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TAX CONTROL AND ITS IMPLEMENTATION IN THE CONDITIONS OF THE SHADOW ECONOMY

Gofurov Umidjon Bokhodir ugli

Graduate student of the Fiscal Institute under the Tax Committee

Abstract: This article explores the ways of tax control through further automation of the activities of the authorities of the state tax service of the Republic. The article also describes a review of thematic literature and some legal aspects. In addition, the reasons for the origin of tax controls, the factors affecting them, as well as the possibilities of prevention through ICT are covered. As a result of the studies carried out, conclusions were formed and relevant scientific proposals and practical recommendations were developed.

Keywords: tax control, information and communication technologies (ICT), database, integration, automation, taxpayers, state tax service.

1. Introduction

Organization of effective tax administration is important for the fair distribution of the tax burden among taxpayers in the country and the creation of an environment of honest competition in the market. The effectiveness of tax control is determined by the full coverage of taxpayers and tax objects, correct and accurate accounting of tax liabilities, and successful implementation of tax control. In the modern world, where the types and forms of economic activity are expanding day by day, full coverage of the tax base can be carried out only with the help of information technology and automation of business processes. Digitization of tax relations, expansion of interdepartmental electronic information exchange and establishment of modern analysis mechanisms ensure full coverage of tax objects and prevention of tax violations.

In fact, in accordance with the Resolution of the President of the Republic of Uzbekistan “On measures for further modernization of the system of tax authorities of the Republic” No. RP-1257 dated January 8, 2010, Unified Integrated Information Resource Base of the State Tax Committee was established. Unified Integrated Information Resource Base was integrated with more than 50 ministries and agencies in accordance with Article 84 of the Tax Code of the Republic of Uzbekistan in the old version and the Resolution of the President of the Republic of Uzbekistan “On measures to further improve the efficiency of the functioning of the information and communication system of the state tax service authorities of the Republic of Uzbekistan” No. RP-1843 dated October 30, 2012, providing an opportunity to further automate the activities of state tax service authorities and introduce electronic services for taxpayers.

As a result of mutual integration of databases, electronic acceptance of information related to state-registered business entities, payments to budget and

extra-budgetary special funds, real estate objects and their sales contracts and 120 other ministries and agencies.

In addition, by the Decree of the President of the Republic of Uzbekistan “On organizational measures to reduce the shadow economy and increase the efficiency of tax authorities” No. DP-6098 dated October 30, 2020, the list of additional information to be provided to tax authorities through interdepartmental electronic communication in real time has been approved. In accordance with this Decree, the Ministry of Finance of the Republic of Uzbekistan, “Uzbek Commodity Exchange” JSC (“Uzbekiston respublika tovar-khomashyo birjasi” AJ), Cadaster Agency, “Regional electrical power networks” JSC (“Khududiy elektr tarmoklari” AJ), Treasury of the Ministry of Finance, “Uztransgaz” JSC and “Regional Gas Networks” (“Khududiy gaz tarmoklari”) also established to provide additional information to the tax authorities.

Today, 45 electronic state services and more than 40 software products related to tax administration are used through the Unified Integrated Information Resource Base of the State Tax Committee. Within the framework of the electronic services introduced for taxpayers, obligations such as the provision of tax and financial statements, payment of taxes, acquaintance with the personal card information in the tax authorities, refund or transfer to another type of tax, sending an invoice can be fulfilled electronically. However, despite the fact that the database of the State Tax Service authorities has been integrated with a number of ministries and agencies, and tax relations have been transferred to electronic form, there are enough cases of tax violations in our economy.

In particular, among them is the identification of 396 “one-day firms” engaged in the cashing of funds by the State Tax Service authorities, known as the “Obnal case” in the society and the illegal calculation of the value added tax amount of about 10 thousand organizations that used their services. The necessity of timely detection of such cases or prevention of their occurrence through modern information technologies, relying only on the experience of developed countries, means the relevance of this topic.

2. Literature review.

The results of the literature review in the course of the research showed that the authors have different opinions and considerations on the prevention of tax offenses and their reduction.

In particular, according to Artemenko and others (2017), tax risk is an unplanned financial loss of the state, regional municipalities in their activities. The occurrence and failure to control tax risks causes a great loss for the economic situation of any country. For this reason, it is important to assess the situation in time and correctly, and to take measures to eliminate it. Usually, taxpayers hide tax objects to minimize taxes and become participants in the “shadow” economy.

The main causes of tax risks are: the instability of tax legislation, the introduction of new types of taxes and mandatory payments, the price policy and tax

burden used in a certain area. In order to reduce and prevent the occurrence of tax risks, it was noted that: firstly, it is necessary to regulate the mechanism of ensuring the stabilization and enforcement of tax legislation; secondly, to organize a complete registration of all types of taxation elements; thirdly, to keep the tax burden below the norm of causing the consequence of tax evasion for the basic class. The Organization for Economic Co-operation and Development published the “Tax Administration 3.0: The Digital Transformation of Tax Administration” manual in 2020 (OECD, 2020). Based on the fact that today the types and forms of economic activity are changing sharply, this manual discusses the current issues facing tax authorities and proposes an integrated platform model for effective administration for tax authorities. According to him, it was mentioned about what external sources the database of tax authorities should integrate with, the existing problems in the integration process and their solutions.

3. Research methodology.

Comparative and statistical analysis and descriptive statistics methods were used in the research.

4. Analysis and discussion of results.

It is known that any person with a taxable object has a tax liability. First of all, this person must be registered as a taxpayer, submit tax statements and pay them on time. Full or partial non-fulfillment of these liabilities constitutes a tax offense. In the course of the research, the number of the most observed violations recorded in the tax control process conducted in our Republic in the last five years was analyzed and the following figure was formed (Figure 1).

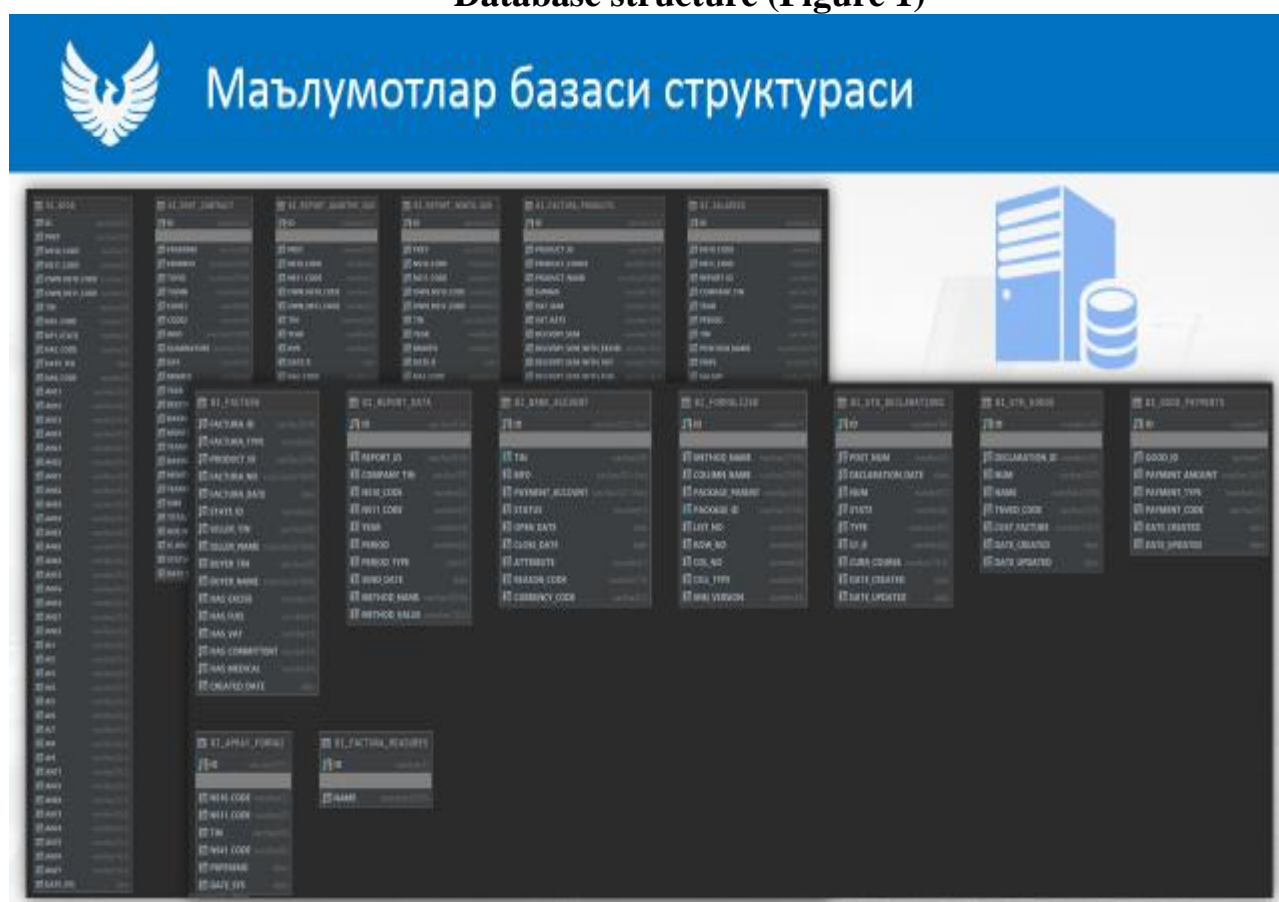
As you can see, in the last 5 years, the most cases of violation of the procedure for submitting tax reports have been recorded. This type of offense was recorded 34.6 thousand times in 2016, 45.7 thousand times in 2017, and 14.8 thousand times in 2018, with a sharp decrease. However, in 2019, it increased by 3 times and was committed 48.8 thousand times. In 2020, registration of this type of offense was reduced by 2 times and amounted to 22.2 thousand. The next most reported type of offense is payment discipline violations.

This type of offense was observed 18.4 thousand times in 2016, 14.4 thousand times in 2017 and 10.3 thousand times in 2018. In 2019, it increased sharply, reaching 34.3 thousand, and in 2020, a further decrease was observed, and it was recorded 13.6 thousand times.

Also, during the years 2016-2020, on average, 12.1 thousand cases of business activity without registration were observed per year. On the one hand, these cases create administrative responsibility for the taxpayer in accordance with the tax legislation and do not affect his financial situation. On the other hand, it has a negative impact on the process of formation of budget revenues for the tax system and the efficiency of tax administration.

In particular, violations such as operating without registration as a business entity, misrepresenting reporting indicators, concealing income, have negative consequences not only for the tax system, but also for the entire economy. That is, it undermines the environment of healthy competition in the market, causes macroeconomic indicators to be incorrectly assessed. In most developed countries, especially in the Republic of Uzbekistan, the process of establishing a business has been implemented electronically.

Database structure (Figure 1)



Currently, any person who wants to establish his entrepreneurial activity can register his business in real time through the Internet. Opportunities to pay taxes online through personal cabinet and online payment systems have also been introduced in order to facilitate tax payment processes. However, despite the created amenities, the breadth of the scope of cases of infringement – indicates that further improvement of tax administration is necessary. In order to prevent the violation of the procedure for presenting tax reporting, the database of tax authorities of developed countries of the world, in particular, such states as South Korea, Denmark and Germany, is integrated with information systems for accounting of taxpayers. In

this case, the taxpayer's Accounting Information System automatically sends the relevant information to the tax authorities for the specified period and period.

There is also an exchange of information between the tax authority and banks about the taxpayer's transactions on tax relations. As a result, the amounts that the taxpayer must pay are calculated in an automatic way, and the taxpayer is presented to confirm the calculations in the finished state. Automation of this process frees taxpayers from unnecessary hassles and facilitates tax accounting. In particular:

Table 1. List of additional information provided to tax authorities through interdepartmental electronic communication in real time.

No.	Data name	Agencies providing information
1	Information on the actual costs of VAT refund in the section of recipients	Ministry of Finance
2	Information on state benefits issued in the section of recipients	
3	Information on transactions made through exchange trading (subject of trade, price and settlement conditions) in the cross section of trade participants	"Uzbek Commodity Exchange" JSC
4	Information on property and funds seized (received) by law enforcement and judicial authorities	Investigative authorities, pre-trial investigation, preliminary investigation, court authorities
5	Information on real estate and land plots by Category	Cadaster Agency
6	Information related to the legalization of income from criminal activity and "money laundering"	Prosecutor General Office
7	Information on electricity used in reality in the cross section of legal entities and individuals	"Regional electrical power networks" JSC
8	Information on the volume of natural gas used in reality in the cross section of legal entities and individuals	"Uztransgaz" JSC, "Regional gas networks"
9	Information on the volume of water used in reality in the cross section of legal entities and individuals	Ministry of Housing and Communal Services
10	Passenger and cargo information	Ministry of Transport
11	Information on the registration (re-registration) of vehicles of legal entities and individuals and the payments made by them	Ministry of Internal Affairs
12	Information on fines applied to officials of legal entities	
13	Information on temporary registration of foreign citizens and stateless persons in accommodation facilities and treatment facilities	Ministry of Internal Affairs, State Committee for Tourism Development
14	Information on registered civil status acts and their composition	Ministry of Justice
15	Public procurement information	Treasury of the Ministry of Finance

A number of works have been carried out in this direction in our country. In particular, in accordance with the Resolution of the President of the Republic of Uzbekistan "On improving the system of state registration and registration of business entities" No. RP-2646 dated October 28, 2016, the state registration of business entities was simplified and implemented online. In accordance with the Resolution of the President of the Republic of Uzbekistan "On measures to simplify

state regulation of business activities and self-employment” No. RP-4742 dated June 8, 2020, the types of activities that can be carried out by self-employed persons were determined and electronic registration was introduced. It is also possible to report a violation to the tax authority using the “Tax Partner” electronic service through the tax mobile application. In addition, it is possible to become a winning participant of the game and receive valuable gifts by means of checks generated through online cash registers. However, our tax administration does not have the opportunity to further improve these mechanisms.

5. Conclusion and proposal.

Based on the above analysis and research, the following scientific proposal and practical recommendations were developed.

1. Establish information exchange with the Central Bank of the Republic of Uzbekistan in order to prevent and reduce violations of the procedure for submitting tax and financial reports. That is, it is necessary to establish an exchange of information between the tax authority and the bank on whether the taxpayer has or does not have banking transactions during the reporting period (actually, in accordance with the Bank’s secret, only an indication of whether or not the taxpayer has turnover is provided, not the turnover amount of the taxpayer). Based on this information, tax payers who did not perform bank turnover in the relevant tax period should be released from the obligation to submit a report on taxes related to turnover.

2. In the process of submitting a tax report, placing an offer to automatically collect the amount of tax calculated according to the report from the taxpayer’s bank account. If the taxpayer accepts this offer, collect taxes from his account.

3. Automate the process of submitting resource tax reports by business entities. That is, to collect information about the objects of taxpayers and their amount from organizations such as the Cadastre Agency, “Suvsoz” enterprise, and other organizations that keep accounts of resource tax objects, and integrate them with the tax report.

4. Establish CASHBACK system at the expense of the VAT amount, instead of the winning games held on the basis of checks generated by online control cash registers. Due to this, many customers are rewarded today through winning games. CASHBACK system allows everyone to deduct a certain amount from the amount of their purchase and encourages everyone equally.

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