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ISSUES OF REDUCING TAX DEBT THROUGH DIGITALIZATION

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Today, along with supporting business entities in the further development of our country’s economy and ensuring macroeconomic stability, the measures being implemented in the field of digitalization of the tax system, in particular tax administration, are of great importance.

The tax system is one of the oldest means of ensuring fiscal, economic and social functions of the state and based on the specific characteristics of taxpayers, it is required to constantly make changes, clarifications and additions. The expansion and complexity of economic relations requires tax administration in the country to be in line with the realities of the modern economy, to clearly regulate taxation, and at the same time to be transparent. In particular, the head of our state said, “You are all aware of the sharp processes taking place in the world today. The complex geopolitical situation in the world, the shortage of energy resources is increasing, the need for food is increasing, and financial resources are becoming more expensive. In such a situation, no matter how difficult it may be, we will resolutely continue economic reforms, fully mobilize domestic capabilities, and further develop the private sector. For this, first of all, we will speed up reforms to improve the business environment.”²⁴³

In fact, the consistent continuation of economic reforms means tax reforms, including reducing the tax burden, simplifying the taxation system, unifying tax types, and at the same time controlling the revenue of taxes on time and, as a result, ensuring economic development. Speaking about tax revenues, we should first emphasize that tax control activities are considered the most important function of tax authorities. After all, it is possible to achieve all the goals and tasks set by the state only by effective and complete collection of taxes and fees and reduction of tax debt, as a result of which it is possible to ensure progress in the path of economic

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²⁴³ Decree of the President of the Republic of Uzbekistan, from 29.06.2018 y. № DP-5468, “On the concept of improving the tax policy of the Republic of Uzbekistan”

development. Everyone knows that the priority areas of reforming the tax system, the development of an effective organization of tax administration in our country with the wide use of modern methods and forms is one of the urgent tasks of our time. In particular, a consistent reduction in the tax burden, simplification of the tax system and digitalization of tax administration are the most important conditions for rapid economic development and increasing the country’s investment attractiveness.

In order to improve the mechanism for collecting tax debts in our country, it is important to properly organize tax administration, digitize the tax sector, develop secondary legislation, i.e. regulations, procedures or instructions, in accordance with the norms established in tax legislation, and most importantly, ensure that the tax legislation being developed is transparent and fair. At the same time, studying and implementing the effective experiences of developed countries, including artificial intelligence information systems introduced in the tax sector, will also play a positive role in further improving the mechanism for collecting tax debts.

Priorities for improving tax administration in the country, including the amount of tax and fee arrears, as well as some issues of reducing them, were studied in their scientific works by a number of foreign and domestic scientists. In particular, according to foreign economist M. Orlova, “the concept of tax debt” is defined differently in different sources. Today, tax arrears include unfulfilled obligations for taxes and fees, insurance payments and accrued interest (penalties), as well as financial penalties for violating tax laws. Based on the norms set out in the Tax Code of the Russian Federation, tax arrears are divided into 2 groups:

- current tax obligations;
- tax debt identified as a result of tax audits.²⁴⁴

In addition, I.G. Vinokhodova also notes in her scientific work that increasing the process of seizing assets from business entities with tax debts is effective in collecting tax debts.²⁴⁵

In addition to the opinions of the above-mentioned economists regarding tax arrears and their occurrence, it should be mentioned that reducing the human factor in collecting tax arrears, that is, digitalization of all aspects of the tax sphere, will also lead to a decrease in tax arrears in the country. Also, political instability in a country can destabilize its economy, and during economic cycles, there is a high probability that tax debt will increase even during "economic downturns" or crises. In addition, it is natural for tax debt to arise due to lack of knowledge of business operations and understanding of corporate tax management, as well as lack of education and knowledge among entrepreneurs.

²⁴⁴ Orlova M.E., Nasyrova V.I. and Salmina S.V. Tax debt and ways of reducing it. // 3C TIC. Cuadernos de desarrollo aplicados a las TIC. – 2019.

²⁴⁵ Vinokhodova I.G. (2019) Sophistication of the practice of collecting organizations’ debts on taxes and collections. // Scientific article.-p.22.

In practice, individuals are only sent payment notices by the tax authority regarding the payment of tax debt, as we can see from the image below.

T/r	Indicators	Quantity
1	Average number of individuals paying property and land taxes	9 600 000
2	Average number of payment notices issued by the tax authority during the year	9 000 000
	of which: average number of payment notices printed on paper	9 000 000
3	Average number of employees in tax authorities engaged in tax debt collection	675
4	According to the Tax Code, the average number of days during the year for submitting payment notices	60
5	Average number of payment notifications submitted by one employee per day	220

Figure 1. Analysis of payment notices issued by tax authorities to collect property and land tax debts from individuals.²⁴⁶

Analyzing the data in the image above, it is possible that not all of the 9,000,000 payment notices issued by the tax authority reach the taxpayer for objective or subjective reasons. The reason is that in practice, it is physically impossible for one employee to distribute 220 payment notifications in one working day. In addition, the taxpayer's absence at their residence address also prevents payment notices from being delivered in the prescribed manner. As a result, there is a possibility that tax authorities will be unable to fully fulfill their assigned duties and will artificially be held responsible for the failure to collect taxes on time. In addition, this situation also leads to a delay in the payment of tax debts. Of course, nowadays, payment notifications for property and land tax arrears of individuals are sent from mobile phone as SMS. This practice is very convenient for both the tax authority and the taxpayer. The reason is that this saves tax authority employees' working time, reduces unnecessary costs (paper consumption, transportation costs, etc.), and does not cause undue inconvenience to individuals. However, it should also be remembered that this, in turn, cannot be a complete solution to the issue studied above. Because, the Tax Code stipulates that “Tax payment notices shall be delivered by tax authorities to taxpayers with a signature or in another manner confirming the receipt of the payment notice and the date of receipt no later than March 1 of each year.”²⁴⁷

²⁴⁶ U.F. Khakimov. Practice of tax debt collection and directions for its improvement. Doctor of Philosophy (PhD) dissertation in Economics Abstract 2023.

²⁴⁷ Articles 423 and 439 of the Tax Code of the Republic of Uzbekistan. – Tashkent: Gafur Gulom Publishing and Printing House, 2023.

In the author’s opinion, the following proposals would be effective in reducing the share of tax arrears in the country:

- Establishing a system for sending notifications of tax arrears to individuals only electronically and establishing the legal basis for this in tax legislation will increase tax revenues to the budget. In addition, this practice saves tax officials working time.

- It is advisable to create an automated information system that will allow taxpayers to track taxes paid to the budget online (at the level of the republic, regions, and districts). This will contribute to the development of taxpayers’ tax culture, as well as increasing trust in the tax authority and timely payment of taxes;

- Digitization of all aspects of tax administration will help increase tax revenues for the state budget and reduce the share of tax arrears in the country.

ISSUES OF ORGANIZING TAX CONTROL AND ITS DIGITALIZATION

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In the uneven movement of financial flows in the world, there are frequent cases of finding various ways to avoid paying taxes and using them for their own benefit. According to estimates by the United Nations Conference on Trade and Development, “developing countries illegally transfer financial resources worth \$100 billion per year to other territories in the form of “profit shifting” practices, creating tax evasion within the national economy.”²⁴⁹ As a result of various forms of tax evasion, tax revenues lost due to the use of tax minimization schemes, inefficient spending and reinvestment of the profits received by taxpayers in developed and developing countries amount to 400 billion US dollars per year. This, as an important direction of tax policy in countries around the world, stimulates the strengthening of tax control to a new level, that is, the digitalization of this area.

In the context of increasing global financial instability in the world economy, scientific research is being conducted to study various mechanisms for preventing and reducing tax evasion by taxpayers when developing short-term and long-term fiscal policy strategies. Reduce illegal financial flows into the national economy, identify factors that cause taxpayers to evade taxes, and determine ways to eliminate them and preventing tax evasion processes by reducing the hidden economy and improving the methodological basis for assessing the risks of tax evasion are among the priorities of scientific research in this area.

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²⁴⁹ United Nations. A/HRC/31/61.GE.16-00535 (E)020216020216. Final Study on Illicit Financial Flows, Human Rights and the 2030 Agenda for Sustainable Development Independent expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights.