

## Methodological properties of accounting taxes in the enterprises services for automobile services and cars

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**Abstract:** This paper makes analyses of the methodological properties of accounting taxes in the enterprises services for automobile services and cars. On this way, research has been conducted both theoretically and practically. Therefore, terms of the accounting taxes in enterprises were stated in different examples, reviewed and analyzed by various literatures. Finally, analyses make better developments of the topic while outlining both advantages and disadvantages of the methodological properties of accounting taxes in the enterprises services for automobile services and cars.

**Keywords:** methodological properties, accounting, tax, enterprises services, automobile services, cars.

### Introduction

Dealer sales and servicing of cars as business activities are also subject to taxation. The businesses involved in this activity are various taxation entities, depending on their size and the tax regime they choose. In particular, automakers and car service providers, which are the majority of micro firms and small businesses, are currently the sole taxpayers. Automobile dealers, who do not belong to micro firms and small businesses, including regional joint-stock companies, which are part of the Uzavtotexxizmat system, are generally tax payers (Melvin, 2000; Szirmai, 2005; Xasilovna, O'g'li, & Muminjanovna, 2019).

Characteristics of car services and car service also show the specifics in the types of tax applied by these service providers, including taxable turnover, tax base, tax rate, tax period, tax payment time and other procedures. These features also affect the calculation and record of tax payments for car dealerships and car services.

The following is a brief overview of the methodology and features of accounting for certain taxes on motor vehicle dealers and car service providers.

### Single tax payment

This tax payment, paid by the companies that provide auto dealerships and auto services in the status of microfirms and small businesses, has its specifics on taxable turnover, tax base, tax rate and other aspects. These characteristics can also be seen in the data presented in Table 1.

The data presented in Table 1 summarize the aspects that are important for the accounting of auto-dealers and vehicle maintenance entities. Such important aspects include:

First of all, because of the wide range of activities of car dealers and subjects of auto repair services, it is necessary first and foremost to identify the UST objects. These are tax services, such as auto dealerships, car service, wholesale and retail sale of spare parts for cars, such as cash, plastic cards and cash, and other activities (Aigner, Hopkins, & Johansson, 2003; Aldridge & DDcary-HHtu, 2014; Alikulova, 2014).

**Table 1. Peculiarities of the WTO regarding car dealerships and car service<sup>1</sup>**

Tax object	Tax base	Tax rate, in percent <sup>2</sup>	Period of tax calculation	Time to pay taxes
Car Dealerships	Amount of dealer fee (margin)	33	Quarterly, from the beginning of the year, in order to grow	For each quarter of the month
Car Maintenance	Revenue (income) from services	6		
Spare Parts Trading	Amount of commission	33		
Retail activities for spare parts	Amount of retail trade turnover	4 <sup>3</sup>		
Wholesale activities for spare parts	Amount of Wholesale Supply	5		

Secondly, the diversity of activities requires the creation of a database on the unified basis of UNT, i.e. the accounting and reporting of income from each activity. Because the budget payable to the budget directly depends on the amount of income received from each activity.

Thirdly, the amount of PST sum paid directly to the budget depends directly on the correct application of the state tax rates for the activities of auto dealers and auto service providers. Improper application of these rates will result in deviations in the budgetary WPO.

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<sup>2</sup> **Изоҳ:** Стакалар 2011 йил учун берилган.

<sup>3</sup> **Изоҳ:** туманларда 2 %, тоғли жойларда 1 %.

Fourthly, the sum of the unified tax payable to the budget depends on the correctness of the tax calculation based on the sum of the income received by the car dealers and motor service providers on the activities and the state tax rates.

Since the accounting and reporting functions of UST are entrusted to enterprise accounting, the enterprise accounting system must fully comply with the above aspects.

## Main part

### *So what are the key tools to fully respond to these aspects?*

In our opinion, special accounts for the accounting of income derived from taxable activities at separate tax rates should be provided in the work account plan. Also, income from certain activities must be structured on these special accounts.

The research shows that the system of accounting and procedures for maintaining the records established in the existing regulations, as well as for dealers and auto service providers, do not fully meet the above requirements. In particular, the information provided for in the application of IPSAS No 2120, such as 9020 "Income from Sales of Goods" and 9030 "Income from Works and Services," does not allow the calculation of the UST directly on its basis. In order to calculate the unified tax, the income reflected in the aforementioned accounts must be reclassified by separate activities (Schulze, 2009). This will, on the one hand, lead to additional time spent doing these tasks, and on the other, re-grouping income statement data will avoid the possibility of technical errors. It is unlikely that such disadvantages can be encountered in automobile dealerships and auto service companies with a wide range of activities.

Therefore, an important tool for the real calculation of the UST is, in our opinion, the systematic reflection of revenues from each activity, which is its object, in separate accounts. We consider special bills that allow systematic recording of auto dealerships and car services, such as 9021 "Income from retail sale of goods", 9022 "Income from retail sale of goods by cash", 9023 9031 "Income from dealer services" and 9032 "Income from cash servicing for cars," 9033 incomes "and 9034" "Income from services for cashless servicing of cars "will help to solve this important problem at the network level (Aldridge & DDcary-HHtu, 2014).

Increasing the systematically generated income tax rates in these proposed accounts will allow you to find the unified tax rate for each type of activity, and the calculation of the tax amount that the whole enterprise must pay is accurate and easy to calculate. Let's consider this on the example of «Bunyodkor» LLC.

Data: Income of LLC in 2010: (1) Income from car dealership - 285251152 soums; (2) cash income from car services "- 74102326 soums; Income from plastic card services for cars -

36564245 soums; incomes from cashless servicing of cars - 85641985 soums; incomes from wholesale trade of goods - 123142102 soums, income from retail sale of consumer goods 38651863 soums; Income from retail sale of goods by plastic cards - 56642936 soums.

Initially, we distribute the profits received by this entity on our proposed invoices (Table 2):

**Table 2. Details of the income statement for Bunyorkor LLC for 2010**

accounts	Type of income	Sum, in Uzbek sum
9021	Income from Wholesale Sale of Goods	123142102
9022	Income from retail sale of purchased goods for cash	38651863
9023	Income from retail sale of purchased goods by plastic cards	56642936
9031	Income from dealer services	285251152
9032	Income from car services	74102326
9033	Income from servicing plastic cards for cars	36564245
9034	Income from cashless servicing of cars	85641985
	Total	699996609

Now, based on the above data on the types of income grouped, we calculate the amount of the individual IPS for each of them, and the amount of the individual tax payable by the enterprise as follows (Table 3).

**Table 3. «Bunyodkor» for 2010. Calculation of the UST corresponding to the income from certain types of activity**

account	Income type	Amount of income, The sum	Tax rates%	Tax amount, The sum	Contribution to the WTO, %
9021	Income from Wholesale Sale of Goods	123142102	5	6157105	5,2
9022	Income from retail sale of purchased goods for cash	38651863	4	1546074	1,3
9023	Income from retail sale of purchased goods by plastic cards	56642936	3,6*	2039146	1,7
9031	Income from dealer services	285251152	33	94132880	80,2

9032	Income from car services	74102326	7	5187163	4,5
9033	Income from servicing plastic cards for cars	36564245	6,3*	2303547	2,0
9034	Income from cashless servicing of cars	85641985	7	5994939	5,1
	total	699 996 609		117 360854	100,0

*Note: The rate is reduced by 10%*

In our opinion, the use of the above-mentioned calculation as an annex to the UST calculation will be beneficial to both internal and external users. Thus, based on these calculations, the information users obtain the revenues from the separate activities of car dealerships and auto service providers, the corresponding UST, the information on each contribution to the total paid (paid) UST, and make appropriate management decisions from that data. can be used for

#### *Value added tax*

VAT has a special place among taxes paid by car dealerships and car service providers. This tax payment differs from car dealers and car service providers in many respects. Such differences are particularly apparent in the tax object, taxable turnover, tax base, tax calculation, reduction, payment and other aspects. In particular, in the companies providing car dealerships and auto services, the object of VAT, VAT turnovers and tax base is as follows (Table 4).

**Table 4. Features of VAT on car dealerships and car service providers <sup>4</sup>**

Tax object	Tax turnover	Tax base
Car Dealerships	Vehicle Dealer Deals (Margin)	Dealer fee (margin) received during the reporting period (without VAT)
Car Maintenance	Revenue (income) from services	Revenue from services for the reporting period (without VAT)
Spare Parts Trading	Fee for the sale of spare parts	Amount of commission charged during the reporting period (without VAT)
Retail activities for spare parts	Revenue from retail sale of spare parts	Amount of retail trade turnover (without VAT)

<sup>4</sup> Ўз.Р Солиқ кодекси асосида муаллиф ишланмаси

Wholesale activities for spare parts	Revenue from wholesale of spare parts	Amount of wholesale supply (without VAT)
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In accordance with the tax legislation of the Republic, decrees and orders of the President and decisions of the Government of the Republic of Uzbekistan, the activities of automobile dealerships and auto services are subject to VAT. For example, President IA According to the Decree of the President of the Republic of Uzbekistan dated February 21, 2008, all dealers of General Motors Uzbekistan, including Uzavtotexxizmat, sell spare parts for cars for 5 years, and provide services for cars manufactured by the company. fully exempt. All dealers of General Motors Uzbekistan are the VAT payers on the sale of the car, as well as the invoices and advertising tools (magazines "Carsist" and Auto-World), as well as other assets. This can be seen in the data provided in Table 5, OJSC "Samarkand-Avtotexxizmat", the dealer of this company.

**Table 5. JSC "Samarkand-Avtotexxizmat" gross income, VAT and net proceeds from auto dealerships and auto services in 2010 (Thousands of Soms)**

№	Type of sale	Gross revenue	Out of this	
			VAT	Net profit
1	Car fee (margin)	1785718	297620	1488098
2	Sale of spare parts	908434	-	908434
3	Auto Service	309446	-	309446
4	Motor transport services	19572	3262	16310
5	Sale of invoices, advertising tools and other assets	475552	79258	396294
	Total	3498722	380140	3118582

As can be seen from the table, this OJSC had gross revenue of 349,8722 thousand soums in 2010 from 5 different types of sales. The largest amount of VAT comes from dealerships selling cars - 297620,000 sums, which is 78% of VAT (297620/380140). «Samarkand-Avtotexxizmat» OJSC In accordance with the above mentioned Decree of the President in 2010, proceeds from the sale of spare parts for cars produced by «General Motors Uzbekistan» CJSC for the amount of UZS 202980 thousand (1217880 \* 20/120%). Are exempt from VAT.

Automobile dealers and auto service providers operating in the country, but not the dealers of CJSC General Motors Uzbekistan, are VAT payers for all their activities.

All of the above also indicate that there is a need for a separate approach to VAT accounting and the provision of auto dealers and auto service providers.

According to the Tax Code of the Republic of Uzbekistan, VAT is represented by three indicators for all payers, including car dealerships and auto service providers. These are: (1) VAT on sales; (2) reduced VAT; (3) VAT payable to the budget.

The VAT on sales of car dealerships and car service providers is the amount earned by multiplying the tax base (20%) by the tax base shown in column 3 of Table 4. If the services and other assets (invoices, advertising, confiscated goods, etc.) are sold at a lower cost, the tax base is the estimated cost.

It should be noted that the existing Tax Code of the Republic does not specify a comprehensive procedure for the sale of cars on a dealer basis and the invoice for the dealer fees and, accordingly, VAT invoices. This, in turn, results in different approaches to filing invoices in auto dealers. For example, in some dealers, invoices are included in the total sales price of the car, while some dealers have their separate dealer fees, including VAT.

In our opinion, the invoice generated during the automobile sale will be customer-oriented. Vehicle value in invoices is primarily for the customer. He is not interested in car dealerships paid by the manufacturer of automobile dealerships, and the buyer has no interest in such information. As dealerships for car dealerships are provided by the manufacturer's factory, we think it is advisable to make a monthly invoice based on the dealerships' vehicle registrations and the procedure for their delivery to the factory. This invoice will serve as the basis for the following records of the dealer's revenue from the dealer activity and, accordingly, the amount of VAT:

A) Net income from dealer services (excluding VAT):

*Debit 4011 "Deals for Dealer Services"*

*Credit 9031 «Income from dealer services»*

B) VAT for dealer services:

*Debit 4011 "Deals for Dealer Services"*

*Credit 6411 "VAT debt to the budget".*

Integrity of this procedure would allow the dealers to profit from dealer services, to facilitate VAT accounting for these revenues, as well as to use invoices for their intended purpose and to increase their level of importance.

One of the most pressing issues in automotive and auto service companies today is the correct identification and write-off of VAT due to be reduced. This is especially important for all dealers of General Motors Uzbekistan, which are temporarily exempt from VAT, including enterprises belonging to "Uzavtotexxizmat".



It is known that the amount of VAT to be reduced is VAT paid to suppliers for previously delivered goods, works and services. This amount shall be reflected in the accounting in accordance with IAS 21:

Debt 4411 «Advance payments to the budget»

Credit 6010 «Suppliers' invoices»

6990 «Other payables»

Written VAT deductions previously paid to suppliers and paid to the budget 4411 "Advance payments" usually result in incorrect identification of VAT payable to the budget and, accordingly, a misappropriation of the budgetary interest or the taxpayer's interest.

In automotive and auto service providers, it is necessary to divide the total VAT paid to suppliers because of VAT exemptions and to include VAT amount for those activities that are exempt from VAT and include operating costs of the enterprise. will need to properly calculate the VAT amount to be paid to the budget as we have already noted.

According to the Tax Code of the Republic, VAT reduction has already been paid to suppliers in two ways: (1) direct method; (2) indirect method.

Indirectly, suppliers are charged directly at the cost of sale or period without having to reduce the amount of VAT previously paid for purchase, performance of works and services. For example, the VAT on renting a car building for sale of spare parts will be deducted from the full sale costs. Because the amount of income provided by the automobile is exempt from VAT, the VAT paid on the automobile will not, therefore, be deducted from the sale, but will be incurred in full sale costs.

However, the VAT amount previously paid for many types of works and services is not directly applicable to a particular type of courier and auto service companies. For example, electricity, water, gas, communication services and more. These works and services are to some extent relevant to all enterprise activities. Therefore, suppliers of this type of work and services will have no choice but to distribute VAT paid on the basis of their contribution to the net proceeds from each activity. This method is called the indirect method according to the Tax Code.

In our opinion, it is advisable to use an indirect method of writing off VAT that would result in a reduction in auto dealerships and auto service companies. The procedure for calculating VAT to reduce this method is given in accordance with the data given in Table 5 on OJSC "Samarkand-Automotive" and taking into account the total amount of VAT paid in 2010 for the amount of 19,390,000 (Table 6).



**Table 6****Estimation of VAT Distribution for Samarkand-Automotive Auto Service OJSC for 2010**

№	Type of sale	Net profit		Paid for suppliers VAT sum	From this	
		Sum, thous	Share, %		VAT included, thous	VAT on enterprise expenses, thous
1	Car fee (margin)	1488098	47,7	9249	9249	-
2	Sale of spare parts	908434	29,2	5662	-	5662
3	Auto Service	309446	9,9	1920	-	1920
4	Motor transport services	16310	0,5	97	97	-
5	Sale of invoices, advertising tools and other assets	396294	12,7	2462	2462	-
	Total	3118582	100,0	19390	11808	7582

As can be seen from Table 6, the amount of VAT paid to suppliers at Samarkand-Avtotexxizmat in 2010 amounted to 19,390,000 sums. Of this amount, 7,582,000 sums will be VAT exempt, while the remaining 11,808,000 will be deducted from VAT to the budget. Accordingly, according to these calculations, the VAT paid to the enterprise for example, will amount to 36,8332 thousand sums (380140-11808) in 2010. This account is the basis for making the following records in accounting:

A) on the amount of VAT to be reduced:

Debt 6411 Debt to VAT Budget

Credit 4411 "Advance payments to the budget".

A) VAT on enterprise expenses:

Debit 9430 «Other operating expenses»

Credit 4411 "Advance payments to the budget".

## Conclusion

In our view, the above-mentioned VAT accounting and accounting procedures should be envisaged in the industry regulations to ensure that automotive dealers and auto service providers are fully integrated.

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