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LEGAL PATHWAYS FOR IMPROVING THE TAX SYSTEM AND MECHANISMS FOR ENSURING TRANSPARENCY IN THE DISTRIBUTION OF TAX REVENUES

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Abstract: This article examines the legal pathways and mechanisms for the comprehensive optimization of the tax system in the Republic of Uzbekistan. The significance of this study is rooted in the imperative to reform the fiscal framework, enhance legislative stability, and mitigate the prevalence of the "shadow economy." The research provides a rigorous analysis of the statutory foundations governing the allocation of tax revenues, illustrating how transparent fiscal administration serves as a catalyst for bolstering public confidence in the state among both natural and legal persons. Throughout the study, the author delineates the procedural aspects of tax collection, identifies the categories of taxable entities, and evaluates the designated purposes of revenue appropriation. By synthesizing current legislative acts, scholarly doctrines, and peer-reviewed literature, the author presents substantiated conclusions and policy recommendations. Furthermore, the article explores the integration of digital technologies into tax administration, highlighting the resultant efficiencies in compliance and oversight. The study posits that implementing these legal advancements will fundamentally shift public perception; by clarifying the nexus between tax contributions and public welfare, a more efficient tax compliance environment is anticipated. Ultimately, the article proposes normative models designed to provide taxpayers with enhanced legal protections and procedural conveniences, while outlining priority legislative amendments aimed at resolving existing ambiguities and reinforcing the rule of law within the tax system.

Keywords: Tax system, Tax Code, Taxpayers, Legal mechanism, Digitalization, Tax revenues, Transparency, Tax incentives.

Introduction

In accordance with the legislation of the Republic of Uzbekistan, the fundamental pathways for the legal advancement of the tax system include reducing the tax burden in favor of taxpayers, reforming tax administration, and fostering economic development. To enhance the relationship between tax authorities and taxpayers while improving procedural efficiency, the integration of advanced digital technologies into the tax framework is considered an essential necessity. However, several challenges persist within this field concerning the balanced impact of taxation on economic activity and investment growth. Specifically, issues such as the transparent allocation of tax proceeds based on the capacity of taxpayers, effective revenue processing, and other administrative complexities remain prevalent. Furthermore, a disproportionate increase in the tax burden has been observed across various social strata and legal entities. To address these critical challenges, this article outlines a series of methodologies and strategic legal approaches aimed at optimizing the fiscal environment.

Literature Review And Methods

First and foremost, in the article regarding the priority directions for improving tax policy in Uzbekistan, the author identifies existing problems across seven key pillars that impact tax collection and explains their potential solutions. Specifically, it is noted that the excessive tax burden and high value-added tax (VAT) rates create significant obstacles for small and medium-sized enterprises (SMEs). Among these challenges are mandatory payments that delay the overall development of businesses.

Furthermore, the analysis highlights several critical issues, including high labor tax rates and the lack of a developed monitoring mechanism to oversee tax incentives. A significant gap is also observed in the information exchange between state bodies, organizations, and tax administration. The absence of a clear system for studying and controlling factors that hinder the reduction of interference in the activities of business entities during audit processes remains a major concern. Consequently, these problems exert a substantial negative impact on tax collection efficiency. Additionally, the digitalized systems for the valuation and accounting of real estate and land parcels remain underdeveloped.The integration of digitalization and advanced technologies, including the development of streamlined population registration and tax monitoring systems, is essential to meet contemporary standards. In our country, the regulation of this sector must be strictly grounded in the Tax Code. Specifically, Section 5 of the Tax Code comprehensively addresses all matters related to tax control, outlining the various types of audits and the procedures for their implementation. According to the Code, tax control is defined as the organized activity of authorized bodies aimed at ensuring compliance with tax legislation by taxpayers and tax agents.

The strategic framework for addressing these challenges was established by the President of the Republic of Uzbekistan through Decree No. UP-4947, "On the Action Strategy for Further Development of the Republic of Uzbekistan," dated February 7, 2017, and Decree No. UP-60, "On the Development Strategy of New Uzbekistan for 2022-2026," dated January 28, 2022.

Utilizing the experiences of developed nations and studying global practices in the socio-economic and political spheres—specifically in developing mechanisms to optimize the taxation system—remains a highly relevant issue in Uzbekistan. Within the state framework, tax control serves not only a fiscal function but also a critical regulatory function. The establishment of effective tax control is of paramount importance in expanding entrepreneurial activity within the economy, eliminating legal violations in the field of taxation, and increasing the confidence of taxpayers in the state and the fiscal system.

Despite the ongoing reforms, numerous challenges within the tax system of our country remain unresolved. At present, there is a significant shortage of qualified specialists at various levels of the tax administration, particularly in areas concerning modern auditing methodologies, big data analysis, and international taxation.

Furthermore, the lack of transparency in the implementation of problem-solving measures, combined with the excessive complexity of tax legislation for small and medium-sized enterprises (SMEs), often leads to unintentional legal violations within the sector. These systemic ambiguities create an environment where non compliance occurs not necessarily by intent, but due to the intricate nature of the regulatory framework.

Discussion

Taxation represents a mandatory financial relationship between the state and its taxpayers, serving as the primary mechanism through which the state manages its fiscal operations and maintains its sovereign status. The absence of tax revenues would not only lead to the impoverishment of the state but would also cause significant detriment to citizens and private organizations. Taxes perform various functions, all of which are strategically oriented toward stabilizing the nation's financial life. While Uzbekistan's tax system is established and operational, it is currently undergoing a phase of intensive development. Despite certain shortcomings and areas requiring further refinement, substantial legal improvements are evident, driven by newly enacted legislative instruments—specifically presidential decrees—and ongoing systemic reforms.

The further evolution of the tax system is closely linked to comprehensive digitalization. This process encompasses the digital registration of taxpayers, the automation of tax payment procedures, and the development of specialized platforms tailored to the needs of both the tax administration and taxpayers. Wide scale implementation of such digital systems among the population remains a priority for ensuring a modern, efficient, and transparent fiscal environment.

Results

It is noteworthy that a comprehensive digital system, specifically the "Soliq" mobile application, has already been developed and implemented. This platform clearly delineates why and in what amounts taxpayers must fulfill their obligations, while also safeguarding their legal rights and interests, and providing detailed information on penalties for non-compliance. Notably, the system enables the payment of taxes and fines directly through the interface, thereby eliminating unnecessary bureaucratic hurdles.

Practical experience demonstrates that the application allows taxpayers not only to monitor their own personal mandatory payments and liabilities but also to view, calculate, and settle the tax debts of close relatives, such as parents. The accessibility of this application on major platforms like the App Store and Google Play significantly reduces administrative burdens for the public. Furthermore, the integration with various third-party payment services allows individuals to execute tax payments easily and securely directly from their bank accounts.

Conclusion

In conclusion, it can be affirmed that while the tax system has historically faced several deficiencies, these are currently being addressed and improved through systematic reforms and the integration of best practices from developed foreign nations. The implementation of various digital conveniences serves not only the interests of the state and its administrative bodies but also the welfare of the general public.

However, despite the creation of such opportunities, the high number of taxpayers with outstanding tax liabilities suggests that the structural challenges within this sector have not yet been fully resolved. For instance, the experience of Germany shows that strategic tax debt forgiveness can be highly effective; such measures work in favor of entrepreneurs, and as they grow, they ultimately contribute to the state's economic strength. To implement this practice in Uzbekistan, it is essential to establish robust mechanisms to ensure that such support is granted to business entities with genuine potential for sustainable growth and long-term development.

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