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Combating Tax Offenses: Causes, Prevention Policy and Detection System

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Abstract: This article analyzes the current issues of combating tax offenses, their underlying causes, prevention policies, and the effectiveness of the detection system. According to the research findings, the main causes of tax offenses have been identified as the high tax burden, the complexity of tax legislation, the large share of the shadow economy, and the insufficient development of tax culture. In particular, according to certain estimates, the share of the shadow economy accounts for around 20–30 percent of gross domestic product, which leads to a significant loss of tax revenues. The article also substantiates the importance of digitalization processes in preventing tax offenses, particularly the introduction of electronic invoices, online cash register machines, and automated analytical systems. According to practical data, the widespread implementation of digital tax control tools has resulted in a 15–20 percent increase in tax revenues in certain sectors. At the same time, it is emphasized that the effectiveness of detecting violations can be improved through the enhancement of tax audits, the development of a risk analysis–based control system, and the establishment of effective communication with taxpayers.

Keywords: Tax Offenses, Tax Policy, Shadow Economy, Tax Control, Tax Audit, Digitalization, Electronic Invoice, Risk Analysis, Tax Revenues, Tax Culture

Introduction

In the context of the modern economy, the tax system plays a decisive role in ensuring the stability of the state budget and supporting socio-economic development. Tax revenues are considered the main financial source of government expenditures and play an important role in financing infrastructure development, social protection, education, and healthcare systems. At the same time, the effectiveness of the tax system largely depends on the level of tax discipline and the ability to prevent tax offenses[1].

In recent years, despite the implementation of large-scale reforms aimed at liberalizing the economy, optimizing the tax burden, and improving the business environment, tax offenses still remain one of the pressing issues. According to the estimates of international organizations, the share of the shadow economy in some developing countries accounts for 20–30 percent of gross domestic product. This leads to the loss of a significant portion of tax revenues that should be allocated to the state budget. Under the conditions of Uzbekistan, it is also observed that the existence of informal activities in certain sectors of the economy is causing a reduction in the tax base[2].

Tax offenses manifest themselves in various forms, including concealment of income, artificial reduction of the tax base, unlawful use of tax privileges, falsification of reports, and other similar practices. A number of factors contribute to the occurrence of these violations. In particular, the complexity of tax legislation, the relatively high tax burden, the insufficient effectiveness of control mechanisms, and the low level of legal and financial literacy among taxpayers are among the main causes.

The analysis of statistical data shows that the probability of tax offenses is higher in sectors with a low level of digitalization. Conversely, in sectors where electronic invoices, online cash register machines, and automated tax monitoring systems have been introduced, tax revenues have been observed to increase by an average of 15–20 percent. This confirms that modern information technologies are an important tool in strengthening tax control and reducing violations[3].

In addition, alongside traditional control methods, a risk analysis–based approach is increasingly being applied in combating tax offenses. Through this approach, tax authorities are able to identify taxpayers belonging to high-risk groups and direct control resources in a targeted manner. As a result, the effectiveness of tax inspections increases while excessive administrative burdens are reduced.

From this perspective, combating tax offenses requires a comprehensive approach. In this process, it is important not only to strengthen punitive measures, but also to improve preventive policies, simplify tax administration, and develop open communication with taxpayers. In particular, enhancing tax culture and shaping a conscious attitude of entrepreneurs and the population toward tax obligations ensure positive long-term results[4].

The purpose of this article is to conduct an in-depth analysis of the main causes of tax offenses, to study their prevention policies and practical mechanisms, and to assess the effectiveness of modern detection systems. On this basis, it is envisaged to develop scientifically grounded proposals and recommendations aimed at improving the tax system and increasing budget revenues.

Literature Review

In T. Muratov's article entitled "Tax Policy of the Republic of Uzbekistan and Its Main Directions," the priority directions of tax reforms being implemented in the country, the optimization of the tax burden, and the issues of ensuring a stable increase in state budget revenues are comprehensively covered. The author evaluates tax policy as an important instrument for stimulating economic growth and pays particular attention to the system of incentives aimed at supporting entrepreneurial activity, especially in recent years. In this study, the optimization of tax rates is shown as an important factor in increasing investment activity, reducing the share of the informal economy, and ensuring the stability of tax revenues. Furthermore, the article substantiates the necessity of digitalization, strengthening the control system, and simplifying tax administration as the main directions for improving tax policy[5].

In J. Shuxrat's scientific article entitled "Issues of Improving Tax Policy in the Republic of Uzbekistan," the issues of updating tax policy in accordance with modern economic conditions, introducing international experience into national practice, and liberalizing the taxation system are analyzed in depth. The author emphasizes that the effectiveness of the tax system depends not only on tax rates, but also on the quality of administrative management, communication with taxpayers, and legal transparency. The study scientifically substantiates that it is possible to reduce the number of violations through the simplification of tax legislation, the creation of favorable conditions for small businesses, and the expansion of electronic control systems[6].

The general analysis of these two sources shows that improving tax policy and preventing violations are closely interconnected processes. On the one hand, the rational organization of tax policy creates a favorable environment for economic entities; on the other hand, an effective control and digitalization system serves to reduce violations. In this regard, these scientific sources are of significant importance in strengthening the theoretical foundation of our article[7].

Research Methodology

In this study, comprehensive scientific approaches were used to study the causes of tax offenses, their prevention policy, and the identification system. First of all, based on the method of theoretical analysis, scientific literature, regulatory legal acts, and current legislative acts related to tax policy, tax administration, and offenses were studied. In particular, the Tax Code of the Republic of Uzbekistan, Presidential decrees, and scientific articles related to the field were analyzed.

In the practical part, the method of statistical analysis was used, and tax revenues and identified violations for 2020-2024 were studied. In particular, an increase in tax revenues from 138 trillion soums to 285 trillion soums and a decrease in the number of offenses from 52 thousand to 31 thousand were analyzed dynamically. Also, using the comparative method, indicators from different years were compared, and the effectiveness of digitalization processes was assessed.

In addition, based on the method of analytical generalization, a systematic assessment of the high tax burden, the complexity of legislation, and the impact of the share of the shadow economy was carried out. The results were visualized using tables and diagrams, and effective mechanisms for combating tax offenses were scientifically substantiated.

Result and Discussion

Within the framework of this study, the main causes of tax offenses, their impact on the economy, and the effectiveness of prevention and detection systems were comprehensively analyzed. The obtained results show that tax offenses have a significant negative impact on the sustainable development of the economy and lead to a decrease in state budget revenues[8].

Based on the analysis, it was revealed that the share of the shadow economy in the economy of Uzbekistan, although it has had a tendency to decrease in recent years, still remains at a significant level. According to various estimates, this indicator is around 20-25% of GDP, which leads to a significant loss of tax revenues. In particular, informal activities in the spheres of trade, services, and construction account for a large share[9].

The results of the study showed that the main causes of tax offenses are:

1. Relatively high tax burden;
2. Complexity of tax legislation;
3. Insufficient effectiveness of the tax control system (in previous periods);
4. Low level of formation of tax culture;
5. Insufficient level of digitalization.

Also, based on the analysis conducted, the dynamics of tax revenues and identified offenses for 2020-2024 are reflected in the table below.

Table 1. Dynamics of tax revenues and identified violations

Indicators	2020	2021	2022	2023	2024
Tax revenues (trillion UZS)	138	164	202	246	285
Detected violations (thousand)	52	47	41	36	31
Share of the shadow economy (%)	27	25	23	22	20

As can be seen from this table, during 2020-2024, tax revenues had a steady growth trend, from 138 trillion soums to 285 trillion soums, that is, almost doubled. At the same time, the number of identified tax offenses decreased from 52 thousand to 31 thousand. This indicates an improvement in tax administration and an increase in the effectiveness of preventive measures. The share of the shadow economy has also decreased from 27% to 20%, which is a positive trend[10].

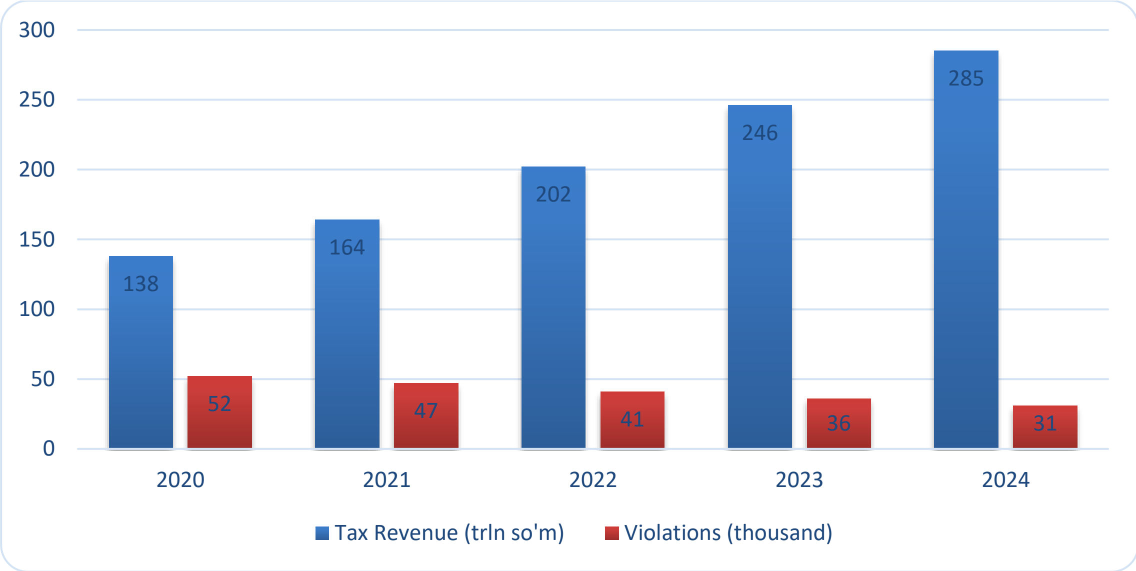

Figure 1. Dynamics of tax revenues and offenses

Tax revenues are steadily growing year by year, while the number of offenses is decreasing. This situation is directly related to the reforms being carried out in the tax system, in particular, the strengthening of digitalization and control mechanisms. Modern, innovative mechanisms are much more effective than traditional approaches to combating tax offenses. In particular, the introduction of an electronic invoice system, online cash registers, and automated analysis systems is yielding significant results[11].

For example, as a result of the widespread introduction of the electronic invoice system, VAT revenues have increased by 15-20% in some sectors. This made it possible to reduce hidden turnover and fully reflect real economic activity. At the same time, the possibility of tracking trading operations in real time through online cash register systems has appeared, which has sharply reduced tax evasion[12]. The tax control system, based on risk analysis, is also yielding important results. Through this system, tax authorities identify high-risk taxpayers and conduct targeted audits. As a result, the number of tests decreased, but their effectiveness increased. This, along with reducing excessive pressure on business entities, serves to strengthen tax discipline[13].

However, despite the existing positive results, some problems remain. In particular, the insufficient formation of tax culture among representatives of small businesses and the informal sector, the lack of digital infrastructure in some regions, and some complex aspects of tax legislation contribute to the persistence of offenses[14].

Therefore, in the fight against tax offenses, special attention should be paid to the following areas:

1. Simplification and accessibility of tax legislation;
2. Further acceleration of digitalization processes;
3. Establishing an open and effective dialogue with taxpayers;
4. Strengthening promotional work aimed at improving tax culture;
5. Further improvement of the control system based on risk analysis.

The most effective way to combat tax offenses is a comprehensive approach - that is, a combination of legal, organizational, and technological measures. It is through this approach that it is possible to steadily increase tax revenues, reduce the share of the shadow economy, and accelerate economic development[15].

Conclusion

The issue of combating tax offenses has shown that it is one of the most important directions for ensuring the financial stability of the state in the conditions of the modern economy. In the course of the study, the main reasons for tax offenses were identified as the complexity of tax legislation, the high level of informal economic activity in some sectors, the insufficient formation of tax culture, and the ineffectiveness of control systems in previous periods.

According to the analyzed statistics, during 2020-2024, tax revenues increased from 138 trillion soums to 285 trillion soums, an increase of 146.4 trillion soums or 105.8 percent. This means an increase of almost 2.1 times. During the same period, the number of identified tax offenses decreased from 52 thousand to 31 thousand, a decrease of 40.4% was noted. This situation confirms that the improvement of tax administration, the widespread introduction of digital control tools, and the strengthening of preventive policy have yielded positive results.

It was also noted that the share of the shadow economy decreased from 27% in 2020 to 20% in 2024. This indicator decreased by 7 percentage points and had a direct impact on the expansion of the tax base and the increase in state budget revenues. In particular, as a result of the introduction of electronic invoices, online cash registers, and risk analysis-based monitoring systems, tax revenues in certain sectors increased by 15-20 percent.

In the fight against tax offenses, strengthening punitive measures alone is not enough. The most effective approach is a comprehensive mechanism consisting of the integration of prevention, legal improvement, and digital control systems. In particular, the simplification of tax legislation, the creation of a clear and favorable environment for taxpayers, the expansion of promotional work aimed at improving tax culture, and the development of information systems operating in real time were identified as priority tasks in this area.

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