

ACCOUNTING OF TAX OBLIGATIONS IN COMMERCIAL BANKS

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Annotation. The purpose of this paper is to analyze the peculiarities of accounting for tax payments in commercial banks, identify existing challenges, and propose recommendations for improving efficiency in line with international standards.

Keywords: taxes, fees, financial reporting, tax accounting, deferred tax liability, international standards of financial accounting.

Introduction

The banking sector plays a crucial role in the financial system of any country by mobilizing resources, ensuring capital allocation, and facilitating settlement operations. Among the key responsibilities of commercial banks is the proper accounting of tax payments, which ensures compliance with legislation, transparency of financial statements, and the stability of the banking system. The accounting of taxes in banks is not only a financial control mechanism but also an instrument to enhance fiscal discipline and public trust.

Drawing on international experience, the adoption of advanced technologies and automation systems is essential for improving tax accounting in commercial banks. In the United States and Europe, banks submit tax reports through digital platforms, which ensures faster and more accurate reporting. Similarly, in China and Germany, banks rely on strong internal tax control systems that minimize errors in tax payments and enhance transparency in reporting.

In Uzbekistan, the implementation of automated systems and specialized software in banks is gradually expanding, with the aim of strengthening the accounting of tax obligations. This development contributes to the effectiveness of internal audit and control mechanisms. Moreover, banks must promptly adapt to changes in tax legislation, as the timely and accurate fulfillment of tax obligations has a direct positive effect on the country's economic growth.

The necessity of improving tax accounting and reporting practices in commercial banks is driven not only by the goal of financial stability but also by the need to enhance the competitiveness of the banking sector. Building on both international and domestic experience, it is crucial to adopt innovative technologies, employ skilled professionals, and reinforce audit control systems. These measures will help ensure transparency, accuracy,

and efficiency in the fulfillment of tax obligations.

Literature review

Given the role of commercial banks in the economy, broad-ranging changes are being implemented in this area. However, in the event of additional burdens on the banking system during the pandemic and its aftermath, insufficient measures are being taken to stimulate their activities through taxes. In particular, the establishment of a separate 20 percent rate for the profit tax on commercial banks, the increase in the share of overdue loans, the creation of banking infrastructure, the introduction of new software technologies, and the increase in their ability to purchase equipment are necessary to stimulate the investment activities of these financial institutions in these conditions and to cover a wide range of the population with banking services[1].

The International Financial Reporting Standard (IFRS 12) provides a theoretical framework for tax liabilities and their accounting treatment [6].

Article 16 of the Tax Code of the Republic of Uzbekistan (2020) entitled "Taxes and Fees" defines taxes and fees as follows: Taxes are understood as a mandatory gratuitous payment to the State Budget of the Republic of Uzbekistan or a state trust fund (hereinafter referred to as the budget system) . A fee is understood as a mandatory payment to the budget system established by legislative acts, the payment of which is one of the conditions for the performance of legally significant actions by an authorized body or its official in relation to the person paying it, including the granting of certain rights or permitting documents to him [1].

It is clear from this that payments are divided into two parts: taxes and fees. Studies have shown that in economic literature, scientific research and regulatory documents, different definitions and explanations are given to the concept of "tax payment".

According to AG Gryaznova (2002), tax payment is a form of directing part of the taxpayer's profit (income) to the centralized state fund, in accordance with the tax legislation of the state.

The entity must recognize tax liabilities for tax payments as expenses in its accounting records as they arise. In order for the information in financial and tax reports to be objective, it is necessary to recognize income and expenses.

Based on the considerations presented in regulatory documents and economic literature, it was concluded that tax payments should be recognized as tax expenses.

If "tax payments" or "tax liabilities" are expenses for an enterprise, we need to consider the nature of these concepts as expenses.

Tax expense is defined in International Accounting Standard No. 12, "Income Taxes," as "Tax expense is the total amount of current and deferred tax recognized in determining profit or loss for the period."

According to E.V. Yegorova, "tax liabilities are considered tax expenses for enterprises." [7. 131]

According to E.G.Dedkov: Tax expenditures are accrued liabilities related to taxes. [6, 23]

In our opinion, direct tax administration is one of the key elements of the effective functioning of the tax system and the state economy. Weaknesses and shortcomings in the administration of direct taxes lead to an increase in tax violations and a decrease in the state budget's revenue from corporate income tax, personal income tax, and turnover taxes.

Analysis and results

In accordance with Article 70 of the Law of the Republic of Uzbekistan "On Banks and Banking Activities" and Article 9 of the Law "On Accounting", the Central Bank of the Republic of Uzbekistan establishes the rules for accounting and financial reporting in banks [2].

The basis of accounting and reporting in banks of the Republic of Uzbekistan is the Law of the Republic of Uzbekistan "On Accounting" and IFRS. The financial statements published by the bank, as well as the basic principles (rules), concepts and definitions used by the bank in the process of accounting and reporting, must comply with the Law of the Republic of Uzbekistan "On Accounting" and IFRS [3].

The gradual reduction of profit tax rates during the economic liberalization phase should be considered one of the important steps in reducing the tax burden. There are some problems in the republic in determining the object of taxation of commercial banks' profits. The process of collecting tax from commercial banks' profits to the budget indicates certain shortcomings in tax practice. Analysis shows that the profit tax base paid by commercial banks includes some expenses that are re-added to the taxable base.

The relations of commercial banks with the budget have their own characteristics, unlike the processes of taxation of business entities. This specificity is manifested in the performance of various tasks in the relations of commercial banks with the state budget. First of all, commercial banks are responsible for the timely transfer of taxes and fees between taxpayers and the state budget on the funds available in the main accounts of business entities. Commercial banks, in turn, also make settlements with the state budget on taxes established by tax legislation.

It is known that the conditional income tax calculated on the basis of financial statements often does not equal the actual tax payable to the budget for the same period. This is because accounting and tax accounting use different estimates of the value of assets, liabilities, income and expenses. In accordance with IAS 12, temporary differences are defined as differences between the carrying amount of an asset (or liability) in the statement of financial position and its tax base, that is, the amount at which the asset (or liability) is

calculated by the tax authorities for the purpose of calculating income taxes. Depending on the larger of the carrying amount or the tax base, temporary differences are divided into deductible and taxable. Deductible differences give rise to deferred tax assets (DTA) - a part of deferred income tax, which should lead to a reduction in future tax payments.

Taxable differences, in turn, lead to deferred tax liabilities (DTLs) - a portion of deferred income taxes that are expected to result in increased tax payments in the future.

Currently, differences in accounting and taxation for the same business transactions give rise to deductible temporary differences, which result in the recognition of deferred tax assets in the company's statements.

Deferred tax assets (hereinafter referred to as DTA) are part of the income tax and reduce the future payment of "profit" taxes by reflecting expenses or income in different periods in accounting and tax accounting. The use of deferred tax assets is borrowed from international accounting practice in connection with the separation of accounting and tax accounting. Each type of accounting has its own rules and advantages, and therefore expenses or income can be reflected in accounting and tax accounts at different times and even in different amounts. Any asset recognized in accounting and reflected in the report must have the following characteristics: the object must be controlled by the company; it must be able to bring future economic benefits to the company, directly or indirectly - for example, by reducing the amount of "profit" tax payments.

Temporary differences are the differences between the carrying amount of assets and their tax base. Deductible temporary differences are temporary differences that result in deductions in determining taxable profit (loss) of future periods in which the carrying amount of an asset or liability is reversed or settled.

Deferred tax assets are special amounts recognized in accounting records that are used to reconcile accounting profit with taxable profit.

The difference between tax and accounting profit is due to different rules for accounting for assets and liabilities established by the Tax Code of the Republic of Uzbekistan and the Accounting Rules. In order for the amount of profit calculated under different rules to match, accounting should be included in tax accounting. For this, permanent and temporary differences are used.

Permanent and temporary differences are the amount of discrepancies between tax and accounting data.

A difference arises when the income received or expenses incurred by a company require a different reflection in accordance with the rules of accounting and tax accounting. This difference can be permanent or temporary and can be aimed at increasing taxable profit in accounting and tax accounting. And in each case, a certain type of deferred tax asset

(liability) arises. Below The variants of the differences arising from all possible differences are shown.

Accounting for deferred tax assets is regulated by the chart of accounts developed independently by business entities preparing financial statements in accordance with the rules of international financial reporting standards. In this case, the debit balances of the account allocated for accounting for deferred tax assets are reflected in the balance sheet. Accounting for deferred tax assets in this account includes their formation and increase, as well as their decrease and complete write-off.

Conclusion

The mechanism of taxation of commercial banks should be seen not only as an instrument to supplement the budget revenue, but also as an incentive to increase efficiency and stability in the banking sector. In the current environment, there are a number of systemic problems in the taxation of banks, which can reduce net profits, limit lending capacity, and negatively affect the economic security of banks.

First of all, the high volume of expenses included in the tax base and prohibited from deduction reduces the profitability of banks. Also, the complexity of the calculation procedures and high penalties for late payment of taxes pose a threat to the financial stability of banks. In this case, the difference between the penalty rates applied to other economic entities and the rates applicable to banks also creates imbalances in the functioning of the banking system.

In general, improving the accounting and reporting of tax liabilities in commercial banks is one of the important factors in ensuring the financial soundness of banks, increasing the effectiveness of state tax policy, and strengthening their competitiveness in the international financial arena.

In our opinion, based on our research on the topic, we have come to the following recommendations and suggestions:

Full compliance with international financial reporting standards in tax accounting;

Implementation of a system for calculating and monitoring tax obligations based on digital technologies;

Increase net profit by reducing non-banking or excessively taxable expenses;

Rational use of existing incentives to reduce the tax burden and stimulate investment activity;

It is necessary to develop an internal audit and tax risk management system in order to strengthen transparent cooperation with tax authorities and reduce disputes.

From the above scientific conclusions and conclusions, a general conclusion is drawn that harmonizing tax accounting in commercial banks with IFRS and full compliance with it will lead to transparency of banking activities, obtaining sufficient information about the

banking system from financial reporting indicators, effective use of bank resources, and an increase in the process of international integration.

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