

## ADVANTAGES OF TAX CREDITS IN INCREASING THE PROFITABILITY OF COMMERCIAL BANKS

<https://doi.org/10.5281/zenodo.10049079>

**Kuliev Naim Halimovich**

*Bukhara State University. Accounting and statistics  
associate professor of the department.*

**Abstract:** *This article deals with the changes aimed at creating market relations in the economy of our republic, implementation of monetary and credit policy, deficiencies in the mechanism of taxing the income (profit) of commercial banks and suggestions and recommendations aimed at their elimination.*

**Key words:** *financial policy, budget revenues, budget expenditures, tax policy, commercial banks, monetary policy, income (profit), tax mechanism, expenditure financing, tax burden.*

Changes aimed at creating market relations are being observed in the economy of our republic. Strengthening the independent financial policy of the budget system of the republic, carrying out a consistent tax policy that ensures the replenishment of budget revenues and encourages practical activity, as well as improving the poor financial condition of enterprises and organizations, especially commercial banks, and developing their entrepreneurial and investment activities, is intended to be formed by

Creation of a completely new banking system in the republic will make it possible to conduct an independent monetary and credit policy. The establishment of a two-tier banking system under the leadership of the Central Bank of the Republic of Uzbekistan corresponds to the needs of the republic to achieve economic independence and transition to market relations.

At a time when market relations are gradually forming and developing in the economy, the issues of generating income (profits) of commercial banks and regulating their activities are of particular importance. The formation of income (profit) of commercial banks mainly depends on the wide range of their activities, high-level service methods and several other problems. Today, the formation of the income of commercial banks, ensuring their high income (profit), improving the quality and reliability of the services provided by them, ensuring the liquidity of commercial banks and bank loans and deposits it is necessary to positively solve issues such as reducing the associated risk.

A positive solution to the issue of regulating their activities can be implemented mainly in two different ways. In particular, the Central Bank plays an important role in regulating the activities of commercial banks, and the economic regulations established by it are of great importance. At the same time, one of the most civilized ways to regulate the

activities of commercial banks is taxes. This economic instrument of regulation applies to all economic entities, including commercial banks.

There are several shortcomings in the mechanism of taxation of income (profit) of commercial banks. The intended results cannot be achieved through the use of tax incentives, their effectiveness does not fully meet the requirements of the market economy. The existence of such cases requires the need to continue scientific research in this area.

At the same time, several practical activities on tax doctrine are being conducted in the republic. In the central part of the financial policy, there are issues of gradual reduction of the tax burden on taxpayers, including commercial banks, development of production through tax relief, stabilization and balancing of macroeconomic indicators.

In fact, the trend of gradual reduction in income tax rates can be considered as one of the important things to reduce the tax burden for taxpayers. But despite this, there are various problems regarding determining the object of taxation of republican bank income. Although it has not been long since the tax on the income of commercial banks is fully collected to the budget, it has become clear that there are several shortcomings in this tax mechanism. It is very important to develop some suggestions for analyzing and solving these shortcomings.

There is no doubt that commercial banks must have sufficient income to finance their expenses. A certain part of these revenues is obtained by commercial banks by providing the following paid services:

- providing cash register service to customers;
- preparation and delivery of funds in advance for payment of wages to clients;
- providing customers with financial analysis;
- storage of valuable items of enterprises and residents;
- conclusion of various contracts on behalf of the client and based on his assignment;
- transfer of funds based on the client's order, etc.

We can witness that a lot of progress has been made in this regard in recent years.

To date, separate regulatory documents regulating the taxation of commercial banks have been developed in our country, and a taxation mechanism has been formed. But at the same time, the following are important for further improvement of the mechanism of taxation of commercial banks:

1. For commercial banks, instead of the current income tax, it is appropriate to introduce a profit tax, like other business entities, and to establish a differentiated rate depending on the composition of the income. In order to correctly solve the issues of taxation, when determining the economic nature of the profits of commercial banks, it should be taken into account that at least the following characteristics are characteristic of them:

- although commercial banks are not the owners of the accumulated funds, they invest these funds in the working capital of other operating economic entities and receive

profit in the form of interest. Therefore, interest is the main source of their profit, and a part of it is used to cover transaction costs;

- the profit of commercial banks always has the form of a separate commodity, that is, the form of money. That is why it never loses its commodity substance;

- the peculiarity of the profit of commercial banks is that if in the production sector transaction costs are covered by variable capital, then in commercial banks transaction costs are fully covered by interest. As a result, interest earned in commercial banks is formed as the difference between transaction costs.

2. It is expedient for the Central Bank of the Republic of Uzbekistan to reconsider the issue of payment of the fixed amount of fees for the compulsory reserves of commercial banks. The reduction of this amount leads to an increase in the free resources of commercial banks, which ultimately leads to an increase in the income of commercial banks, as well as an increase in tax revenues.

3. After the transfer of commercial banks to the profit tax, two main tasks are set before them: to provide the state budget with a certain amount of income, and at the same time not to extinguish their interest in the results of their activities. There should be a reasonable ratio between these two tasks so that it can be successfully performed in any situation. If more attention is paid to one of the two tasks, it will lead to failure of both tasks. For this, it is necessary to ensure that the tax rates on the profits of commercial banks are not high.

4. As a result of non-repayment of loans given by commercial banks, there are cases of compensation by sale of mortgaged property. In this case, the enterprise that did not provide the loan obligation when the pledge holder gives the pledge to the bank, after the pledge is sold, the commercial bank is considered the payer of value added tax. Exemption from value added tax on the sale of mortgaged properties is effective in financing the economy by quickly reimbursing resources spent on non-returned loans and re-giving these resources as loans to economic entities.

Analyzing the methods and methods of taxing income (profit), first of all, foreign and Uzbek economists and financial scientists and specialists show the scientific research works on economy, taxes, including taxes on income (profit). important indicators should be given importance. Laws adopted by the Oliy Majlis of the Republic of Uzbekistan, decisions of the Cabinet of Ministers of the Republic of Uzbekistan, normative documents of the Ministry of Finance of the Republic of Uzbekistan and the State Tax Committee of the Republic of Uzbekistan form the basis of the main methods and methodologies for taxation of commercial banks. .

Benefits excluded from the taxable base when calculating income tax in commercial banks are of great importance in their activity. As a result of these benefits, a part of the income of commercial banks is exempted from taxation, allowing them to increase their investment funds, update their fixed assets, introduce new technical means for service and work performance activities, and use these funds as a source of financial working capital,

will have the opportunity to increase.

Benefits excluded from the taxable base when calculating income tax in commercial banks are as follows:

- written, but not received interest on the given loans, where the unpaid interest is written off based on special instructions issued by the Central Bank of the Republic of Uzbekistan.

- the difference between the sale and nominal value of the shares issued by the bank (except for cases where the shares are sold during the formation of the charter capital, and the amount of such a difference is considered an additional investment of the bank);

- dividends received on shares, bonds and other securities belonging to the bank, where dividends are paid at the source of payment in the amount of 15% of the amount of the dividend, except for dividends on state securities and bonds;

- the difference between the sale and purchase prices of bank-owned securities, including government securities.

Also, commercial banks of the Republic of Uzbekistan are entitled to tax concessions according to the Tax Code of the Republic of Uzbekistan and income (profits) from the repair and restoration of cultural monuments;

- on the income from the repair and restoration of historical and cultural monuments;

- on incomes (profits) received from maintenance, repair and reconstruction of public highways;

Factors affecting the income of commercial banks can be divided into the following categories:

- interest received on loans granted (on loans granted to enterprises and organizations and on loans granted to other banks);

- income received from the foreign exchange market and securities transactions;

- commissions received from services rendered to clients and banks;

- received fines and fines;

- other income.

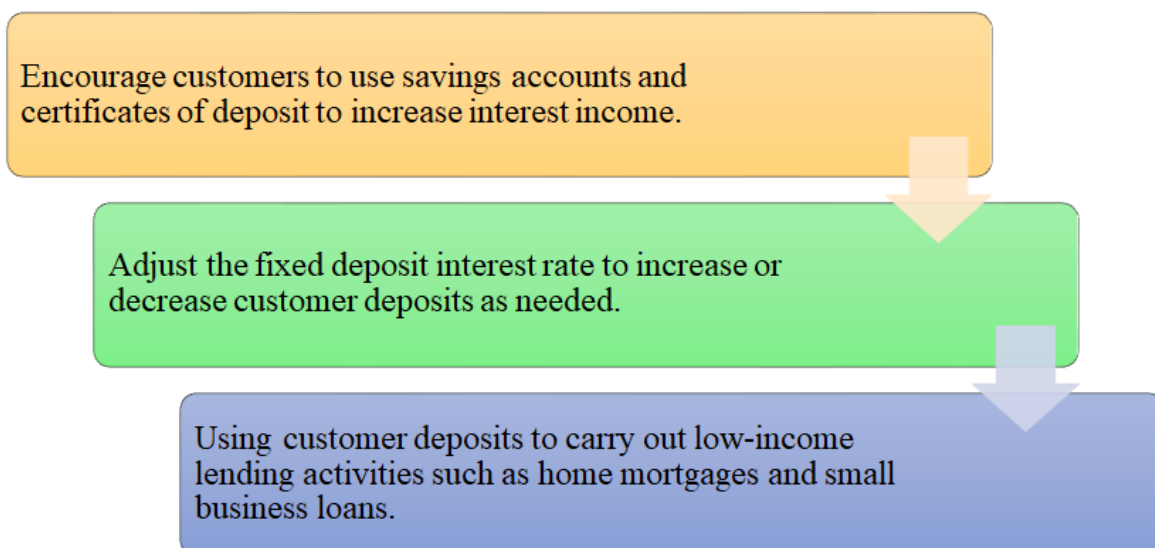
Improvement of taxation of income (profit) of commercial banks should be implemented in several directions. It is appropriate to change the object of taxation in the mechanism of taxation of income: (profit) of commercial banks. "Transition from income tax to tax on profits will create opportunities for production while reducing the tax burden." The increase in the amount of retained earnings will not only strengthen their financial situation, but the main production at their own expense will be created to meet the requirements of an important economic direction. It also leads to the provision of loans to enterprises and organizations and further development of investment activities, which serves as a basis for structural changes in production in terms of production and technology.

Accordingly, we believe that the object of taxation in commercial banks should be

their profit, not their income.

Because usually the salary is valid as an expense until it appears as income. Salary can never and never be considered profit from the point of view of the interests of commercial banks. This indicator can be considered as income only for bank employees.<sup>16</sup>

Based on the above, we would like to give the following suggestions and recommendations to increase the profitability of commercial banks<sup>17</sup>:



If the above-mentioned ideas and considerations are applied in the activity of commercial banks, the tax burden will decrease, the profitability, efficiency, and capital adequacy indicators of banks will be higher than the established norms.<sup>18</sup>

#### REFERENCES:

1. <https://ibec.int/upload/uf/ab6/strategiya-razvitiya-na-2021-2025-gg-dlya-publikacii.pdf>
2. <https://www.hse.ru/data/477/158/1236/Kniga-Rasvor%5B1%5D.pdf>
3. [file:///C:/Users/user/Downloads/eurasia\\_policyrus%20\(2\).pdf](file:///C:/Users/user/Downloads/eurasia_policyrus%20(2).pdf)
4. <https://depozit.uz/news/tolov-tizimlari-sohasida-savollarga-mutaxassisning-javoblari>
5. <https://uz.wikipedia.org/wiki/Blokcheyn>
6. <https://hamkorbank.uz/uz/about-bank/korporativ-boshqaruv/>
7. Исомов Б. С., Кулиев Н. Х. ИНВЕСТИЦИИ В УСЛОВИЯХ РЫНОЧНЫХ ОТНОШЕНИЙ //Вестник науки и образования. – 2021. – №. 6-2 (109). – С. 22-24.
8. Bakayeva M. The Role of Islamic Finance in the Capital Market in Uzbekistan //ЦЕНТР НАУЧНЫХ ПУБЛИКАЦИЙ (buxdu. uz). – 2022. – Т. 11. – №. 11.

<sup>16</sup> <https://www.syntellis.com/blog/take-these-5-steps-greater-profitability>

<sup>17</sup> <https://www.syntellis.com/blog/take-these-5-steps-greater-profitability>

<sup>18</sup> <https://finmodelslab.com/blogs/profitability/commercial-bank-profitability>

9. Bakayeva M. THE IMPACT OF TAX AND CUSTOMS PRIVILEGES ON THE PROSPERITY OF THE POPULATION //ЦЕНТР НАУЧНЫХ ПУБЛИКАЦИЙ (buxdu. uz). – 2022. – Т. 11. – №. 11.

10. Bakayeva M. ЎЗБЕКИСТОНДА ЭКОЛОГИК ТУРИЗМ САЛОҲИЯТИДАН САМАРАЛИ ФОЙДАЛАНИШ ИМКОНИЯТЛАРИ //ЦЕНТР НАУЧНЫХ ПУБЛИКАЦИЙ (buxdu. uz). – 2022. – Т. 12. – №. 12.

11. Gulchehra N. BOSHQARUV QARORLARINI QABUL QILISH TEXNIKASI //ЦЕНТР НАУЧНЫХ ПУБЛИКАЦИЙ (buxdu. uz). – 2023. – Т. 33. – №. 33.

12. Qayimova Z. CURRENT STATUS OF DEVELOPMENT OF GLOBALFLOWS OF FOREIGN INVESTMENT //ЦЕНТР НАУЧНЫХ ПУБЛИКАЦИЙ (buxdu. uz). – 2022. – Т. 24. – №. 24.

13. Bakayeva M. ҚР АУЫЛ ШАРУАШЫЛЫҒЫН МЕМЛЕКЕТТИК РЕТТЕУ ЖӘНЕ ҚОЛДАУ ТЕТІГІН ТАЛДАУ //ЦЕНТР НАУЧНЫХ ПУБЛИКАЦИЙ (buxdu. uz). – 2023. – Т. 40. – №. 40.