

SOME ASPECTS OF THE ACCOUNTING OF TAX PAYMENTS IN
COMMERCIAL BANKS

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Annotation. This article examines tax payments paid by commercial banks and their accounting and tax accounting issues.

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

Introduction

Improving the accounting and reporting of tax obligations in commercial banks plays an important role in ensuring economic growth and financial stability. In recent years, the tax system and banking sector in Uzbekistan have been modernized, new tax legislation and automation systems are being introduced. However, there are still some problems in the system of accurate calculation and reporting of tax payments by commercial banks. This situation creates the need for accurate and correct reporting of tax payments, as well as timely fulfillment of tax obligations.

Based on foreign experience, it is important to introduce advanced technologies and automation systems to improve tax accounting in commercial banks. In the USA and Europe, banks conduct tax reporting through digital platforms, which allows for quick and accurate reporting. Also, in China and Germany, banks support their activities with excellent internal tax control systems. These systems help reduce errors in tax payments and make reporting transparent.

In Uzbekistan, the use of automated systems and programs in banks is being expanded to improve the accounting of tax obligations. This process will help, in particular, to increase the efficiency of internal audit and control systems in banks. Also, updates to tax legislation should be implemented by banks in a timely manner, since their correct and timely fulfillment of tax obligations has a positive impact on the country's economic development.

The urgency of improving the accounting and reporting of tax obligations in commercial banks ensures not only financial stability, but also the competitiveness of the banking sector. Based on international and local experience, it is necessary to introduce technologies, hire qualified specialists and strengthen audit control in order to make the

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accounting of tax payments by banks more transparent and efficient. These measures will ensure the correct fulfillment of tax obligations and the accuracy of reporting.

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.

In accordance with the Resolution of the President of the Republic of Uzbekistan “On Additional Measures for the Transition to International Financial Reporting Standards”, the accounting of tax liabilities in commercial banks requires compliance with the requirements of IFRS (PR-4611, 2020). The reason is that the accounting of tax liabilities in banks is formed at the national level and does not fully comply with the procedure for the preparation and presentation of financial statements at the international level. Also, in 2021, in order to continue the preparation and transformation of the banking system in our republic for privatization, that is, the full sale of the state stake in at least one large bank to strategic investors, it will be necessary to compile reliable financial statements. This will largely require the correct and methodical formation of the accounting of tax liabilities in banks based on the requirements of IFRS.

The Tax Code of the Republic of Uzbekistan , a modern digital form of interaction with taxpayers is introduced, electronic information exchange between the tax authority and the banking system is improved when collecting (paying) taxes and fees, and the use of cash registers and virtual cash systems is further improved, as well as a unified procedure for collecting state duties and other fees is established (RCM-736, 2020).

Also, the financial reporting forms submitted by commercial banks to the state tax authorities were approved (Registration No. 3178 of the State Tax Service, 2019) The concept of tax liabilities has been given many definitions and different approaches by international and national economists and practitioners (auditors, accountants, analysts) in the field. It can be seen that all these definitions have a single goal, namely, tax liabilities are a set of rules aimed at maintaining accounting records and preparing financial statements.

We will mainly limit ourselves to international and national standard provisions in clarifying the concepts and definitions given in the tax liability account. We mean to say that we will try to respond to the sentence quoted above in the Presidential Decree.

Theoretical sources for calculating tax liabilities are mainly based on public finance, accounting concepts, and tax law. Fundamental theories in this area have developed in the following areas:

The theory of debt obligations and fiscal functions (Rosen & Gayer, 2008) states that

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taxes are mandatory government revenue, and their calculation serves to systematize financial relations between the state and business.

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

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.

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 (2012), "tax liabilities are considered tax expenses for enterprises."

According to EGDedkov (2010): Tax expenditures are accrued liabilities related to taxes.

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.

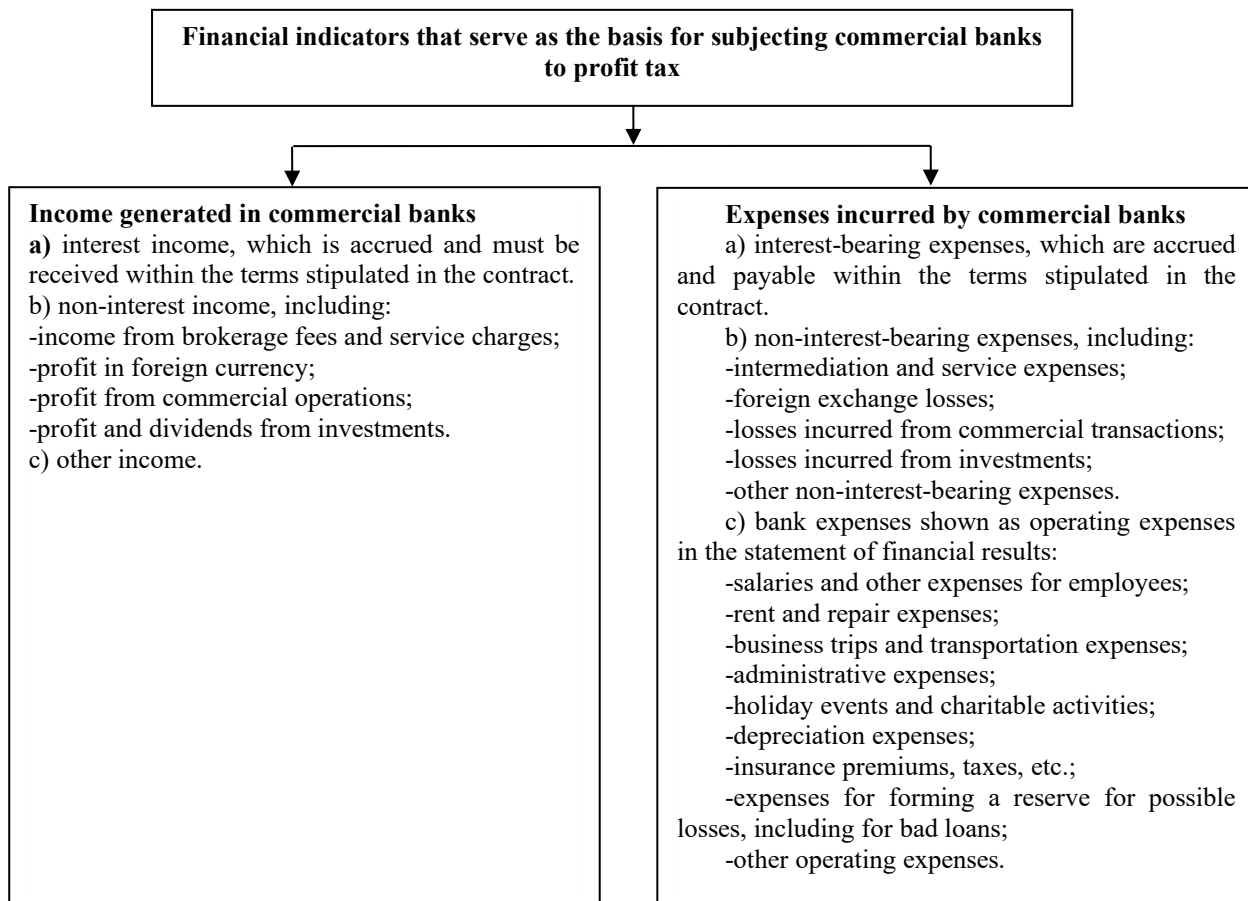
Analysis and results

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.

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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.

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. For the purpose of calculating profit tax, the income and expenses of commercial banks are reflected in the reporting period, regardless of the time of payment and the date of receipt of funds, and are divided into the following (Figure 1).



1. Financial indicators that are the basis for subjecting commercial banks to profit tax

The relationship of commercial banks with the state budget is based on the Tax Code of the Republic of Uzbekistan and a number of regulatory documents of the Central Bank. These documents are developed in accordance with the Laws of the Republic of Uzbekistan

"On Accounting", "On the Central Bank of the Republic of Uzbekistan", "On Banks and Banking Activities", and determine the procedure for calculating and paying taxes by commercial banks, as well as regulate the specific features of calculating and paying certain types of taxes to the budget by commercial banks. Commercial banks develop an accounting policy for each financial year and implement it using this policy when paying and calculating taxes and fees.

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.

In addition, commercial banks should not ignore the need to pay excise tax when importing excisable goods, to pay value added tax for taxable turnovers carried out by non-residents of the Republic of Uzbekistan, that is, to pay value added tax when using the services of non-residents, and also to pay tax at the source of payment without deducting the expenses associated with obtaining such income when transferring income not related to a permanent establishment of a non-resident of the Republic of Uzbekistan. In this case, income paid by banks and lessors of the Republic of Uzbekistan to foreign financial institutions on loans attracted to finance investment projects is not subject to tax.

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.

Dhaliwal D., Kaplan S. (2013) studied the impact of deferred tax liabilities on market capitalization of unprofitable American firms from financial statements. Using an econometric model, it was found that an increase in net deferred liabilities leads to a decrease in the value of the company's shares. The authors proved that under certain conditions KSA serves as a signal about the future performance of the company. According to US GAAP, a company has the right to reflect KSA if it is highly probable that taxable profit will be received in the future, if these assets can be covered. Consequently, investors perceive them positively, although the company reports losses in the current year. During

a crisis, investors perceive KSM as a negative signal, since they reflect the company's future tax payments and, accordingly, a decrease in profits.

Ghunter, D., Sansing, R. (2004) show that not all deferred taxes have a significant impact on market capitalization. It is found that current deferred tax assets and liabilities are more closely related to stock prices than long-term ones. The study by Poterba J. (2011) , in contrast to the above studies, is statistical in nature.

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.

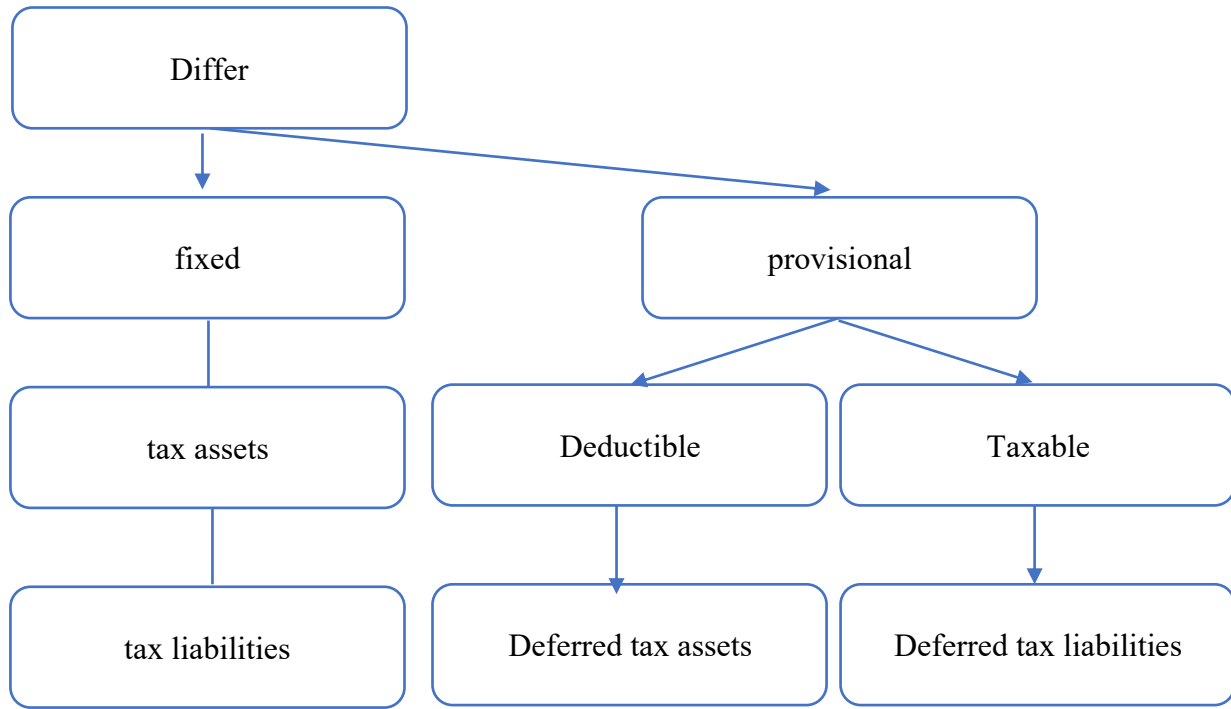
The difference between tax and accounting profit is due to different rules for accounting for assets and liabilities established by the Tax Code of the Republic of Uzbekistan and the Accounting Rules. In order for the amount of profit calculated under different rules to match, accounting should be included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

Depending on the type of temporary differences, there are deferred tax assets and liabilities. If the amounts of write-offs in the tax account are less than the accounting ones, assets arise. These are deductible temporary differences: $BH - SH > 0$. If the amounts of write-offs in the tax account are exceeded, a taxable difference or deferred tax liability arises: $SH - BH > 0$. Deferred tax liabilities most often arise in companies using the general tax regime. It is in these organizations that the rules that require the accounting of temporary differences and the reflection of the event in accounting apply.

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.



2. Differences between accounting and tax accounting

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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