

## **Application of the Role (Importance) of Taxes in Digitizing the Economy and Reducing the Hidden Economy**

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**Annotation:** This article discusses the issues of digitalization of the economy and the correct use of the tax lever to reduce the hidden economy in our republic. At the same time, the importance of using digital technologies in the formation of data for calculating the amount of tax obligations was analyzed. At the new stage of development, which is carried out by constantly introducing innovative digital technologies into the enterprise development process, socio-economic, organizational and other conditions were studied and suggestions were made about improving tax administration and reducing the hidden economy.

**Keywords:** digital economy, hidden economy, tax administration, software complex, digital technologies.

### **INTRODUCTION**

The tax system as an integral part of the economy is the most important mechanism for achieving the priority goals of socio-economic development of the country.

The concept of improving the tax policy of the Republic of Uzbekistan adopted in 2018 made it possible to create a favorable environment for reducing the tax burden, simplify the taxation system, improve tax administration, develop entrepreneurship and attract foreign investments.

Large-scale reforms aimed at creating favorable conditions for conducting business activities and improving the investment environment are being implemented in the country in the areas of monetary and credit, currency, tax and foreign trade policies.

At the same time, experts' evaluations and surveys conducted among business entities indicate the existence of hidden circulation in the economy, especially in such areas as trade and general catering, road transport, housing construction and repair, and provision of residential services. shows that it remains at a high level, which harms the economic interests of conscientious entrepreneurs, creates unequal business conditions for them.

In order to reduce the level of the hidden economy in our country, to conduct business activities, including the creation of equal competition conditions due to the reduction of regulation and administrative burden, to automate the procedures for compliance with the requirements of tax legislation and to simplify its procedure, the decree of the President of the Republic of Uzbekistan is aimed at specific areas.

From January 1, 2021:

- 1) for the period until January 1, 2022, the income of small business entities in the field of public catering from individuals using bank cards and contactless payments will not be included in the general income in order to make it mandatory to pay general taxes;
- 2) the turnover tax rate for persons engaged in real estate activities will be reduced from 25% to

13%;

- 3) construction enterprises are allowed to hire workers on a fixed-term basis without concluding a contract with the right to pay wages in cash in the amount not exceeding 10% of the total amount of the wage fund for the reporting period (excluding the amount of social tax). In this case: construction organizations ensure the payment of income tax and social tax collected from individuals in the prescribed manner, and also submit their register to the state tax service authorities, indicating the amount of cash paid to workers hired without a contract every month;
- 4) state tax service bodies automatically identify taxpayers based on the registers provided by construction organizations and ensure that the income tax and social tax collected from paid individuals are taken into account.

It should be noted that the norms of legislation providing for the social protection of employees in case of industrial accidents are applied to persons hired without a contract.

The special commission for reducing the hidden economy (hereinafter - the Special Commission) with the composition according to Appendix 1, regional commissions for reducing the hidden economy (hereinafter - the regional commissions) with the model composition according to the Appendix 2 keyed.

Development and implementation of comprehensive measures to combat the hidden economy, including the following as the main task of the Special Commission:

- create conditions to encourage business to come out of the "shadow", simplify the tax regime and take measures to expand non-cash payments;
- adaptation of accepted regulatory legal documents to established business practices;
- ensure that the means of tax and customs administration are focused on the completeness of accounts and receipts, including the identification and prosecution of individuals and legal entities who evade taxes;
- coordinating the activity of combating the hidden economy with the activities of organizations in the field of combating "money laundering";
- ensuring openness and transparency, involving the general public and mass media in the fight against the hidden economy, forming a sense of intolerance to the hidden economy in society, increasing the prestige of conducting legal business.

#### **Analysis of literature on the topic.**

Humanity has reached the threshold of the fourth industrial revolution based on digital technologies. At the end of the 20th century and the beginning of the 21st century, they began to talk about the possibility of stopping globalization, and now they began to apply, write and discuss digitization in all areas of the world. Indeed, the digital transformation of all industries is underway. At the World Government Summit in Dubai, there was a discussion about the exchange of information between the human brain and its digital version.

Originally, the term "digital economy" was first mentioned in Japan at the height of the Japanese crisis of the 1990s. Further west, Don Tapscott's 1995 book, *The Digital Economy: Opportunities and Threats in the Networked Information Age*. Internet business is definitely changing the way.

Schumpeter (2007) suggests a division into two types: the risk associated with a possible technical failure in production and the risk associated with a lack of commercial success.

Pokrovsky (2011) suggests the structural characteristics of risk for consideration: risk, risk propensity, risk sensitivity (vulnerability), interaction with other risks, available information about risk, amount of risk, risk costs (expenses) associated with, identity risks.

According to the Swedish economist Becker (2004), the uniqueness of the secret economy is that the informal economy is an uncontrollable part of the market economy, which is known to produce goods and provide services based on other forms of incentives. did

Aronov, Kashinlar (2004) in his research, studying the mechanism of collection of taxes and other compulsory payments abroad and in the Russian Federation, the policy of working with taxpayers who refused to pay taxes, their rights and obligations, in the future every a taxpayer voluntarily developed practical recommendations on the obligation to pay taxes and applied these recommendations in the field of collection of taxes and other mandatory payments, proved it and implemented a number of practical measures.

However, with a completely different proposal from Jalonkinani (2012), Tashmatov in his book "On the role of taxes in the development of enterprises" suggests that taxes and other mandatory payments stimulate the activities of business entities and reduce their debtor and creditor debts. and made scientific recommendations on improving recovery mechanisms by increasing their activity.

**Research methodology.** The expert assessment, deductive and inductive determination approach was the leading method in considering the problem posed in the article.

**Analysis and results.** The digital economy is not only an information economy, but also a trust economy system that allows the use of IT technologies to ensure voluntary compliance and compliance with tax laws and legislation.

The effectiveness of the tax administration consists of the state of the tax system, its integrity, stability, fiscal and economic efficiency. It depends on the stability of filling the country's budget system with tax payments, the timely implementation of detection and prevention of tax violations, and the provision of favorable conditions for taxpayers to fulfill their constitutional duties.

At the current stage, the main task of tax authorities is to almost completely exclude direct interaction with taxpayers and transfer all operations to electronic format. Recently, the tax service has been effective in expanding the list of documents in electronic form. Since October 2018, a major project based on "big data" has been launched in Uzbekistan, which became the basis for an automated system of VAT payment control. Experiments on the introduction of electronic invoices have already been successfully conducted by business entities in Chirchik city, Tashkent region, Navoi and Syrdarya regions.

In the analysis of cases of tax evasion, another important methodology was used in world practice, which is a joint analysis of the state of the hidden economy at the level of the national economy, the reasons for its occurrence, and the effectiveness of the economic and legal measures used in cases of tax evasion.

In fact, the most influential factor in the occurrence of tax evasion is the level of the underground economy, and the state policy related to it, in turn, is interconnected with mechanisms related to tax evasion. In addition, it is important to evaluate the identified cases from a legal point of view and to determine appropriate measures of fair responsibility. At the beginning of this chapter of our research, we described the methods of tax avoidance both theoretically and practically. These methods, in turn, require consideration of the methods of responsibility applied to tax evasion measures.

It is known that in order to prevent tax evasion and the hidden economy in the tax system, the level of coverage with electronic invoices has reached 100%, the automation of reports has increased from 76% to 86%, "Tahlika-Analyz" AAT, "E-lease" ", "Avtokameral", "Eimtiyoz", Tax.gap, "Cashback", "Saliq" mobile application and a number of other software products, along with curbing the hidden economy and having a positive effect on tax revenues, will create an equal competitive environment and oblige entrepreneurs is becoming a real helper in performance. However, at the same time, the analysis shows that the influence of the level of the hidden economy in cases of tax evasion remains high. This can also be seen in the results of the

analysis of the results of mobile inspections conducted in 2021-2022 in business entities engaged in the sale of alcohol products and producing illegal alcohol.

With the help of the new system, monitoring of VAT payment chains was introduced in almost real time. The system made it possible to identify gaps in the taxpayer-contractor chains, use-for-fee schemes became economically ineffective, and VAT payments began to grow. In addition, with the transition of business entities to online cash registers, the amount of payment, the amount and name of goods (services), VAT and other information specified by law began to be transferred directly to the data processing center (data center) of the State Tax Committee, which ensured the transparency of business. , has created an atmosphere of trust between entrepreneurs and tax authorities, because quick access to information and their automated analysis do not require additional checks.

The project to modernize the data center of the tax authorities had high hopes for reducing the "shadow" and "secret" sector of the economy, increasing the transparency of the economy, and creating equal competitive conditions. For taxpayers, it means creation of "smart" portals and individual active services, more convenient working conditions and minimal administrative burden.

Further, as an important measure to increase the role of digital technologies and fight against the secret economy, it is necessary to increase the efficiency of the tax administration, to ensure that the tasks of the data center project are implemented as soon as possible. Expanding the data center and modernizing the technological processes of the tax administration will reduce the amount of manual operations, information processing time, formalize and automate procedures as much as possible, and significantly improve the quality of taxpayer service. Full automation is one of the main vectors of tax administration improvement.

For the purpose of the automated VAT payment control system, the results of the experiments conducted by business entities on the introduction of electronic invoices should be made public, the existing problems should be summarized, and emergency measures should be taken to solve them.

Currently, the main problems in the field of tax administration, including collection of taxes and other mandatory payments, expansion of the tax base and improvement of the legal culture of taxpayers, are as follows:

- 1) effective control and cooperation with the ministries and agencies interested in the activities of tax authorities, as well as the lack of good isolation of the system of using state services;
- 2) analysis of the state of tax legal relations and development trends, development of medium and long-term directions of tax policy, study of current tax problems, as well as implementation of reliable forecasting of tax revenues to the budget;
- 3) the possibilities of the institute for pre-trial settlement of tax disputes, tax appeals and methods are not being used sufficiently;
- 4) work aimed at improving the legal culture of taxpayers, ensuring their voluntary fulfillment of their constitutional duty to pay taxes, especially imperfection in local areas;
- 5) the lack of proper effectiveness of tax control over the activity of markets and trading complexes does not ensure the full mobilization of existing reserves to replenish local budgets, as well as guaranteeing the return of cash;
- 6) to improve the indicators of tax collection and other compulsory payments, to prevent corruption, and also to attract conscientious and highly qualified employees to serve in the tax authorities, it is necessary to improve the mechanisms of financial incentives for the employees of the state tax service bodies.

The improvement of tax administration is based not only on legislation, but also requires changing the culture and ideology of relations between tax authorities and taxpayers - further

development of the tax administration system is necessary.

### **Conclusions and suggestions.**

Thus, the introduction of digital technologies into the processes of tax administration allows processing a large amount of data, spending less time on it, and getting the relevant information needed by a particular taxpayer faster. In addition, working on software products provides "transparency" to the business processes implemented in the country's economy. All these factors affect the overall efficiency of the tax administration.

Reducing the shadow economy and strengthening measures to combat tax evasion The aim is to reduce the shadow economy and combat tax evasion by implementing comprehensive economic and legal measures. These measures are aimed at strengthening tax compliance, increasing revenue collection, and strengthening a fair and transparent business environment.

To strengthen the tax administration, increase the capabilities of the tax administration, including technological infrastructure, data analysis and skilled workforce, to more effectively detect and prevent tax evasion. It is necessary to implement risk-based audit approaches aimed at industries and individuals.

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