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Article

The Authorized Capital of Joint-Stock Companies and its Impact on Tax Relations

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Abstract: Corporate governance in Uzbekistan is closely tied to the regulation of authorized capital and its interaction with tax relations, which together shape financial stability and investment attractiveness of enterprises. The legislation of the Republic of Uzbekistan defines strict requirements for the formation, minimum thresholds, and management of authorized capital in joint-stock companies, limited liability companies, banks, and enterprises with foreign investment. These rules are directly connected to tax policy, dividend distribution, and reinvestment practices, thereby influencing corporate decision-making and financial sustainability. Despite numerous legal provisions, inconsistencies remain in the implementation of dividend policies, assessment of non-monetary contributions, and synchronization of accounting practices with legislative requirements, creating challenges for enterprises with significant state shares. This article aims to analyze the role of authorized capital in corporate governance and assess its impact on taxation and financial management within the framework of Uzbek legislation. The analysis reveals that authorized capital serves three main functions guarantee, initial fund, and a signal of enterprise reliability while also highlighting common errors in accounting practices and the need for clearer regulatory procedures regarding dividend allocation and capital increases. By combining legislative review with practical accounting cases, the study underscores the institutional and procedural gaps in authorized capital management, especially in state-owned enterprises. The findings suggest that improving dividend policies, ensuring accurate asset evaluation, and aligning accounting with statutory requirements will enhance the investment climate, corporate transparency, and long-term development prospects of enterprises in Uzbekistan.

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1. Introduction

The strengthening of corporate governance in the Republic of Uzbekistan is largely directly related to the tax relations arising with them. Tax relations and the investment climate play an important role in making decisions on the regulation of corporate finance in organizing activities in foreign countries. Because the requirements of the state's

domestic legislation directly affect the tax burden, we determine the capital movements of society through the level of the tax burden.

If the tax system is organized correctly, it will help not only ensure financial stability, but also the long-term development of corporations. Through a well-developed tax strategy, corporations can more effectively manage financial resources, optimize dividend policy, implement new investment projects, and at the same time effectively use the opportunities for tax avoidance or low tax payments [1].

Reinvestment of profits is the most favorable and affordable form of financing aimed at expanding the company's activities. According to a study by British scientists, 91% of new investment projects of 402 companies in the manufacturing, construction and transport sectors registered on the London Stock Exchange after the war were implemented due to the reinvestment of profits. Reinvestment of profits can not only develop future business, but also increase the amount of dividends that the investor should receive from net profit.

The development of a clear procedure for the dividend policy of enterprises with a state share will eliminate problems in the field of calculating and paying dividends, ensure the economic stability of enterprises with a dominant state share, increase their investment attractiveness and, thereby, ensure the liquidity of their assets, attract new shareholders and harmonize the interests of existing shareholders, and serve the long-term development of enterprises.

However, today the number of enterprises with a state share in the Republic of Uzbekistan (Joint-stock companies, limited liability companies, state-owned enterprises and state unitary enterprises) is 2,212.

The fact that the dividend policy of state-owned enterprises does not take into account large investment projects requiring large amounts of funds, the amount of dividends recommended by the supervisory board of the enterprise is not taken into account, and the amount of dividends is determined without the financial results of the enterprises for the reporting year being confirmed by an external audit, is causing these enterprises to find themselves in a difficult economic situation [2]. Accordingly, based on advanced foreign experience, there is a need to develop a separate draft regulatory document establishing the procedure for paying dividends.

Literature review

Nowadays, the main goal of business entities of various forms of ownership is to try to get maximum profit with minimal costs. The effective organization of tax relations in corporate financial management is of great importance. Each corporation must take into account the specifics of the tax system when developing its financial strategy. Tax optimization, as one of the most important factors affecting the financial plans and investment policy of a corporation, increases their profitability, while reducing economic risks.

“When the tax burden is reduced, the state collects more funds than if it were to introduce a tax that is difficult to pay. The remaining funds can remain as additional income that can be taxed in the future. At the same time, the state's additional costs associated with penalties and mandatory payments are reduced, and taxpayers can easily make these payments” [3].

In the 18th and 19th centuries, foreign scholars analyzed the relationship between state budgets and national income, as well as the amount of taxes collected from corporate entities and citizens. The tax burden indicator and its impact on the economy were first noted in the 17th century. In this regard, F. Justi “studied the tax burden in macroeconomics from the perspective of the relationship between the budget and the

national income of the state. He believed that the country's budget should be 1/6 of the national income," [4].

Empirical studies show that high tax payments affect the company's cash flow, which in turn affects its financial stability. In particular, companies operating with high tax rates often use more specific approaches to financial planning to improve their cash flow [5].

The issue of tax burden and its analysis is also widely used in the scientific research of Uzbek scientists. In particular, U. Tulakov believes that "studying the level of the tax burden allows us to identify it as an important element of the tax system of Uzbekistan, which, subject to the implementation of its effective policy, provides stable and sufficient revenues to the state budget. Optimizing the level of the tax burden is an effective way to solve a number of tasks related to increasing the efficiency of the tax system" [6].

2. Materials and Methods

This research applies a qualitative and analytical methodology that integrates legislative review, document analysis, and comparative evaluation to examine the role of authorized capital in joint-stock companies and its influence on tax relations in Uzbekistan. The study is primarily grounded in the systematic review of relevant normative acts, including the Law "On Joint-Stock Companies and Protection of Shareholders' Rights" (No. URQ-370), the Tax Code of the Republic of Uzbekistan, presidential decrees, and government resolutions [7][8]. These legal frameworks are analyzed to trace the regulatory requirements for authorized capital formation, minimum capital thresholds, and dividend distribution procedures. In addition, accounting practices and reporting standards are reviewed to understand how authorized capital transactions are reflected in corporate financial management. The research also relies on secondary sources such as scholarly articles, reports, and empirical findings by both foreign and Uzbek researchers that discuss tax burdens, reinvestment, and corporate governance. Comparative analysis is employed to relate Uzbekistan's practices with advanced international experiences, highlighting areas of convergence and divergence in capital regulation and taxation. By synthesizing these sources, the study identifies the mechanisms through which authorized capital functions as a guarantee, initial fund, and signal of enterprise reliability, and evaluates how these functions intersect with tax policy and investment attractiveness. The methodology emphasizes descriptive and interpretive approaches rather than statistical modeling, allowing for a deeper exploration of institutional frameworks and policy impacts. This combination of legal, theoretical, and empirical examination ensures a comprehensive understanding of how authorized capital influences corporate governance and tax relations in Uzbekistan [9].

3. Results

Authorized capital (AC) or authorized fund (AF) reflects the price index of the company's assets and is one of the important instruments determining the subtleties of its activities. Authorized capital has 3 main functions:

Guarantee. Authorized capital consists of shares invested by the founders at the time of registration of the company, their nominal value, and serves as a guarantee of the right to return the invested funds.

Initial capital. The idea that AC is inviolable is wrong. In fact, it is property that AF participants can spend on the development of the enterprise.

Related to position. A large amount of authorized capital increases the reliability of the enterprise in the eyes of lenders and counterparties, as it serves as a guarantee of their interests. In addition, if the enterprise is one of the candidates for participation in tenders, AC can play a decisive role in the fight for victory.

The legislation of the Republic of Uzbekistan on the minimum amount of authorized capital:

For banking institutions: The latest changes in the legislation on authorized capital mainly concern banking institutions. According to Part 5 of Article 13 of the Law of the Republic of Uzbekistan No. URQ-580, it is envisaged to increase the charter capital of banks in four stages within the following periods (Table 1);

Table 1: Amount of authorized capital of banking institutions, billion sums

Period	Capital amount
Until 01.09.2023	100
From 01.09.2023	200
From 01.04.2024	350
From 01.01.2025	500

Note: *In accordance with Part 5 of Article 13 of the Law of the Republic of Uzbekistan No. URQ-580, if a bank with a state share in the bank is acquired by a non-resident, the Central Bank may approve other terms that meet these standards for the owners.*

For joint-stock companies: the minimum amount of the charter of the company may be determined by the license requirements (paragraph 3 of Article 17 of Law No. 370);

For limited liability companies: the minimum amount of the charter of the company may be determined by the license requirements (paragraph 3 of Article 14 of Law No. 310-II);

For enterprises with foreign investments: the minimum amount of the authorized capital of enterprises with foreign investments in their charter of at least 15 percent is 400 million sums (paragraph 6 of Decree No. PF-5495).

The period during which the authorized capital must be formed is determined by the constituent documents, but this period must be within 1 year according to legislative regulations. For example, for joint-stock companies and LLCs - within 1 year from the moment of registration.

The authorized capital is a conditional value. The share can be contributed in the form of money, property, real estate, securities. This money can be used to pay for production equipment, real estate - lease, property - fixed assets. As mentioned above, the financial condition of the organization in the second and subsequent financial years is considered important. The value of net assets should not be less than the amount of the authorized capital.

Increase in authorized capital. The authorized capital of joint-stock companies can be increased by placing additional shares. The authorized capital can increase due to:

- additional investments;

- personal funds and dividends.

Decisions on increasing the authorized capital (authorized capital) of the company and on making relevant amendments to the company's charter are made by the general meeting of shareholders or, if the company's charter or the decision of the general meeting of shareholders grants the company's supervisory board the right to make such decisions, by the company's supervisory board [10].

The decision to increase the authorized capital of the company must specify the number of additional ordinary shares and preferred shares to be placed, the terms and conditions of their placement. If the authorized capital of joint-stock companies is increased through dividends, it is reflected in the accounting as follows (Table 2):

Table 2: Payment for increase in authorized capital due to dividends

Operations	Debit	Credit
Calculating dividends	8710	6610
Income tax on dividends	6610	6410
Paying taxes	6410	5110
Payment of dividends for additional shares	6610	8310

If an enterprise decides to increase its authorized capital by increasing the nominal value of the founders' shares, while maintaining the size of their shares, it should be taken into account that the allocation of undistributed income to increase the authorized capital is considered dividends in accordance with Article 41 of the Tax Code, and they are subject to taxation:

For residents of the Republic of Uzbekistan - 5 percent (Article 337 of the Tax Code);

For non-residents - 10 percent (Article 353 of the Tax Code).

The procedure for forming the authorized capital, accounting rules and requirements for its minimum size depend on the organizational and legal form of the enterprise being created and are regulated by the relevant legislative acts of the Republic of Uzbekistan:

1. No. 370 (On Joint-Stock Companies);

2. No. 310-II (On Limited Liability Companies);

3. No. 308-II (On Economic Partnerships);

4. Regulation on State Enterprises (Appendix 1 to Resolution No. 215 of the Government of the Republic of Uzbekistan);

5. No. 558-II (On Private Enterprises).

The size of the authorized capital is determined by the minutes of the meeting of founders held at the first stage of the organization's formation, and then approved in the constituent documents and charter.

Starting from April 1, 2023, non-monetary contributions added to the authorized capital (authorized capital) of a limited liability company, the value of which exceeds ten thousand times the base calculation amount, shall be evaluated by an evaluation organization and may not exceed the assessed value [11].

In accordance with Clause 1 of the Decree of the President of the Republic of Uzbekistan No. PF-5739 adopted on June 7, 2019, starting from 2020, the procedure for liquidating enterprises that have not formed the authorized capital in the specified volumes and within the established deadlines has been simplified.

The approved amount of the authorized capital is reflected in the accounting records of the organization on the date of state registration. Since it is from this moment that the obligation to maintain accounting arises. In this case, the following entries are formed (Table 3):

Table 3

Operations	Debit	Credit
Founders' debt in the AC	4610	8330
Contributions arrive in the AC	5110,5010, 1000 and others	4610
AC arrival of fixed assets and intangible assets	0820,0830	4610

Acquisition of fixed assets and intangible assets	0100,0400	0820,0830

According to Article 463, paragraph 1 of Part 1 of Article 304 of the Tax Code, contributions to the UK are not considered corporate income and are not included in the tax base when calculating income tax or turnover tax.

4. Conclusion

Conclude

Accounting for the authorized capital is the most important thing - it requires attention. It is proposed to pay attention to the most common errors when checking accounts related to the UF:

1. The amount in account 8300 does not correspond to the amount specified in the charter. Often, instead of the amount specified in the account, the amount actually paid is reflected;

2. There are no results of the assessment of contributions in the form of property. This can lead to confusion in the data. Therefore, there must be a document on the assessment for each type of property;

3. The percentage ratio of ordinary and preferred shares is violated. According to part four of article 16 of Law No. O'RQ-370, the nominal value of preferred shares cannot be higher than 25 percent of the UF;

4. Reflection of changes in the amount of the authorized capital without introducing changes into the charter. Changes can be entered into the accounting records only after they are registered in the charter;

5. There is no documentary evidence of the contribution of the founders. Each stage of the contribution of the share is documented by a primary document - a payment order, an invoice, an act of acceptance and delivery, etc.

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