burden is considered as the ratio of the absolute amount to the newly created value [7]. It is as follows:

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$$Dn = \frac{T + SF}{NCV} \times 100$$

**Dn** – relative tax burden on the business entity.  
**T** – taxes;  
**SF** – social fees;  
**NCV** - newly created value.

This formula determines the ratio of all tax payments and social needs of the legal entity to the newly created value, which determines the relative tax burden of the legal entity.

According to Professor K.Yahyoev's description of the tax burden, "The tax burden is taken in relation to profit or total income. The share of all taxes and levies paid in the country's GDP is also a tax burden" [8]. It is clear from this definition that the author views the tax burden as the ratio of all taxes and fees paid at the micro level to income or profit. This poses considerable difficulties in calculating and determining the tax burden. Because if the tax burden on profit is calculated, its level will increase significantly. When calculated in relation to income, the tax burden decreases. This causes considerable inconvenience in planning budget revenues.

Professor T.Tashmurodov, in his textbook "Explanatory Dictionary of Taxes", describes the tax burden as follows: "The tax burden is the ratio of the sum of all taxes and fees paid by a business entity or citizen to income" [9]. This definition also complicates the mechanism for calculating the tax burden. Because here the income is taken as the basis for calculating the tax burden. This causes inconvenience in calculating the tax burden of legal entities.

Professor B.Isroilov in his monograph "Tax accounting and analysis: problems and their solutions" describes the tax burden as follows: "Tax burden is the ratio of the sum of all taxes and fees paid by a business entity or citizen to the state, local budget and various funds in the prescribed manner to the volume of work, income or other tax object of the payer" [10]. Even in this definition, the essence of the tax burden is not widely explained. This is because the ratio of total taxes and fees paid is called the ratio of taxpayers to workload, income, or object of taxation. Here are three objects that do not look like each other. These cannot be a sufficient basis for calculating the tax burden.

### ANALYTICAL PART

In calculating the tax burden on legal entities and determining the impact of taxes on their activities, the tax burden is calculated in the following directions:

**Direction 1.** Under this direction, the weight of the tax burden is defined as the ratio of the total

amount of taxes and fees paid to the proceeds from the sale of the product. While this indicator shows the share of taxes and fees in sales revenue, it does not fully reflect the impact of taxes and fees on the financial and economic activities of enterprises, as it does not take into account the types and composition of taxes in total revenue from sales. In order to conduct a qualitative economic analysis, in our view, an indicator that links the tax burden with the financial activity of enterprises will be necessary.

**Direction 2.** Based on this direction, the source of tax and its payment is compared with each other. The weight of the tax burden is determined for each tax group depending on its source. This direction contradicts the generally accepted view that taxes included in cost are more beneficial to the enterprise because they reduce profits and thus reduce the amount of income tax. Along with the decline in corporate profits, it also leads to a decrease in tax revenues to the budget.

In this direction the tax burden can be determined as follows:

$$TBi = [(I-C-P)/(I-C)] * 100\%$$

or

$$TBi = [(I-C-P)/P] * 100\%$$

There:

**TBi** – tax burden indicator;

**I** – income;

**C** – costs of goods sold, excluding taxes;

**P** – net profit remaining at the disposal of the enterprise after tax deduction.

In this method, the total amount of taxes paid indicates how much of the profits remaining at the disposal of the enterprise went to taxes and fees.

Indirect taxes are not taken into account in this direction, as they do not affect the profits of the enterprise.

Therefore, in order to retain consumers, the company will have to reduce profits by the amount of taxes and fees without changing prices.

Indirect taxes affect the prices of products and thus affect demand. The weight of indirect taxes is imposed on sellers and consumers depending on the nature of demand. If the demand for a product is flexible, most of the indirect taxes fall on the seller, because as soon as he raises the price he loses his buyer, if the demand is inelastic, the seller can impose the main part of the tax on the consumer, because the amount of demand is almost independent [3, 4].

It will be very difficult to put this theory into practice. Because it is very difficult to determine the impact of indirect taxes. Therefore, it is possible to determine the effect of indirect taxes on a particular product only through such a line

**Direction 3.** Based on this direction, the tax burden can be defined as the share of value added taxes and fees. Under this direction, value added is considered a source of income and, in turn, a source of tax payment. Thus, according to this direction, the

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tax is compared with its source of payment. This indicator makes it possible to show the average amount of tax burden for different types of production, thus providing a comparison of the tax burden in different economic systems.

By applying this direction, the share of value added taxes can be determined depending on the type of production and profitability

It is possible to determine the development potential of the enterprise depending on the amount of value added that remains at the disposal of the enterprise after payment of taxes.

The main disadvantage of this direction is that it does not include taxes on the use of the following subsoil resources, excise taxes, property, use of water resources.

**Direction 4.** Based on this direction, it is necessary to differentiate the absolute and relative tax burden. However, in our opinion, it is not enough to determine the tax burden based on the revenue from the sale of products in enterprises.

Absolute tax burden is the amount of taxes and insurance premiums transferred to the budget and extra-budgetary funds, the absolute amount of tax liabilities of economic entities. This indicator represents the actual tax payments to the budget and compulsory insurance contributions to extra-budgetary funds, as well as dependents on these payments. In calculating the amount of the absolute tax burden, income tax from individuals and payments to the pension fund are not taken into account, because its payers are individuals, and enterprises collect this tax and transfer it to the budget.

Insurance premiums paid by business entities to extra-budgetary funds are recognized as mandatory payments and should be taken into account when calculating the tax burden, as their nature is similar to that of taxes.

The strength of this approach is that it can be used to compare the tax burden on specific enterprises, as well as for private entrepreneurs, regardless of their industry. On the downside, it is not possible to plan for changes in economic activity depending on the number of taxes, their rate, and preferences.

**Direction 5.** According to this direction, the indicator of the tax burden is related to taxes and other mandatory payments, the structure of taxes in the enterprise, the mechanism of taxation. The tax burden is calculated based on the following equation:

$$T = TP : SP * 100\%$$

There: **ST** – tax payments; **SP** – the source of payment.

The total amount of taxes includes all taxes paid, VAT, excise tax, personal income tax, contributions to extra-budgetary funds, etc.

This direction takes into account the characteristics of a particular enterprise, ie the value added also includes material costs, depreciation, shares of labor costs and personal income tax.

The above five directions have their own pros and cons. For a complete and comprehensive analysis of the tax burden, an indicator is needed in which the tax burden should be related to the development model of the enterprise. The third line meets this condition. The strength of this approach is that it is recommended that the tax burden be calculated using the given equation. In this equation, the total amount of the tax burden can be determined by changing each of the variables. This equation takes into account the tax rate, the stock of production, labor and material capacity, and the level of profitability of production.

However, when conducting an analysis to achieve maximum effect in determining the tax burden on enterprises, and to determine the impact of changes in the tax burden on the economic activity of the enterprise, the third and fifth directions should be used. The data obtained should be supplemented by an analysis of changes in demand for the enterprise's products as prices change, which in turn helps to determine the severity of the indirect taxes levied on the consumer [5, 6].

The current state of calculation of the tax burden on legal entities in our country today is calculated on the basis of the methodology provided by the Ministry of Finance and the State Tax Committee of the Republic of Uzbekistan. According to it, taxes and fees are calculated in relation to the volume of sales of the business entity. It is as follows:

$$TB = \frac{\text{Taxes and fees}}{\text{Revenue from product sales}} \times 100 \%$$

There: **TB** – tax burden on legal entities.

The calculation of the tax burden in this method significantly reduces the tax burden on legal entities, and as a result, the activities of these entities are underestimated, causing a number of economic difficulties. That is, based on the data of government agencies involved in this area, the state develops a budget program and acts on it. As a result, the state may aggravate the tax burden on legal entities. This, of course, can only have a negative impact on the macroeconomic situation.

In our opinion, when calculating the tax burden on legal entities, it is expedient to determine the ratio of all taxes, fees and deductions paid by the legal entity to the state budget by the value added of the legal entity. Then the real level of the tax burden will appear and there will be no negative impact on either the state budget or the legal entity.

Having studied the above definitions and analyzed the instructions of the Ministry of Finance and the State Tax Committee of the Republic of Uzbekistan on the calculation of the tax burden on legal entities, we can say that there is no single methodological basis for calculating the tax burden on

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legal entities. This situation further requires research on the calculation of the tax burden of legal entities.

Studying the opinion of foreign and domestic scholars on the calculation of the tax burden of legal entities and all the methods in this regard, we can state the following:

- When calculating the tax burden of legal entities, it is necessary to determine the sum of all taxes and fees they pay by the ratio of the newly created value;

- When calculating the tax burden of legal entities, it is expedient to calculate the net and total tax burden. Here, the net tax burden represents the burden of all taxes, budgetary and extra-budgetary contributions paid by the legal entity, while the total tax burden represents the burden of legal entities' contributions to taxes, budgetary and extra-budgetary funds, and taxes and fees levied on workers.

### CONCLUSION

Some economic literature does not take into account the personal income tax and social payments paid to them in the process of calculating the tax burden of economic entities. This seems right at first glance. However, it should be noted that the income of an individual and his tax, as well as the source of creation of social contributions for him, is also the value added of the legal entity. In fact, personal income tax should be taken into account when calculating the tax burden on the employee, the

citizen. At present, individuals working in legal entities in our country also make a number of social payments to the budget with income tax. Although these payments seem to be paid by individuals, the burden falls on legal entities.

As a result of our research, we have been able to draw the following conclusions:

- The results of the study showed that there is no single decision in the calculation of the tax burden on legal entities, which requires further research in the future;

- In our opinion, the tax burden of legal entities can be understood as the ratio of all taxes, fees and deductions paid by a legal entity to the state budget to the value added of the legal entity;

- The results of the analysis showed that it is necessary to make changes to the mechanism of calculating the tax burden in our country today. At the same time, the calculation of the tax burden on the newly created value of legal entities provides an opportunity to accurately assess their activities;

- When calculating the tax burden of legal entities, it is expedient to calculate the net and total tax burden. Here, the net tax burden represents the burden of all taxes paid by the legal entity, contributions to the budget and extra-budgetary funds, while the total tax burden represents the burden of legal entities' contributions to taxes, budget and extra-budgetary funds and taxes and fees withheld from workers.

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