

**THE TAX ON PROFESSIONAL INCOME: WHAT IS IT – DECODING THE ABBREVIATION OF THE NAP, A LIST OF PROFESSIONS**

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**Abstract:** Today, a special type of taxation designed for the self-employed has come into focus. Consider the Professional Income Tax (NAP): what it is, what it gives, who it suits, what limitations it implies, how to use it correctly, and other points. As many details as possible so that you can put him at your service.

**Key words:** taxes, banking, economical aspects, personal income.

This is not some kind of tax additionally levied on professionals (as the name might seem), but a new taxation regime, and a special one, that is, preferential, designed for the self-employed. Citizens who voluntarily switch to it are exempt from personal income tax and do not pay the 13% rate. In practice, its payers are both ordinary individuals and sole proprietors, but there are nuances. So, they have the right to work in parallel under a contract, but strictly in a different field – not in the one for which they are considered self-employed. At the same time, they are prohibited from providing services to those customers in whose staff they were officially registered less than 2 years ago. Such restrictions are provided by law precisely in order to prevent mass layoffs, so that this opportunity is not used by everyone, but only by those for whom it was originally intended.

Continuing to consider the NAP – what it is, what features it has, what it gives, how to apply it – it will be appropriate to compare it with other types and tools to understand the overall picture. It is most similar to the "USN Income" mode, although it still has a number of limitations. Let's look at the difference, it is presented in the table below.

The limits on the STS have changed, just since 2021, now they can also be increased, but then their rates are different – 8% for income only and 20% for the "profit minus expenses" scheme.

Insurance premiums for payers

They are the reason why self-employed people have not yet massively registered as sole proprietors. For people who carry out irregular orders or work piece-by-piece, the amount of 40,874 sums per month is significant or even unaffordable. Moreover, it is necessary to list it regularly, also in cases when the business is idle and purchase and sale transactions are not carried out.

Now imagine that this is not the main field of an entrepreneur, but only an additional one, bringing in 50-100,000 sums per quarter. Is it rational to deduct 10-20 000 from this already modest amount of money?

According to the new rules, when switching to the NPD from 2021, not only ordinary citizens, but also sole proprietors will not have to pay insurance premiums. However, there will be no seniority at the same time, but you need to take care of your pension somehow.

According to this scheme, it is assumed that those who do not want to live in old age on social benefits alone will make the appropriate contributions voluntarily. Now their size for OSP is 32,448 soums. during the reporting period, but over time, this amount will only increase. Attention, these same people will receive medical care (if necessary), because contributions to the MHI will be automatically sent from the money provided by them.

The tax rate of the NPA

In most cases, the NPD (the interpretation and meaning of which does not change due to the name, just an English abbreviation is often found) provides one of two options for deductions, depending on the persons receiving goods or services from the payer:

4% if they are ordinary citizens of RUZ.;

25	ISSN 2277-3630 (online), Published by International journal of Social Sciences & Interdisciplinary Research., under Volume: 13 Issue: 05 in May-2024 <a href="https://www.gejournal.net/index.php/IJSSIR">https://www.gejournal.net/index.php/IJSSIR</a>
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6% - for individual entrepreneurs or companies of various OPF.

Current legislation stipulates that these figures will not increase until 2028, and the already mentioned profit limit of 2,400,000 will not be reduced.

There are also nuances in the form of a deduction for payers under certain circumstances. Its amount reaches 10,000 sums, moreover:

if the income is received as a result of transactions with individuals, 4% is reduced to 3%;

if you interact with sole proprietors or organizations, 6% turn into 4%.

And so on until the exhaustion of ten thousand; this happens automatically, you do not need to worry personally and sign or submit any additional documents. If it is not possible to spend all 10,000 in a year, the balance will be transferred to a subsequent billing period. In practice, it turns out that the rate for the first million profits is 3%.

What does this mode provide?

Paying the professional income tax (NAP) has a number of advantages when compared with other benefits. These are such advantages:

A quick and convenient transition – registration takes place via the Internet, you do not need to go to any offices, and your personal account has all the necessary functions and tools.

Work without unnecessary reporting and cash register management – declarations do not need to be submitted at all, this significantly saves time and effort.

You will not need to calculate the total amount for repayment yourself – the Federal Tax Service is responsible for calculating it.

Receipts are created directly in the mobile application – they can be easily redirected to customers immediately, in 1 click.

The rates are quite low – we remind you, they are 4% for individuals and 6% for sole proprietors and legal entities, and it is profitable.

A tax deduction is provided – and even 10 thousand soums are a good help, especially at the initial stages of business development.

Who has the right to use this mode?

In practice, the profession tax can be paid by both individuals and individual entrepreneurs who have decided to self-engage in their activities, that is, working without concluding an employment contract and hiring subordinates, as well as developing in the field provided for by law. And yes, not everyone can use it, but only those who meet certain conditions, which we are going to consider.

Limitation on the field of activity

If you rent a house, sell goods of your own manufacture, provide services in a remote format or drive a taxi, you will be able to receive reduced rates and all the other advantages listed above. But you will lose this right if you make a big deal for yourself (sell an apartment or a car) or start selling someone else's products. Other, non-special modes are relevant for these niches.

Income limit

You will be able to be taxed professionally only when the amount of annual profit does not exceed 2,400,000 sums. Otherwise, you will be considered too successful for benefits.

Restriction by region

Initially, only those sole proprietors and citizens who worked in one of the 4 zones of the "experiment", that is, in the Republic of Tatarstan, Moscow, the Moscow Region or the Kaluga Region, could use this scheme. To do this, they did not need their registration address or actual location to coincide with the place of business, and the latter could even be changed – once a year.

But since 2021, NPD has become available to all Russians without exception, so this limit has ceased to be relevant.

Who is suitable for such a tax regime?

People who:

26	ISSN 2277-3630 (online), Published by International journal of Social Sciences & Interdisciplinary Research., under Volume: 13 Issue: 05 in May-2024 <a href="https://www.gejournal.net/index.php/IJSSIR">https://www.gejournal.net/index.php/IJSSIR</a>
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- work remotely, including through electronic platforms, should use the NAP to their advantage.;
- sell products of their own manufacture;
- rent an apartment for both long-term and daily rent;
- transport passengers and/or cargo, including dangerous goods;
- provide cosmetic services at home;
- conduct photo shoots and video shooting;
- carry out repairs and construction of private facilities;
- provide legal advice, maintain accounting;
- organize holidays, corporate parties and other events.

As well as those who are engaged in any other fields that meet the conditions prescribed in the Law No. 422 dated November 27, 2018.

Which payments replace the tax on professional activity

Personal income tax for ordinary citizens, and sole proprietors, in addition, after switching to this regime, stop paying VAT, except in cases of imports of products in Uzbekistan; insurance premiums, the amount of which is fixed.

It is also convenient that there are no minimum, mandatory and any similar deductions for those who do not make a profit during the reporting period. But free medical care will be provided if necessary.

How to become a NAP payer

You just need to register – in the "My Tax" application, without the tedious paperwork, personal visit to the inspection office and verification. You can confirm your identity in one of the following ways:

- provide a scanned copy of your passport and a photo taken directly on your smartphone;
  - log in through the account of the Unified Portal of Public Services;
  - use the INN and password that open the personal account on the portal.
  - In addition, you can contact one of the authorized banks, although the Internet option is much more convenient and faster, because it will require literally a few minutes of your time.
- How foreigners can use NAPS

A citizen of another country who is going to work in Uzbekistan or is already developing his business is probably well-versed in the field of taxation. Therefore, it will not be difficult for you to tell this person about the benefits of a tax on professional income (what it is, why it is beneficial to apply it, and so on). But keep in mind that not everyone has the right to switch to this regime, but only residents of Kazakhstan, Belarus, Armenia and Kyrgyzstan, that is, members of the EAEU.

Those who wish also need to register – through a personal account or a mobile application – but they can only confirm their identity with a password and an INN. If they have not been received yet, it is enough to contact any inspection to correct the situation – they will be registered immediately, and an individual number will be assigned without delay.

After successful authorization, all the functions of the mode will be available in full.

How to calculate the amount of deductions

It is not necessary to carry out any calculation at all, and it is convenient. Changing rates, using deductions, controlling limits and other aspects are automated. It is only necessary:

- generate a receipt for a profitable transaction – within 30 calendar days after the purchase and sale;
- specify the payer and the amount of the receipt – before the 12th day of the following month;
- send the receipt to the customer and/or print it.
- After the second step, you will find out how much money you need to give, after the third you will be able to do it in the most suitable way for yourself.

How to pay tax on professional activity

Strictly on time – before the 25th of the month that follows immediately after the reporting month (relevant notifications with details must arrive before 12). If deductions are delayed, this will result in a fine of 20% of the amount of arrears.

You do not need to transfer an amount less than 100 sums, it will be automatically transferred to the next time. In the case when there was no profit, nothing is required to be repaid.

If, as a result of transactions, it is possible to gain more than 2,400,000 sums per year, it is no longer possible to use this mode – you will have to switch to another, not so preferential one.

Features of interaction of self-employed persons with organizations and sole proprietors

Now let's see what value professional tax has in practice, what it is, from the point of view of doing business. With its introduction, it has become more profitable for companies and individual entrepreneurs to contact individual performers than to hire people and conclude employment or GPH contracts with them. Because in this case, they do not need to deduct insurance premiums and personal income tax. It is the one who provided the service or sold the product who is responsible for making a profit and is the final payer, which is convenient for any company.

The business relationship is essentially the same as between two sole proprietors. To take into account all expenses, it is enough to conclude a contract and back up all transactions with acts or even ordinary electronic checks – today, more and more often they do without primary documentation at all.

How to register to use NPD

There are two options. The first is through the mobile application "My tax", for which you need:

- Download it for free on Google Play or AppStore;
- using it, show your passport to the camera so that the program automatically recognizes the data and fills out the application;

The second one is through the personal account of the user of the FTS website. There is a whole section for self-employed people on this portal and you can create your profile there directly from your computer without downloading anything. It is enough to use those identifiers (TIN and password) that have already been issued for making property deductions.

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