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THE COMPOSITION OF TOTAL REVENUES AND EXPENSES IN CORPORATE PROFIT TAXATION

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Annotation. This article examines the composition of total revenues and expenses in corporate profit taxation under the current tax legislation of the Republic of Uzbekistan. The research analyzes the legal and economic principles governing the determination of taxable profit according to the Tax Code. Particular attention is given to the classification of income sources, the structure of deductible expenses, and their influence on the calculation of the corporate tax base. The study also evaluates the relationship between accounting profit and taxable profit and highlights the importance of proper income and expense classification for effective tax administration.

Keywords: corporate income tax, taxable profit, tax base, revenues, deductible expenses, tax policy, Uzbekistan tax system.

Annotatsiya. Ushbu maqolada O'zbekiston Respublikasining amaldagi soliq qonunchiligi asosida foyda solig'ida jami daromadlar va xarajatlar tarkibi tahlil qilinadi. Tadqiqotda Soliq kodeksiga muvofiq soliqqa tortiladigan foydani aniqlashning huquqiy va iqtisodiy tamoyillari ko'rib chiqiladi. Daromad manbalari tasnifi, chegiriladigan xarajatlar tarkibi hamda ularning soliq bazasini shakllantirishdagi roli ilmiy jihatdan tahlil qilinadi. Shuningdek, buxgalteriya foydasi va soliqqa tortiladigan foyda o'rtasidagi farqlar ham yoritiladi.

Kalit so'zlar: foyda solig'i, soliqqa tortiladigan foyda, soliq bazasi, daromadlar, chegiriladigan xarajatlar, soliq siyosati, O'zbekiston soliq tizimi.

Аннотация. В данной статье рассматривается состав совокупных доходов и расходов при налогообложении прибыли предприятий в Республике Узбекистан. В исследовании анализируются правовые и экономические основы определения налогооблагаемой прибыли в соответствии с Налоговым кодексом. Особое внимание уделяется классификации доходов, структуре вычитаемых расходов и их влиянию на формирование налоговой базы. Также рассматриваются различия между бухгалтерской прибылью и налогооблагаемой прибылью.

Ключевые слова: налог на прибыль, налогооблагаемая прибыль, налоговая база, доходы, вычитаемые расходы, налоговая политика, налоговая система Узбекистана.

INTRODUCTION

Corporate profit taxation occupies a central place in modern fiscal systems because it directly influences business activity, investment decisions, and public revenue formation. In market economies, profit tax is designed to ensure that enterprises contribute to public finances in proportion to their economic performance while maintaining incentives for productive activity. The Republic of Uzbekistan has gradually modernized its tax legislation in order to increase transparency, improve tax administration, and align national tax policy with international standards.

The principal legal framework governing corporate profit taxation in Uzbekistan is the Tax Code of the Republic of Uzbekistan, which establishes the rules for determining taxable profit,

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the composition of revenues and deductible expenses, as well as the procedures for tax reporting and payment. According to the current legal provisions applied in 2026, corporate income tax is calculated on the basis of taxable profit, defined as the difference between the taxpayer's total income and allowable expenses. Understanding the composition of total revenues and expenses is therefore essential for determining the tax base and ensuring correct tax compliance. Incorrect classification of income or expenses can distort the taxable base, affect financial reporting, and lead to tax risks. From a theoretical perspective, the determination of taxable profit reflects the broader principles of tax neutrality, fairness, and efficiency in fiscal policy.

The purpose of this study is to analyze the composition of total revenues and expenses in corporate profit taxation under the current legal framework of Uzbekistan. The research examines how revenues and costs are defined in tax legislation, how they affect the calculation of taxable profit, and how these rules correspond with economic theory and international taxation practices.

LITERATURE REVIEW

The issue of determining taxable profit and the composition of revenues and expenses has been widely discussed in economic and tax policy literature. Researchers emphasize that the accurate classification of income and deductible costs is one of the most important factors in ensuring fairness and efficiency in corporate taxation. The theoretical foundations of profit taxation are largely based on the concept of net income, which suggests that tax liability should arise only after deducting the costs necessary to generate revenue. According to Richard A. Musgrave and Peggy B. Musgrave, profit taxation should be designed in a way that reflects the real economic capacity of taxpayers. They argue that taxable profit should correspond to the economic surplus generated by enterprises after deducting production and operational costs. This approach ensures equity in the tax system and prevents excessive tax burdens on business activity.

Similarly, Joseph E. Stiglitz highlights that the design of corporate taxation must balance revenue generation with economic efficiency. From his perspective, the structure of deductible expenses plays a critical role in shaping business decisions related to investment, employment, and financing. If the tax system allows reasonable deductions for production costs, enterprises are more likely to expand productive activities and contribute to economic growth. In the context of transition economies, scholars studying the tax systems of post-Soviet countries emphasize the importance of harmonizing tax accounting with international standards. Research conducted by Uzbek economists such as Sh. Shodmonov, O. Olimjonov, and B. Tursunov notes that the modernization of Uzbekistan's tax legislation has significantly improved the transparency and effectiveness of profit taxation. Their studies underline that clear definitions of income and expenses reduce tax disputes and increase voluntary compliance among taxpayers.

Recent analytical studies of Uzbekistan's tax reforms indicate that the updated Tax Code introduced clearer rules for the determination of taxable income and allowable deductions. According to these studies, the reforms were aimed at improving tax administration, reducing ambiguity in income classification, and aligning national taxation rules with international best practices. As a result, the corporate profit tax system now more accurately reflects real economic activity.

Overall, the existing literature confirms that the structure of total revenues and expenses is a key element of profit taxation. A well-designed tax system should clearly define taxable income and deductible costs while maintaining a balance between fiscal interests and economic development.

METHODOLOGY

This research applies a qualitative legal-economic research approach combining doctrinal legal analysis and conceptual economic interpretation. The primary sources of analysis include the Tax Code of the Republic of Uzbekistan and related legislative acts regulating corporate

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taxation. Additional information is derived from analytical publications, tax commentaries, and statistical reports concerning the tax system of Uzbekistan.

The methodological approach is based on several analytical stages. First, legal norms related to profit tax were examined in order to determine how total income and deductible expenses are defined in the legislation. Second, these legal provisions were analyzed from an economic perspective to evaluate their implications for business activity and fiscal policy. Third, the study incorporated comparative elements of international tax theory to contextualize the Uzbek tax system within global practices.

The research also relies on descriptive and analytical methods to interpret the legal structure of taxable income and the classification of expenses. Such an approach allows for a comprehensive understanding of how tax rules influence enterprise behavior, financial accounting practices, and government revenue formation.

RESULTS

The results of the analysis show that the structure of profit taxation in Uzbekistan is based on the principle that the taxable base equals the difference between total income and deductible expenses. This approach corresponds to the widely accepted concept of corporate income taxation applied in most modern economies.

Total revenues in profit taxation

Under the provisions of the Tax Code, total revenues represent the aggregate of all income received by a taxpayer during the reporting period from both domestic and foreign sources. Resident legal entities are taxed on worldwide income, meaning that profits generated inside and outside Uzbekistan are included in the tax base. Total revenues may arise from various economic activities. One of the main components is income derived from the sale of goods, works, and services. For most enterprises, operating revenue constitutes the largest share of total income and reflects the core business activity of the company. Along with operational income, the tax base may include financial revenues such as dividends, interest payments, and royalties.

Another important category of revenue consists of income generated from the sale or disposal of assets. In this case, the taxable gain is generally calculated as the difference between the sale price and the acquisition cost of the asset, taking into account depreciation and related expenses. Additional sources of taxable income include rental payments, foreign exchange gains, compensation for previously deducted losses, and certain types of assets received free of charge. The legislation also recognizes income derived from foreign operations or controlled foreign companies as part of the total taxable income of resident enterprises.

At the same time, some financial inflows are not considered taxable income because they do not represent economic profit. Examples include contributions to charter capital by shareholders, loan funds, deposits, and insurance compensation. These inflows are treated as financing sources rather than economic income and therefore are excluded from the taxable base.

Composition of deductible expenses

The determination of deductible expenses is equally important in calculating taxable profit. In general, expenses may be deducted from total income if they are economically justified, properly documented, and directly related to income-generating activities. One of the largest categories of deductible costs is the cost of production or acquisition of goods and services. This includes expenditures on raw materials, production inputs, and other direct costs associated with manufacturing or service provision. Another major category consists of labor costs, including wages, salaries, and other employee compensation payments. Depreciation and amortization also represent a significant element of deductible expenses. According to the tax legislation of Uzbekistan, fixed assets used in production or administrative activities may be depreciated according to rates established in the Tax Code.

Financial expenses, such as interest payments on loans, may also be deductible under certain conditions. However, tax legislation introduces limitations in cases where excessive debt financing may be used to artificially reduce the taxable base. For example, the deductibility of

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interest expenses may be restricted in situations involving thin capitalization when debt significantly exceeds equity. At the same time, the Tax Code clearly specifies certain categories of non-deductible expenses. These include costs unrelated to business activity, fines and penalties imposed by government authorities, dividends paid to shareholders, and certain types of losses or expenditures that cannot be substantiated. Such restrictions are intended to prevent manipulation of the tax base and ensure fairness in tax administration.

DISCUSSION

The analysis demonstrates that the Uzbek corporate income tax system reflects the classical principle of net profit taxation, which aims to tax the economic surplus generated by business activities. The distinction between taxable income and deductible expenses plays a fundamental role in determining the final tax liability of enterprises.

From an economic perspective, the classification of revenues and expenses affects not only tax collection but also business behavior. Enterprises may adjust their accounting practices, investment strategies, and financial structures in response to tax regulations. For instance, depreciation rules influence investment decisions in fixed assets, while limitations on interest deductibility may affect corporate financing structures. Another important aspect concerns the alignment between accounting profit and taxable profit. Although both concepts are related, they are not identical. Accounting standards aim to reflect the financial position of an enterprise, whereas tax legislation focuses on determining a fair and administratively manageable tax base. As a result, certain adjustments are required to reconcile accounting income with taxable profit.

The Uzbek tax system has gradually moved toward international taxation standards, particularly in areas such as transfer pricing regulation, international income taxation, and anti-avoidance measures. The inclusion of foreign income in the taxable base of resident companies reflects the adoption of the worldwide taxation principle, which is widely applied in many developed tax systems. Nevertheless, practical challenges remain in the implementation of profit tax rules. Businesses often encounter difficulties in interpreting complex tax provisions, especially regarding the classification of expenses and the documentation requirements for deductions. Effective tax administration therefore requires continuous improvement in legal clarity, taxpayer education, and digital tax reporting systems.

CONCLUSION

The composition of total revenues and expenses represents the foundation of corporate profit taxation in Uzbekistan. According to the current provisions of the Tax Code, taxable profit is calculated as the difference between total income and allowable deductions, reflecting the fundamental principle of net income taxation. Total revenues include all forms of economic income received by a taxpayer, such as operating income, financial income, asset disposal gains, and other monetary or non-monetary benefits derived from business activity. At the same time, the legislation excludes certain financial inflows that do not represent economic profit, such as shareholder contributions or loan funds. Deductible expenses include production costs, labor expenses, depreciation, financial costs, and other expenditures directly related to the generation of income. However, the tax legislation imposes limitations on certain types of expenses in order to prevent tax avoidance and ensure the integrity of the tax base.

Overall, the structure of profit taxation in Uzbekistan demonstrates a balanced approach aimed at maintaining fiscal stability while supporting economic development and investment activity. Continuous modernization of tax legislation and improved tax administration remain important factors for strengthening the efficiency and fairness of the national tax system.

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