

## PROSPECTS OF INTRODUCING DIGITAL TECHNOLOGIES TO THE TAX SYSTEM IN THE REPUBLIC OF UZBEKISTAN

<https://doi.org/10.5281/zenodo.10077756>

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### **Abstract**

*It is no secret that modern technologies, i.e. digital technologies, are entering almost all fields today. Including, such changes did not bypass the tax sphere. The introduction of digital technologies in the tax system creates some relief for taxpayers. Therefore, it puts an end to uncertainties and corruption that may occur in the system. We will consider several examples of these in this article.*

### **Keywords**

*tax policy change, digital tax administration, mobile application, "tax partner"*

### **Аннотация**

*Сегодня ни для кого не секрет, что современные технологии, то есть цифровые технологии, проникают практически во все отрасли промышленности. В том числе, такие изменения не обошли стороной налоговую сферу. Внедрение цифровых технологий в налоговую систему создает некоторое облегчение для налогоплательщиков. Таким образом, это кладет конец неопределенности и коррупции, которые могут возникнуть в системе. В этой статье мы рассмотрим несколько таких примеров.*

### **Ключевые слова**

*изменение налоговой политики, цифровое налоговое администрирование, мобильное приложение, «налоговый партнер».*

### **Abstrakt**

*Bugungi kunda deyarli barcha sohalarga zamonaviy texnologiyalarning ya'ni raqamli texnologiyalarning kirib kelayotgani sir emas, albatta. Shu jumladan, bunday o'zgarishlar soliq sohasini ham chetlab o'tgani yo'q. Soliq tizimida raqamli texnologiyalarni joriy etilishi soliq to'lovchilar qatlamiga bir muncha yengilliklarni yaratmoqda. Shu sababli, tizimda ro'y berishi mumkin bo'lgan noaniqliklarga, korrupsiyaga chek qo'yimoqda. Bularga bir qancha misollarni ushbu maqolamizda ko'rib o'tamiz.*

### **Kirish so'zlar**

*solliq siyosatini o'zgartirish, raqamli solliq ma'muriyati, mobil ilova, "solliq hamkor"*

## Introduction


We know that today's tax authorities are harnessing the power of new technologies such as big data and advanced analytics to improve tax administration, fight fraud and make it easier for taxpayers to comply with the law. However, the emergence of new technologies, digitization of the business world, governments going digital, and new transparency requirements force organizations to take immediate steps to respond to this changing system and take advantage of the opportunity to make tax functions more strategic and responsive to business needs. The introduction of modern technologies into the tax system clearly shows a number of problems in the field and forces a radical reform of this field. As a result, they are demanding the creation of a digital tax administration and a change in tax policy. Digitization and emerging technologies are opening new doors of opportunities not only for business, but also for tax authorities to change their daily activities. Digital tax administration means the transition of tax authorities to a digital system. Changing tax policy is an evolving legislative landscape that requires increased transparency and compliance [1.2].

As in a number of other areas, the introduction of modern technologies, including the development of various online platforms, in the tax area prevents possible violations. Including Uzbekistan, a number of things are being done in this regard, laws are being adopted by our government. It should be noted that it is certainly gratifying that citizens who are not related to the industry are participating in the prevention of inaccuracies and violations in the tax system. And the citizens who help prevent such crimes are financially encouraged, and laws are being developed in our country about this. In order to detect violations in this area, from January 1, 2022, the updated "Tax" mobile application launched "**Tax partner**" sections for individuals [3].

"**Tax Partner**" - for reporting violations of the procedure for using cash register equipment.

From January 1, 2022, consumers who fight against tax violations will be rewarded in Uzbekistan. This is stated in the presidential decree "On additional measures to improve the use of cash register equipment in the field of retail trade and services".

### From January 1, 2022:

 to individuals who made a purchase at retail, public catering and household service facilities and registered this purchase in a special mobile application of the tax authorities by scanning the fiscal symbol of the purchase

receipt using a matrix barcode (QR-code) to their bank cards by the end of the month, 1% of the purchase amount will be returned from the republican budget, except for purchase checks received for the purchase of a car, purchase of a railway and air ticket, payment for utility and communication services, as well as when making a payment through payment system operators ;

✚ Realization of goods and rendering of services without issuing receipts or equivalent documents to the buyer, as well as notification to the tax authorities through a special program about the use of fake markings or the absence of markings on products for which mandatory digital marking with means of identification is provided to individuals who have given, a reward in the amount of 20% of the fine established in the legislative documents for violation of the procedure for using cash register equipment and settlement terminals will be paid out of the amount of the fine collected from the offenders. In this case, the remaining part of the fine will be distributed according to the established procedure.

Operators of payment systems must be required to connect their payment systems to online cash registers and thereby ensure integration into the information systems of tax authorities.

We remind you that in October 2021, the president's decision to improve the use of cash register equipment was adopted. With the document, individuals who have made a purchase in retail trade, public catering and household service facilities and registered this purchase in a special mobile application of the tax authorities by scanning the purchase receipt using the QR code with the document 1% of the purchase amount will be returned from the republican budget to the cards at the end of the month.

From January 1, 2022, citizens who report tax violations through the "Tax Partner" section of the "Tax" mobile application will receive a reward in the amount of 20 percent of the amount of the fine collected from the offenders.

Citizens through "Tax Partner":

- not issuing a check;
- refusal to accept payment by bank plastic card;
- expensive sale of products when payment is made by bank plastic card;
- illegal business activity;
- ale of products that should be marked without marking (or with fake marking) and can report similar tax violations.

Implementation of online technologies:

- increase in tax collection;

- there is no need to go directly to the taxpayer to control him;
- creating a fair competitive environment;
- ensures the collection of information about supply and demand, which is relevant to both the state and business.

"Tax partner" ensures mutual secure exchange of information between the reporting individual and DSQ through the information system. After the creation of such safe platforms, let's look at the analysis of the applications coming to the industry.

### Appeals received through the tax-partner system on tax offenses in 2022 and investigations carried out[3]

No	Place names	Number of ctions (thousands)	The amount of the (in millions of ns)
	<b>According to the republic</b>	<b>71 957</b>	<b>268 404</b>
	<b>Including:</b>		
1	<b>Karakalpakstan R.</b>	1 466	6 931
2	<b>Navoi</b>	3 893	13 283
3	<b>Khorezm</b>	3 027	11 201
4	<b>Bukhara</b>	3 591	12 481
5	<b>Kashkadarya</b>	5 007	16 673
6	<b>Jizzakh</b>	2 484	8 757
7	<b>Surkhandarya</b>	3 642	11 660
8	<b>Syrdarya</b>	1 912	6 222
9	<b>Tashkent reg.</b>	6 623	23 017
10	<b>Ferghana</b>	3 736	11 522
11	<b>Andijan</b>	3 842	12 440
12	<b>Namangan</b>	3 112	12 174
13	<b>Samarkand</b>	5 565	18 882
14	<b>Tashkent cit.</b>	24 057	103 160

According to the committee's calculations, in 2022, 142 thousand 224 appeals from citizens were received on the "Saliq-hamkor" platform. Of these, 71 thousand 957 were checked, 67 thousand 885 were returned because they were repeated or the check was ongoing. The city of Tashkent has the largest number of submitted and checked applications (24 thousand 57).

Failure to issue a purchase receipt in trade is one of the reasons why the underground economy takes root. The committee launched a system of rewarding

consumers who fought against tax violations from January 1, 2022, and this aroused public activity. Now, if the seller does not issue a check, refuses to withdraw money from a bank card, or sells goods at a high price through the card, the consumer can apply to the tax authorities and receive 20% of the fine charged from the offender as a reward if the complaint is confirmed.

According to the committee, about 132 thousand 818 of the above appeals are related to the issue of non-issue of checks. The remaining 6 thousand 56 appeals were sent on the issue of refusal to accept payment by plastic card, 496 on the issue of increasing the purchase amount for the plastic card. 98% of the violations were confirmed through the appeals sent by consumers during the inspections carried out by the tax authorities. Fines amounting to 226.6 billion soums were collected from the perpetrators. After that, 35.3 billion soums were paid to active citizens who reported violations of the law to the tax authorities.

As a result of the positive influence of the Promotion Institute, the forecast indicators were fulfilled and revenues from turnover tax increased by 1.5 times compared to 2021, to 863.3 billion soums, and the volume of value added tax amounted to 1.3 increased by 7.2 trillion soums more taxes.

As another way to fight against the shadow economy by encouraging the consumer, the practice of paying cashback was introduced. This system, launched on January 1, 2022, has significantly increased public activity. That is, individuals who have registered by scanning the fiscal symbol of the check issued for their purchases in retail trade, public catering and household service facilities in the "Tax" mobile application using a matrix barcode (QR-code) with the end of the month purchase 1 percent of the amount is returned.

More than 61,000 complaints about tax violations were received in Uzbekistan in 5 months of 2023.

It was reported that out of 61,286 complaints about tax violations received through the "Tax Partner" system of the "Tax" mobile application:

- 57,202 did not issue purchase receipts;
- 2,435 cases do not accept payment by plastic card;
- Increase the purchase amount for 97 plastic cards;
- 1,552 in cases of other types of violations.

34,412 of the appeals were returned due to the fact that they were repeated or that the investigation was ongoing at the business entity where the complaint was received. Based on the appeals, 22,569 mobile tax audits were conducted, and violations were confirmed in 99.6% of cases.



As a result, in 2023, the sums of rewards paid to citizens who reported cases of violations reached 10.9 billion soums in 21,942 cases (20 percent of the amount of fines collected). The establishment of such incentive systems encourages the population not to remain unaware of the changes taking place around them and to be active in exposing crimes in the field.

### **Tax Mobile App – Brand of the Year:**

It should be noted that the tax mobile application won the IT category of the "Brand of the Year - 2022" contest with the most votes.

16,530 votes were given to the application, which provides its more than 20 services conveniently, quickly and easily. Also, the application was recognized as the winner of the competition according to experts' votes.

The introduction of such platforms will reduce the shadow economy. Despite the efforts of our government, the indicator of the secret economy is growing year by year.

The fact that people seek to earn income illegally and without paying taxes has a negative impact on the country's development and economic growth. That is, this situation leads to a violation of the competitive environment in the market, a decrease in the quality and quantity of products, and an increase in tax revenues.

Recently, experts of the State Tax Committee reported that now more than 14 million people of Uzbekistan are able to work, but 4 million of them do not work legally. This means that almost 4 million people are working without paying taxes.

According to some economists, in order to reduce the share of the hidden economy, it is necessary to lower taxes, simplify tax administration, make payments easier, and of course, people should know what their taxes are spent on, and the system should be open and transparent [4.5].

In general, the issue remains serious, most of the entrepreneurs do not feel social responsibility and continue to work illegally in pursuit of low income.

It should be noted that it is necessary to study the experience of foreign countries in reducing the share of the hidden economy in our country and apply them in practice. For example, in countries such as Singapore, Japan, Australia, Great Britain, Canada, and the United States, the indicator of the secret economy is low[6.7].

### **CONCLUSION**

To sum up what we mentioned above, it is impossible to eliminate the problem of the hidden economy at once. Because it has very deep roots. As much as possible, measures to combat the problem should be strengthened. At this point, the State Tax Committee is calling on residents, especially entrepreneurs, to work

legally. For example, the "Tax-Hamkor" project was one of the effective steps towards directing entrepreneurs to work legally by strengthening public control.

Tax authorities around the world are using sophisticated digital platforms that require taxpayers to provide real-time or real-time data. It will change the way businesses collect, format and report their tax information and speed up their reporting and filing obligations.

In addition to electronic filing and payment systems, tax authorities need to use new technologies such as big data, blockchain, biometrics, and artificial intelligence to improve tax administration, provide better service to taxpayers, and better monitor taxpayer compliance.

In general, automated systems should be fairer and less open to corruption. If the system is well implemented, the system will be transparent and easy for citizens to use.

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