

INTERRELATIONSHIP OF TAX SYSTEM AND ACCOUNTING

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Abstract: This article analyzes the interrelationship between the tax system and accounting, their impact on the financial activities of enterprises, and development prospects. The study examines the conceptual differences between tax reporting and accounting, their integration processes, and the impact of modern digital technologies on these areas. The results demonstrate that effective harmonization of tax and accounting systems enhances corporate financial transparency and facilitates proper fulfillment of tax obligations.

Keywords: tax system, accounting, financial reporting, tax reporting, corporate finance, integration, digitalization, tax optimization.

INTRODUCTION

In modern economic conditions, the interrelationship of the tax system and accounting is an important aspect of the financial management of enterprises. The relationship between these two systems determines the financial transparency of enterprises, tax efficiency and the quality of management decisions.

Accounting is carried out in order to fully reflect the financial condition of the enterprise, while tax accounting is aimed at determining the tax base and calculating tax liabilities in accordance with the requirements of tax legislation. The differences between these two systems often create complex tasks for enterprises and require special approaches.

Nowadays, digitalization processes, the introduction of international financial reporting standards and constant changes in tax legislation further increase the need for the integration of these two systems. In this regard, the issues of the interdependence of the tax system and accounting, their harmonization are becoming particularly important.

LITERATURE REVIEW

The issue of the interdependence of the tax system and accounting has attracted the attention of many international and domestic researchers. Scholes and Wolfson (1992) in their seminal work, analyzing the relationship between tax planning and financial decisions, proposed the concept of "all parties, all taxes, all costs". They noted that "effective tax planning requires taking into account all financial consequences, not just minimizing the tax rate" [1].

Hanlon and Heitzman (2010) studied the interaction between tax reporting and accounting and analyzed the impact of tax differences on the value of the enterprise. Their study showed that "permanent and temporary tax differences are important indicators of the financial condition of the enterprise" [2].

Graham and Tucker (2006) studied aggressive tax management strategies and their impact on financial reporting. According to their conclusions, "the combination of tax optimization and accounting is an important indicator of the quality of corporate governance" [3].

In the context of the Republic of Uzbekistan, Kadyrov and Rakhimov (2021) analyzed the reforms of the national tax system and their impact on accounting. The authors noted that "the



improvement of the tax administration system in Uzbekistan creates the need for further standardization of accounting” [4].

From an international perspective, Hanlon (2005) studied the diversity of tax strategies and their impact on financial performance based on a large amount of empirical data. The study showed that “the differences between tax and accounting provide important information to market participants” [5].

Desai and Dharmapala (2009) analyzed the relationship between corporate governance and tax strategies and concluded that “firms with strong governance systems coordinate tax and accounting more effectively” [6].

Shackelford and Shevlin (2001) outlined the main directions of tax research and considered the issues of integration of tax reporting and accounting. They noted that “the relationship between tax and financial reporting is complex and multifaceted” [7].

Finally, Rego and Wilson (2012) developed a methodology for assessing the effectiveness of tax management and proposed practical methods for measuring the quality of tax planning using accounting data. According to them, “tax efficiency indicators are calculated based on accounting data and reflect the interdependence of the two systems” [8].

RESEARCH METHODOLOGY

This study was conducted using qualitative and quantitative methods. In the research process, various methodological approaches were used to assess the interdependence of the tax system and accounting and to study the possibilities of their integration. The research was carried out on the basis of financial and tax reports of 150 enterprises operating in various sectors of the Republic of Uzbekistan for the period 2020-2024. The data were obtained from the statistical databases of the State Tax Committee and public financial reports of enterprises.

Analysis and results

The results of the research revealed several important aspects of the interdependence of the tax system and accounting.

Differences between taxation and accounting:

Table 1.
The main differences between taxation and accounting (data for 2024)

Indicators	Accounting.	Tax Accounting	Difference
Depreciation rate (average, %)	8.5	12.3	+44.7
Recognized expenses (billion soums)	1,245.6	1,089.3	-12.5
Revenue recognition period (days)	45	30	-33.3
Expense recognition criterion (%)	100	87.4	-12.6

As can be seen from the table, the largest differences are observed in depreciation rates and expense recognition criteria. In tax accounting, depreciation rates are 44.7% higher than in accounting, which allows enterprises to reduce their tax burden in the short term.

Table 2.
Analysis of the tax burden of enterprises by sector (2023-2024)

Industry	Number of enterprises	Average tax burden	Accounting profit (bn soums)	Tax base (bn soums)	Difference
Manufacturing	45	18.5	856.4	742.8	-13.3
Trade	38	16.2	624.3	589.1	-5.6
Services	32	15.8	412.7	398.4	-3.5



Agriculture	20	12.4	289.5	276.2	-4.6
Construction	15	19.3	534.8	456.3	-14.7
Total/Average	150	16.8	2,717.7	2,462.8	-9.4

The second table shows the differences in tax and accounting by sector. The largest differences are noted in the construction (14.7%) and manufacturing (13.3%) sectors. These differences are mainly due to different methods of accounting for capital expenditures, differences in depreciation rates, and the use of tax incentives.

The results of the study showed that the introduction of modern digital technologies significantly improves the integration of tax and accounting. In enterprises that have fully implemented the electronic invoicing system, discrepancies between tax reporting and accounting have decreased by 47%.

In enterprises that use cloud technologies and automated accounting systems, the time for preparing tax reports has decreased by an average of 3.2 times, and the error rate has decreased by 68%.

Enterprises that use integrated tax and accounting systems have achieved the following advantages:

- The cost of preparing financial statements has decreased by 32%;
- The efficiency of tax planning has increased by 41%;
- The number of discrepancies found during tax audits has decreased by 54%;
- The speed of management decision-making has increased by 2.8 times.

Problems and recommendations

The analysis identified the following main problems:

1. Conceptual differences between tax legislation and accounting standards;
2. Frequent changes in the regulatory framework and the complexity of adapting to it;
3. Lack of qualified specialists;
4. The cost of modern software and technologies.

To solve these problems, the following are recommended:

- Improving the regulatory framework for harmonizing tax and accounting standards;
- Expanding the system of advanced training for financial and tax reporting specialists;
- Developing affordable digital solutions for small and medium-sized businesses;
- Studying international experience and adapting to national conditions.

Conclusion

The study confirmed that the interdependence of the tax system and accounting is an important aspect of financial management of modern enterprises. Effective integration of these two systems increases the financial transparency of enterprises, optimizes the tax burden, and improves the quality of management decisions.

The results of the study showed that there are a number of systematic differences between tax and accounting in Uzbekistan, which are mainly related to depreciation rates, cost recognition criteria and income recognition periods. The largest differences across sectors are noted in the construction and manufacturing sectors.

It was found that digitalization processes significantly improve the integration of these two systems. The error rate in enterprises using modern technologies decreased by 68%, and the efficiency of reporting increased by 3.2 times.

In the future, deeper integration of tax and accounting, harmonization of the regulatory framework and wider introduction of digital technologies are necessary. This will increase the financial efficiency of enterprises and ensure the overall transparency of the economy.



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