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THE IMPACT OF TAX POLICY CHANGES ON THE ACCOUNTING SYSTEM

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Abstract. This article examines, on the basis of a comprehensive scientific and methodological approach, the impact of the tax policy reforms being implemented in Uzbekistan on the organisation and maintenance of the accounting system in business entities. The relevance of the study is determined by the fact that changes in tax policy affect not only the quantitative indicators of tax liabilities, but also directly influence accounting methodology, the documentation system, analytical accounting, accounting policy, internal control, financial reporting indicators and digital information systems. The study applies systemic, institutional, comparative and cause-and-effect analysis. The impact of tax policy changes on accounting is grouped into regulatory, methodological, organisational, informational and technological dimensions. As a result of the study, the structural elements of the mechanism that transmits tax policy changes into the accounting system have been identified, and it is proposed that enterprises assess the effect of such changes in advance. The findings made it possible to develop scientific and practical recommendations aimed at reducing information gaps between tax and financial accounting, improving accounting policy, managing tax risks and increasing the adaptability of digital accounting systems.

Keywords: tax policy, tax reform, accounting, tax accounting, financial accounting, accounting policy, tax base, tax incentives, tax administration, digitalisation, electronic invoice, tax risk, analytical accounting, financial reporting.

Introduction. In a market economy, the state's tax policy is one of the most important institutional instruments for ensuring macroeconomic stability, forming public financial resources, stimulating entrepreneurial activity and regulating the activities of economic agents. At the same time, the practical effectiveness of tax policy is determined not only by tax rates or the volume of tax revenues, but also by how it is integrated into the accounting systems of business entities.

The strengthening of the interdependence between tax policy and accounting is one of the essential features of the modern economy, since a large share of the data required to determine tax liabilities is generated precisely within the accounting system. Information on income, expenses, assets, liabilities, cash flows, receivables and payables, fixed assets and other business transactions simultaneously forms the information base of both financial and tax accounting.

From this perspective, any change in tax legislation may affect particular elements of accounting. In particular, changes in tax rates, revisions to the procedure for determining the tax base, the introduction or abolition of tax incentives, changes in the deductibility of certain expenses, the revision of depreciation rates, the expansion of electronic document circulation and the development of risk-based tax control are all generating new requirements for the methodological and technological mechanisms of accounting.

In recent years, the processes of modernising and digitalising tax administration in Uzbekistan have accelerated. According to International Monetary Fund data, large-scale reforms are being

carried out in Uzbekistan to modernise and digitalise tax administration and to improve relations with taxpayers. The tax administration reform directions envisaged for 2025-2030 represent an institutional continuation of this process. In addition, the 2026 IMF assessment identified the broadening of the tax base, the revision of certain income-based tax incentives and the strengthening of tax administration as important directions of Uzbekistan's medium-term fiscal strategy.

The mismatch between the variability of tax policy and the speed at which the accounting system adapts to it may lead to additional administrative costs, accounting errors and increased tax risks at the enterprise level. For this reason, studying tax policy changes not only from the standpoint of the state budget but also at the microeconomic level – from the standpoint of an enterprise's accounting system – is important both scientifically and practically.

Research problem

In current practice, changes in tax policy are most often assessed from the standpoint of their effect on tax liabilities and budget revenues. However, the impact of such changes on:

- accounting policy;
- the preparation of primary documents;
- analytical accounting;
- the chart of accounts;
- financial reporting indicators;
- internal control;
- software;
- the workload of accountants

is not assessed in a comprehensive manner. As a result, a gap may emerge between the new requirements of tax policy and the organisational and technological capabilities of the accounting system.

Aim of the study. The main aim of the study is to provide a scientific rationale for the mechanisms through which tax policy changes affect the accounting system, to identify the principal channels of this impact, and to develop effective mechanisms for adapting enterprise accounting systems to changes in tax policy.

Research tasks. To achieve this aim, the following tasks were set:

1. To identify the institutional and informational interconnection between tax policy and accounting.
2. To systematise the channels through which tax policy changes affect accounting.
3. To determine the mechanisms by which differences between tax and financial accounting are formed.
4. To assess the effect of changes in tax incentives and the tax base on analytical accounting.
5. To study the impact of digital tax administration on accounting.
6. To develop the author's model for integrating tax policy changes into the accounting system.

Research hypothesis. The main hypotheses of the study are formulated as follows:

H1: The impact of tax policy changes on the accounting system is not determined solely by changes in regulatory requirements; it manifests itself through the degree of flexibility of accounting policy, analytical accounting, information technology and the internal control system.

H2: Improving the mechanisms for managing differences between tax and financial accounting reduces tax risks and increases the reliability of accounting information.

H3: Although the digitalisation of tax administration may initially increase the technological and organisational costs of enterprises, in the long run it reduces the overall administrative burden by automating accounting processes and decreasing errors.

Literature review. The relationship between tax policy and accounting is treated in the economic sciences as a complex research field formed at the intersection of financial accounting, tax accounting, corporate governance and public finance. Accounting is primarily aimed at providing users with reliable information about the financial position, performance and cash flows of a business entity, whereas tax accounting serves the purposes of calculating and controlling the tax liabilities established by the state. Consequently, although there is a commonality of information between the two systems, their methodological objectives are not fully identical.

In the scholarly literature, the divergence between financial and tax accounting is often expressed through the concept of "book-tax differences". These differences represent the gap between the profit reported by an enterprise in its financial statements and its taxable profit. Such differences may be permanent or temporary in nature. Temporary differences arise from the gap between the carrying amount of an asset or liability in accounting and its tax base. This situation may give rise to amounts that will be taxable or deductible in future periods. For this reason, changes in tax policy may also affect the mechanism for accounting for deferred taxes.

In international practice, the digitalisation of tax administration is assessed as a means of reducing the administrative burden on taxpayers, enabling the automatic matching of data and enhancing risk-detection capabilities. IMF materials note that digitalisation makes it possible to improve data collection and matching in tax administration, the efficiency of taxpayer services and the effectiveness of tax control. The experience of Uzbekistan is likewise developing in line with this international trend. The 2024 IMF analysis noted that reforms had been implemented in the direction of reducing VAT exemptions and automating tax and customs administration.

Research methodology. The systemic approach was adopted as the principal methodological basis of the study. Under this approach, tax policy and accounting were examined not as separate systems, but as interrelated elements of a single economic and informational environment.

The following methods were used in the study:

- systemic analysis – to identify the interconnections between tax policy and accounting;
- comparative analysis – to assess the objectives and methodological differences of financial and tax accounting;
- the grouping method – to classify tax policy changes by their channels of impact;
- cause-and-effect analysis – to trace the chain running from a tax policy change to its outcome in accounting;
- induction and deduction – to formulate general scientific conclusions on the basis of individual accounting processes;
- scientific abstraction – to identify the general regularities of tax policy and the accounting system.

Results

1. Channels through which tax policy changes affect accounting

As a result of the study, the impact of tax policy changes on accounting was divided into five main channels.

Table 1

Channels through which tax policy changes affect accounting

Channel of impact	Main content	Effect in accounting	Tax risk

Regulatory	Changes in tax rules and requirements	Revision of accounting policy	High
Methodological	Changes in the rules for recognising income, expenses and assets	Expansion of analytical accounting	High
Organisational	Adaptation of the accounting function to new requirements	Changes in labour and time costs	Medium
Informational	Increase in the volume of data submitted to the tax authorities	Additional registers and controls	Medium
Technological	Expansion of electronic reporting and automation	Updating of software	Initially medium, low in the long run

As the table shows, the greatest impact of tax policy changes arises in the regulatory and methodological dimensions. The main reason for this is that new tax requirements frequently call for a revision of the classification of income and expenses, the determination of the tax base and the documentation procedure.

2. Changes in tax rates and accounting

Changes in tax rates affect accounting at two levels. At the first level, the enterprise's current tax liability changes. At the second level, an effect arises on the measurement of future tax flows and financial reporting indicators. In conventional terms, an enterprise's tax liability may be expressed by the following formula:

$$TL = TB \times TR$$

where:

TL – tax liability;

TB – taxable base;

TR – tax rate.

In practice, however, a change in tax policy does not consist solely of a change in TR. The composition of the tax base, deductible expenses, incentives and other parameters may also change.

It is therefore appropriate to assess the actual change in an enterprise's tax burden using the following extended model:

$$TL = (TI - DE \pm TD - TX) \times TR$$

where:

TI – taxable income;

DE – deductible expenses;

TD – permanent and temporary differences;

TX – tax incentives;

TR – tax rate.

This model demonstrates that the impact of tax policy changes on accounting should not be limited to the change in the rate alone.

3. The impact of changes in the tax base on analytical accounting

Changes in the rules for determining the tax base are one of the principal factors complicating an enterprise's analytical accounting. For example, part of an expense may be recognised as an expense in the financial statements, yet a restriction on its deductibility may be imposed for tax purposes.

In such a situation, the following accounting mechanism is formed:

Accounting expense → classification for tax purposes → deductible expense → non-deductible expense → adjustment to the tax base.

Accordingly, in modern enterprises it is advisable to maintain analytical accounting of expenses not only by their economic substance but also by their tax status.

4. Differences between tax and financial accounting

Table 2

Classification of differences between tax and financial accounting

Type of difference	Mechanism of formation	Example	Consequence for accounting
Permanent	The expense/income is not recognised at all in tax accounting	An expense that is non-deductible for tax purposes	Adjustment to the tax base
Temporary	The period of recognition differs	Differences in depreciation methods	Deferred tax
Measurement	The value of an asset or liability is determined differently	Revaluation of an asset	Additional analytical accounting
Documentation	Additional documentation is required for tax purposes	Electronic document requirements	Control costs
Classification	One transaction is classified differently for different purposes	The tax status of expenses	Need for reconciliation

In order to manage these differences, it is proposed that enterprises introduce a “tax-financial reconciliation register”.

This register may have the following structure:

Indicator	Financial accounting	Tax accounting	Difference	Reason	Adjustment
Income	X	X	X	Period of recognition	+/−
Expenses	X	X	X	Deductibility restriction	+/−
Depreciation	X	X	X	Difference in rate/method	+/−
Asset value	X	X	X	Measurement difference	+/−

Tax base	—	X	—	—	—

The principal advantage of this register is that it reduces the need to re-collect accounting data when preparing tax reports.

5. Tax incentives and accounting

Tax incentives are of considerable importance as an instrument for stimulating economic activity. However, the existence of incentives requires a separate control system within accounting.

Table 3

Proposed model for accounting for tax incentives

Control element	Reflection in accounting
Type of incentive	Separate analytical code
Period of validity of the incentive	Dedicated control field
Condition of the incentive	Linkage to supporting documents
Amount of the incentive used	Separate register
Unused portion of the incentive	Monitored as a balance
Expiry date of the incentive	Automatic alert
Risk associated with the incentive	Internal control indicator

This mechanism enables an enterprise to reduce the financial and legal risks arising from the improper use of tax incentives.

6. The impact of tax policy changes on the workload of accountants

Every new requirement in tax policy may generate additional information and control operations for the accountant.

Table 4

Expected impact of tax policy changes on accounting processes

Process	Before the change	After the change	Impact
Documentation	Standard documents	Additional electronic data	↑
Analytical accounting	Limited breakdown	Extended breakdown	↑
Reporting	Manual/semi-automated	Automated	↓
Control	Periodic	Continuous/automated	↑ quality
Data matching	Manual	Automated	↓
Staff qualification requirements	Accounting	Accounting + tax + IT	↑

This process is also changing the substance of the accountant's professional competence. The modern accountant is required not only to maintain accounting records, but also to understand tax legislation, work with information systems, analyse data and apply internal control mechanisms.

Discussion. The results of the study show that examining tax policy and accounting as separate systems is methodologically insufficient.

Changes in tax policy affect all the main elements of accounting to varying degrees. This impact may be expressed through the following chain:

Regulatory change → effect on the accounting object → documentation → analytical accounting → tax base → tax liability → financial result → management decision.

An error arising at any stage of this chain is carried over into the subsequent stages. For this reason, the integration of tax policy changes into the accounting system must be carried out not in the period when tax reports are prepared, but before the change takes effect.

An index for assessing the impact of tax policy changes

In order to make the study more applicable in practice, it is proposed to introduce an index that measures the impact of tax policy changes on accounting.

The index is expressed as follows:

TII = 0.20N + 0.20M + 0.20O + 0.15I + 0.25T

where:

TII – tax impact index;

N – regulatory impact;

M – methodological impact;

O – organisational impact;

I – informational impact;

T – technological impact.

Each component is scored from 0 to 1.

Each of these three directions has a direct effect on accounting. A broadening of the tax base may require an enterprise to document transactions in greater detail and to maintain records in additional analytical breakdowns. A reduction in incentives, in turn, requires the reorganisation of tax accounting. Digital control requires an increase in the degree of integration between the enterprise's internal information systems and state information systems.

For this reason, the effectiveness of tax reforms is directly linked to the flexibility of enterprise accounting systems.

Problems and directions for addressing them

Table 5

Problems arising from tax policy changes and their solutions

Problem	Cause	Adverse consequence	Proposed solution
Frequent regulatory changes	The dynamic nature of tax policy	Frequent updating of accounting policy	Advance monitoring of changes
Divergence between tax and financial accounting	Different recognition criteria	Reconciliation costs	A dedicated reconciliation register
Non-adaptability of the IT system	Limitations of the software	Reporting errors	Integrated ERP systems
Staff qualifications	Insufficient tax and IT knowledge	Operational errors	Continuous professional development
Documentation requirements	Additional information requirements	Administrative burden	Electronic document circulation
Control over tax incentives	Complexity of the conditions	Tax risk	A separate analytical register

The results of the study make it possible to formulate three important scientific conclusions.

First, the impact of tax policy changes on accounting is not deterministic but multi-stage in character. That is, a change in a tax rate does not automatically mean a change in a single accounting entry; it operates through accounting policy, analytical accounting, documentation, software and control systems.

Second, an enterprise's ability to adapt to changes in tax policy is determined by the flexibility of its accounting system. Enterprises with flexible accounting systems are able to implement regulatory changes at lower cost.

Third, digitalisation acts as an instrument that mitigates the adverse administrative consequences of tax policy changes. However, the benefits of digitalisation depend not merely on the introduction of technology, but on the standardisation of data structures and the integration of the accounting system with state information systems.

Conclusion. The findings of the study indicate that, in modern economic conditions, the relationship between tax policy and accounting is deepening in both institutional and informational terms.

Changes in tax policy affect not only an enterprise's tax liability, but also its accounting policy, analytical accounting system, documentation process, internal control mechanism, financial reporting indicators and digital information infrastructure. In the course of the study, the impact of tax policy changes on accounting was systematised along five dimensions – regulatory, methodological, organisational, informational and technological.

In addition, it was proposed that enterprises introduce a “tax-financial reconciliation register” in order to manage the differences between tax and financial accounting in a systematic manner.

On the basis of the research findings, the following scientific and practical recommendations were developed:

1. Establishing a permanent system within enterprises for monitoring changes in tax legislation.
2. Assessing in advance the effect of each major tax change on accounting.
3. Maintaining the differences between tax and financial accounting in a separate reconciliation register.
4. Controlling tax incentives as separate objects of analytical accounting.
5. Developing mechanisms for the rapid adaptation of accounting software to changes in tax legislation.
6. Developing the integration between tax and accounting information systems.
7. Developing accountants' competences in tax legislation, digital technologies and data analysis.
8. Assessing, when tax policy is being designed, the administrative and accounting costs that arise for enterprises.
9. Strengthening the terminological consistency between economic categories in tax legislation and accounting standards.
10. Applying the proposed TII – Tax Impact Index – when assessing tax policy changes.

The effectiveness of tax policy is determined not only by the funds flowing into the state budget, but also by whether that policy is comprehensible and predictable for business entities and technically feasible from an accounting standpoint. It is therefore advisable, in implementing tax

reforms, to move from the “tax rate – tax revenue” model to the comprehensive model of “tax policy – accounting system – information quality – tax administration – economic outcome”.

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