

# International Models of Accounting and Tax Accounting

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## Abstract

This article is devoted to the research of foreign practice of accounting. In addition, it substantiates the compliance of the tax accounting with international practice.

**Key words:** Accounting, tax accounting, accounting models, national model of accounting, international model of accounting, double-entry book-keeping, tax payments.

**DOI:** 10.7176/EJBM/11-9-03

**Publication date:** March 31<sup>st</sup> 2019

## Introduction

Currently, when development process are rapidly going on in all spheres it is crucially important to study from the theoretical point of view the world experience in applying various model of tax accounting which is considered to be quite a new area in accounting. When studying general accounting models it is necessary to distinguish the concepts of “accounting model”, “national model of accounting” and “international model of accounting”.

The model is a means of obtaining information about a particular system, and is understood as a system that is either of a material or mental character (Kuang, 2006).

Thus the concept “model” implies presentation of the idea of a particular feature of the ongoing system.

The accounting model has a more comprehensive interpretation than it is represented in the national accounting system. National accounting models differ in the peculiarities of ongoing economic, political, social and other processes. In reliance upon scientific nature of the accounting model, it was originally created by Italian mathematician Lucas Pacholi. This model is called “double-entry” and currently constitutes the basis of modern accounting (Pacholi, 2009).

Since the second half of the 20th century, economists have been carrying out researches on accounting models and analyzed them according to several criteria. Two approaches - deductive and inductive views - have been developed on the basis of the results of these researches.

Deductive approach studies the impact of external factors on the formation and development of the accounting model. In many countries, economic, political, social, and other conditions are similar and can affect the accounting system.

**Analysis and discussion.** Gilbert Holdfield, the founder of the deductive approach proposed classification of accounting in Western countries according to three methods: American, British and continental, in addition having developed explanation thereto.

A number of Chinese economists, including professors Lee Sinxe (University of Nanjing) and Tan Junvey (Shanghai University) and some others expressed an opinion that the following factors can influence the accounting system (Suan, 2005):

- 1) Political factors;
- 2) Legal factors;
- 3) Economic factors;
- 4) International factors;
- 5) Cultural factors;
- 6) Factors connected with education;
- 7) Factors connected with the proficiency in accounting.

In Chinese research papers contain “Mugo” and “Mother of the state”, which means that certain countries by maintaining economic, political and cultural cooperation can make a significant impact on it legal framework, and accounting system as well.

According to the opinions of the researchers, “Mother of the state” concept implies the following:

- The USA model has influenced the accounting models and accounting systems of Mexico and South America;

- Great Britain which model constitutes the basis for the principles of accounting for Australia and India;

- France which model, based on the Napoleon code, has adopted the civilian codes of South European and South American countries and is still considered to be valid and effective (Liu, 2006).

The accounting system worldwide is divided into the following major models:

- Continental (European model);
- Anglo-American model;
- South American model;

- The Islamic model of accounting

The classification of three models of accounting in Russia was created by G.Miik, G.Mueller, H.Gernon. They proposed the following basic models (Miik et al, 1996):

- Anglo-American model (the USA, Great Britain, the Netherlands, Australia, Canada, etc.);
- Continental model (Germany, France, Austria, Belgium, Greece, Denmark, Spain, Russia, Switzerland, Japan, etc.);
- South American model (Argentina, Brazil, Chile, Ecuador, Paraguay, Peru, etc.).

The main objective of accounting in the continental model is not to satisfy the interests of investors, but to determine and calculate a taxable base in accordance with compulsory state standards. In addition, legal norms, rules, and statutory acts have a principal character. The executive authority of the accounting system is supervised by the government. The inductive approach represents an alternative to the deductive approach which is primarily based on statistical methods of the economic analysis. In this regard researches are carried out by major international companies (such as KMPG, Price Waterhouse Coopers, Ernst & Young, Deloitte&Touche Tohmatsu).

Z.N. Kurbanov in his research paper expressed the following point of view on the continental model: “In the continental model, the accounting system is formulated and operated on the principles of direct taxation. When this model is organized, the indicators of financial accounting comply with the indicators of tax accounting. Therefore the “continental” model is frequently called “tax” model (Kurbanov, 2012).

Based on the study of scientific literature and economic literary sources, we have made the conclusion about the availability of Anglo-American, Continental, South-American, Islamic and international models, and their peculiarities are summarized in Table 1. At the end of the 20th century as a result of the analytical and comparative research on accounting models, there appeared necessity to create new models of accounting. New methodological approaches on the development of new accounting models that meet the requirements of globalization and information processes in the world are being developed.

**Table 1**

**International accounting models**

<b>Models</b>	<b>Peculiarities of models</b>
Anglo-American	Aimed at benefits of investors, lenders and shareholders
Continental	High degree of interference of the state enterprises in the accounting policy
South American	Aimed at implementing fiscal policy of public authorities
International	Aimed at benefit of transnational corporations and participants of foreign exchange market
Islamic	High degree of religious factors. Aimed at prohibiting speculative income and other activities

In the opinion of I.V.Kiseleva and N.V.Kulish, a new accounting model can also be called “integration-technological” model. Its essence is that an economic entity transforms the information into the single information space with the help of modern IT application (Kiseleva, 2017).

The main aim of the research of accounting models was to determine their types or structural components. If previously financial and managerial accounting were considered to be structural units of accounting in terms of the International Financial Reporting Standards (IFRS), further in the subsequent period in economic literary sources new concepts of “tax accounting” and “accounting of tax payments” appeared as a lower level of the accounting system.

In these regard, the majority of scientists in economics recognize financial accounting, managerial accounting and tax accounting as a separate type and subsystem of the general accounting.

In particular, from the point of view of O.N.Volkova, «As a result of the development and sophistication of the tax system in the developed countries, there occurred necessity to conduct an accurate accounting of a taxable base. Both, the state, proprietors and managers believe that single and objective information for such accounts is the data on the counting consolidated in compliance with generally-accepted principles. Consequently, a tax accounting appeared in this regard” (Volkova, 2006).

As Ya.V.Sokolov and V.Ya.Sokolov notice, «The single accounting has been divided into financial accounting and managerial accounting. Moreover, the accounting of small enterprise separated from it. Beginning from 2002 tax accounting will be officially announced in our country”. Thus, according to their opinion, «Current stage (since 1950) has resulted in the development of views on interpreting the balance in terms of dynamics and statics. The evolutionary methods of dynamic interpretation and calculation have led to the creation of a managerial accounting, whereas statistical interpretations have led to the emergence of International Financial Reporting Standards (IFRS) and national system of the Chart of Accounts (Sokolov, 2004)

I.V.Kiseleva and N.V.Kulish expressed the following opinion on the formulation and development of the tax accounting: “Tax accounting as a new type of the accounting appeared in economically active countries as a result of improving tax legislation and enhancing requirements on transparency, completeness and accuracy of the data represented in financial reporting. Tax accounting represents the system with its peculiar methods, regulations and rules for making records and assessment” (Kiseleva, 2017).

From the point of view of Z.N.Kurbanov, “Emergence of tax accounting is the result of interrelation of accounting (financial accounting) and taxation system”(Kurbanov, 2016).

According to the benefits of the users of the information, accounting is divided into three types: financial accounting, managerial accounting and tax accounting, each of them possesses its own aim, objective, object, subject and method” (Kurbanov, 2016).

Under current conditions, differentiated aspect of the accounting is being developed instead of integration of the accounting. In this regard, occurrence of new types of accounting, in particular, tax accounting is the result of progress of scientific knowledge and concepts.

The results of the researches carried out in this area demonstrate, that the concept of tax accounting has various interpretations provided in statutory acts and by economists, scientists and representative of the practical field. In particular, the Article 313 of Chapter 25 of the Tax Code of Russian Federation gives the following definition to the concept of tax accounting: “Tax accounting is the system of generalizing information to determine a taxable base for tax on the basis of data of primary documents, grouped in accordance with the procedure provided for in this Code” (Tax Code, 2005).

Article 39 of the Tax Code of the Republic of Uzbekistan defines tax accounting as it follows: “The object of taxation and objects related to taxation for each type of tax and other compulsory payments are determined in accordance with the specific part of this Code. Revenues of taxpayers and corresponding deductions on them for the calculation of taxes and other compulsory payments are reflected in the reporting period to which they relate, regardless of the time of payment and the date of receipt of money (accrual method).

Property accounting is carried out in accordance with the legislation on account” (Tax Code, 2018).

In this regard, clause 43 of the Tax Code provides the following definition to the “tax reporting” concept: “Tax reporting is a document of the taxpayer which includes calculations and tax returns for each type of tax and other compulsory payments or income paid, as well as an attachment to the calculations and tax returns, is prepared in accordance with the form approved by the State Tax Committee of the Republic of Uzbekistan and the Ministry of Finance of the Republic Uzbekistan (Tax Code, 2018).

Z.N.Kurbanov defined the concept “tax accounting” as it follows: “Tax accounting is the system of recording the data required for compiling tax reports and determining a taxable base for taxes and other compulsory payments paid by economic entities” (Kurbanov, 2012).

From the definition given it is obvious that the object for tax accounting is taxes and other compulsory payments. Proceeding from this we will consider the essence of concepts of “tax payments”, “tax payers”, “large tax payers” and “tax liabilities”.

Article 12 of the Tax Code of the Republic of Uzbekistan states that “Taxes represent compulsory payments to the budget established by this Code, charged in certain amounts, of a regular, irrevocable, and gratuitous nature. Other compulsory payments are established by this Code compulsory monetary payments to the public targeted funds, customs duties, as well as fees, state charges, the payment of which is one of the conditions for the commission of legally significant actions to payers, including the provision of certain rights or issuance of licenses and other permits”. From this definition it is possible to conclude that payments are divided into taxes and other compulsory payments.

Article 23 of the Tax Code provides classification of taxes and other compulsory payments:

«The following taxes and other compulsory payments are imposed in the territory of Uzbekistan according to this Code.

Taxes include the following:

- 1) profit tax imposed form legal entities;
- 2) income tax paid by individuals;
- 3) value added tax;
- 4) excise tax;
- 5) taxes paid by users of subsoil natural resources and special payments;
- 6) taxes for using water resources;
- 7) property tax;
- 8) land tax;

Other compulsory payments include:

- 1) Compulsory payments to the pubic targeted funds:  
single social payment;  
motor vehicle charges.

2) state duty;  
3) customs duties;  
4) charges for the right of being engaged in retail trade of certain types of goods and rendering certain types of services.

Taxes and other compulsory payments specified in parts two and three of this article are considered to be generally established taxes.

In cases and in accordance with the procedure established by this Code, the following taxes may be applied subject to payment under the simplified taxation procedure:

- single tax payment;
- single land tax;
- fixed tax on certain types of entrepreneurship activities.

During the implementation of nation-wide national programs, relevant funds may be created, in which compulsory payments are established according to the procedure established by the legislation (Tax Code, 2018).

Article 13 of the acting Tax Code is devoted to revealing the essence of such categories as “tax payers”, “tax agents”, “representatives of tax payers”: Taxpayers are individuals, legal entities and their separate affiliated subdivisions, which, in compliance with this Code, are obliged to pay taxes and other compulsory payments.

Tax agents are persons who, in compliance with this Code, are assigned the responsibility of calculating, withholding from the taxpayer and transferring taxes and other compulsory payments to the state budget and public targeted funds.

Representatives of the taxpayer are the persons authorized to represent the taxpayer in compliance with the law or constituent document.

The use of the term “taxpayer” in this Code provides for its use also in the meaning of the “tax agent”, “representative of a taxpayer” (Tax Code, 2018).

According to the Law adopted on December 24, 2018, amendments and additions were entered in Article 23 of the Tax Code of the Republic of Uzbekistan (Law, 2018). Article 22<sup>2</sup> of the Tax Code is provided in the following wording: “Large taxpayers are legal entities of a particular category that fall under tax administration based on criteria determined by the State Tax Committee of the Republic of Uzbekistan. Criteria for large taxpayers do not give taxpayers the right to choose or change the taxation procedure.

Legal entities referred to large taxpayers shall be notified of this in writing, including through the personal account of the taxpayer, within five days from the date of the adoption of the relevant decision by the state tax authorities of the Republic of Karakalpakstan, regions and Tashkent city at the place of registration (Tax Code, 2018).

In this regard, Article 45 of the Tax Code determined additional criteria for the concept “large tax payers”.

In the process of calculating tax payment and paying them to the state budget there occurs such concept a “tax liabilities”. Article 34 of the Tax Code states that “Tax liability is a taxpayer’s liability arising in accordance with tax legislation.

While executing tax liabilities a taxpayer is obliged to:  
in cases established by this Code, to register with the state tax authorities;  
identify and keep records of taxable objects and objects thereto;  
prepare financial and tax reports and submit them to the state tax authorities;  
provide timely payment of taxes and other compulsory payments to the full extent” (Tax Code, 2018).

With regard to the economic significance of tax payments, 89,02 % of revenues of the State Budget of the Republic of Uzbekistan are formed due to the the tax accounting. If we analyze the implementation of the basic targets of the State Budget of the Republic of Uzbekistan by the end of 2018, the revenues (without targeted funds) amounted to 79099,1 billion UZS. 15656.2 billion UZS of the income was directly formulated by direct taxes, 41280,4 billion UZS formulated by indirect taxes, 12663,4 billion UZS – by resources and property taxes, 1528,0 billion UZS – by the additional profit tax, and 7971,1 billion UZS – by other sources of income (<https://mf.uz/uz>, 2019). In 2019, budget revenues will constitute 102627,6 billion UZS, out of which 29125,5 billion UZS are expected to come from direct taxes, 47029,8 billion UZS – from indirect taxes, 16906,0 billion UZS – by the resources and property tax, 130,0 billion UZS – by the additional profit tax, and 9436,3 billion UZS – from other sources of income (Decree, 2018).

With the aim of ensuring full and timely provision of these taxes to the state budget it is required to arrange an accurate tax accounting.

## Conclusion

Basing on the research results we can draw up the following conclusion:

- 1) Anglo-American, Continental, South-American, Islamic and international models of accounting are applied in the world practice.
- 2) Tax payments constitute 80-90% of the revenue part of the state budget. Accounting and maintaining

of tax payment requires application of the tax accounting.

3) Taxes and other compulsory payments represent the main object for tax accounting.

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