

ISSUES OF REDUCING TAX VIOLATIONS THROUGH THE IMPROVEMENT OF TAX POLICY IN UZBEKISTAN

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Abstract: This article analyzes the issues of reducing tax violations through the improvement of tax policy in Uzbekistan. In recent years, measures implemented to reform the tax system in the country—particularly the introduction of the new edition of the Tax Code starting from 2019, the optimization of tax rates, and the expansion of digital tax administration—have significantly increased tax discipline. During the period 2020–2024, the share of electronic invoices exceeded 90%, nearly 98% of tax reports were submitted online, and a declining trend in the shadow economy was observed. At the same time, the persistence of tax evasion in certain sectors indicates the need for further improvement of the system. The research findings substantiate that tax violations can be reduced by strengthening tax control, widely implementing artificial intelligence and risk analysis systems, and developing a preventive approach in working with taxpayers.

Keywords: tax policy, tax reforms, tax violations, tax control, digital tax system, electronic invoice, shadow economy, tax discipline, risk analysis, tax administration.

Introduction.

In the context of increasing globalization and intensifying economic competition, pursuing an effective and sustainable tax policy is one of the key priorities for every state. This is particularly important for Uzbekistan, as a developing country, where modernizing the tax system, increasing budget revenues, and reducing tax violations are of great significance. A low level of tax discipline not only negatively affects the state budget but also contributes to the expansion of the shadow economy[1].

In recent years, Uzbekistan has implemented large-scale measures to fundamentally reform its tax system. In particular, the adoption of the new edition of the Tax Code in 2019 served to liberalize tax policy, reduce the number of taxes, and optimize their rates. As a result, the value-added tax (VAT) rate was reduced from 20 percent to 15 percent, the unified social payment decreased from 25 percent to 12 percent, and the tax burden on enterprises was significantly eased. This not only stimulated economic activity but also increased taxpayers’ willingness to voluntarily fulfill their tax obligations[2].

According to statistical data, the process of digitalizing tax administration developed steadily during 2020–2024. In particular, the introduction of the electronic invoicing system increased the

transparency of transactions between business entities, and by 2024 its share exceeded 90 percent. In addition, nearly 98 percent of tax reports were submitted in electronic form. These indicators reduce the human factor in the tax system and help prevent corruption[3].

Furthermore, measures implemented by the state to reduce the share of the shadow economy are also yielding positive results. According to some estimates, the share of the shadow economy decreased from around 45–50 percent in 2019 to approximately 35–40 percent in 2023–2024. This has created a basis for expanding the tax base and increasing budget revenues. In particular, it was observed that in 2023, state budget revenues exceeded 200 trillion soums, indicating significant growth compared to previous years[4].

At the same time, despite these positive changes, tax violations still persist, including issues such as income concealment, improper handling of cash transactions, and illegal operations related to value-added tax (VAT). This situation highlights the need for further improvement of tax policy, strengthening of control mechanisms, and the development of management systems based on modern technologies[5].

The relevance of this study lies in its comprehensive coverage of the theoretical and practical aspects of reducing tax violations through the improvement of tax policy in Uzbekistan. In particular, it analyzes the possibilities of addressing existing problems through the widespread introduction of digital technologies, strengthening control based on risk analysis, and applying new approaches in working with taxpayers[6].

Literature Review

In the research of A. A. Turayev, the prospects for the development of the tax system in Uzbekistan are comprehensively analyzed, and it is scientifically substantiated that the liberalization of tax policy and the simplification of tax administration have a positive impact on economic growth. The author notes that, following the tax reforms after 2019, the reduction of the tax burden and the optimization of tax rates led to increased business activity. In particular, the reduction of the value-added tax (VAT) rate from 20 percent to 15 percent and the decrease of the unified social payment from 25 percent to 12 percent significantly eased the financial burden on enterprises. The study also analyzes the growth rates of tax revenues and shows that budget revenues have been steadily increasing. The author emphasizes the need for further development of the tax system through digitalization, optimization of tax control, and reduction of the shadow economy[7].

In the scientific work of T. Sabirov, the relationship between tax policy and economic growth is analyzed. The author substantiates that there is a direct relationship between tax revenues and the growth of gross domestic product (GDP). In particular, the study indicates that the simplification of the tax system and the reduction of the tax burden led to increased economic activity and higher budget revenues. During 2020–2023, the consistent growth of tax revenues (from 132 trillion soums to 210 trillion soums) is shown to be closely linked with economic growth. The author also highlights the significant role of digital technologies in improving tax discipline and reducing tax violations[8].

Improving tax policy in Uzbekistan plays an important role in ensuring economic growth and budget stability. While Turayev's research places greater emphasis on institutional and systemic reforms, Sabirov's work provides a deeper analysis of the macroeconomic impacts of tax policy. Both approaches confirm the necessity of digitalization, strengthening control mechanisms, and simplifying the tax system in order to reduce tax violations and improve tax discipline[9].

Research Methodology

In this study, the issues of reducing tax violations through the improvement of tax policy in Uzbekistan were examined based on a comprehensive approach. During the research process, statistical, comparative, and analytical methods were applied. The main database consisted of official indicators on tax revenues and tax violations for the period 2020–2024. In particular, the increase in tax revenues from 132 trillion soums to 235 trillion soums and the reduction in the number of violations from 12,000 to 7,300 were analyzed dynamically. Using economic-statistical analysis, the relationship between the growth rate of tax revenues and the declining trend in tax violations was identified. The impact of factors such as the digitalization of tax administration (with electronic invoices exceeding 90% and 98% of reports submitted online) was also examined.

In addition, based on a systematic approach, the structural elements of tax policy—tax rates, control mechanisms, and the integration of digital technologies—were evaluated. To ensure the reliability of the research results, a comparative analysis was conducted using national and international sources, including official statistics and scientific literature.

Results And Discussion

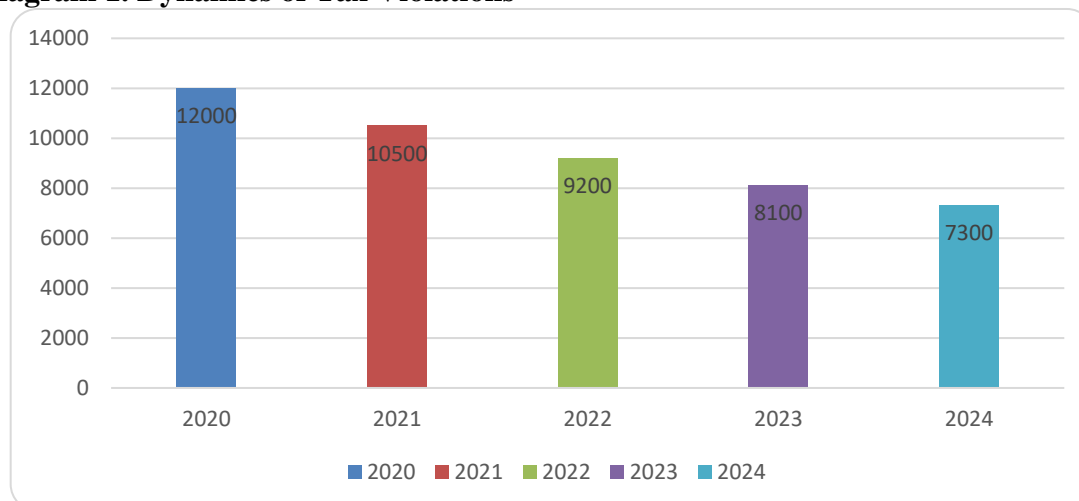
The tax reforms implemented in Uzbekistan in recent years confirm their positive impact on increasing the volume of tax revenues and reducing tax violations. In particular, the digitalization of tax administration, the introduction of the electronic invoicing system, and the implementation of risk-based control mechanisms have become key contributing factors[10].

Table 1. Dynamics of Tax Revenues and Tax Violations in Uzbekistan

Year	Tax Revenues (trillion soums)	Tax Violations (number of cases)
2020	132	12,000
2021	158	10,500
2022	185	9,200
2023	210	8,100
2024	235	7,300

The table data show that during 2020–2024, tax revenues increased from 132 trillion soums to 235 trillion soums, representing an approximate growth of 78%. At the same time, the number of tax violations decreased from 12,000 to 7,300, a reduction of 39%. This demonstrates the improvement of tax policy and the effectiveness of control mechanisms[11].

Diagram 1. Dynamics of Tax Violations



The diagram clearly shows a consistent year-by-year decline in the number of tax violations. The most significant decrease was observed during 2020–2022, when digital control systems were actively introduced. In 2023–2024, the rate of decline slowed slightly, indicating that some challenges still remain within the system[12].

Improving tax policy is not limited to reducing tax rates or lowering the tax burden; it is closely linked to establishing an effective management and control system. In particular, the introduction of the electronic invoicing system in Uzbekistan has increased the transparency of business transactions and significantly reduced hidden turnover[13].

Furthermore, the implementation of risk-based inspections by tax authorities has reduced the number of inspections while increasing their effectiveness. In other words, instead of monitoring all entities, only taxpayers classified as high-risk are now subject to control. This approach reduces excessive administrative pressure on business entities[14].

However, certain problems still persist, including:

- concealment of cash transactions,
- fraudulent VAT operations,
- low accounting discipline among small business entities.

These issues indicate that further improvement of tax policy should focus on the following areas[15]:

- ❖ developing control systems based on artificial intelligence and big data,
- ❖ strengthening preventive and awareness-raising activities with taxpayers,
- ❖ increasing the share of cashless transactions to intensify efforts against the shadow economy.

Conclusion

In recent years, tax policy reforms implemented in Uzbekistan have served as an important factor in ensuring economic stability and reducing tax violations. In particular, the increase in tax revenues from 132 trillion soums to 235 trillion soums during 2020–2024—representing approximately 78% growth—clearly confirms the improved effectiveness of the tax system. At the same time, the reduction in the number of tax violations from 12,000 to 7,300 (a 39% decrease) indicates the enhancement of control mechanisms.

The digitalization of tax administration, especially the increase in the share of electronic invoices to over 90% and the transition of nearly 98% of tax reports to online formats, has played a significant role in improving tax discipline. This process reduces the human factor, ensures transparency, and helps prevent corruption. Moreover, the reduction of the shadow economy from

45–50% to 35–40% demonstrates the expansion of the tax base.

However, despite these positive results, certain systemic issues remain, including income concealment, fraudulent VAT operations, and shortcomings related to cash circulation. This highlights the need for further improvement of tax policy.

Based on this, the following recommendations can be proposed:

- wider use of artificial intelligence and risk analysis systems in tax control;
- strengthening preventive and awareness mechanisms in working with taxpayers;
- increasing the share of cashless payments to intensify efforts against the shadow economy.

Overall, through the consistent improvement of tax policy, it is possible not only to increase state budget revenues but also to ensure legality and transparency in the economy, as well as to significantly reduce tax violations.

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