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Ways to Increase The Efficiency of Tax Control and its Implementation in Uzbekistan

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Abstract: The article examines tax control measures organized by tax authorities and indicators of their effectiveness. In particular, the opinions of foreign and domestic economists regarding the concept of tax control, its organization and implementation were studied. The conducted research showed that the effective organization of tax control depends on the qualitative development of tax legislation, consistent improvement of the qualifications of employees of tax inspection bodies, as well as the development of tax culture in the country. It also specifies the types of tax control organized by the tax authority. Besides during the study, the experience of a number of foreign countries was discussed. In the final part of the study, based on the analysis and discussions, a number of proposals were developed for the effective organization of tax control activities in our country.

Keywords: Tax Authority, Taxpayer, Tax Control, Tax Audit, Tax Legislation, Complaints

1. Introduction

The task of ensuring the economic security of the state and protecting its fiscal interests at the municipal level is solved through tax control organized by the tax authority. Tax control is an integral part of financial control in the public administration system. Tax authorities are an integral part of tax control, so there is a special need to study the main indicators for effective assessment of tax control.

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.

In the coming years, special attention in Uzbekistan will be paid to the effective implementation of measures aimed at reducing the contribution of the shadow economy and tax evasion, as well as the digitalization of tax control. Systematic work is being carried out in the direction of strengthening the legislative framework to reduce the shadow economy, curbing the shadow economy through the results of digitalization of the industry, strengthening state and tax control, legalizing hidden jobs, and conducting control measures. In this regard, "by creating conditions to stimulate businesses to come

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out of the shadows, simplifying the tax regime and taking measures to expand non-cash payments, adapt the adopted legal documents to the established business practice, ensure that the tax and customs administration tools are focused on the completeness of accounting and receipts, including the identification and prosecution of individuals and legal entities that evade taxes, The tasks of “coordinating activities to combat the hidden economy with the activities of organizations in the field of combating money laundering” have been defined. Effective implementation of these tasks requires effective use of modern tax evasion tools by tax, customs and law enforcement agencies, as well as further expansion of the volume of scientific research, which is designed to lead the new head of tax control to the complete digitalization of tax control.

As is known, the main source of state budget revenues is usually taxes and fees. Timely and complete collection of taxes and fees serves to finance the expenditure side of all activities implemented by the state, namely the budget and target funds. In this regard, the task of ensuring timely and complete collection of taxes is of paramount importance. Ensuring the timely payment of taxes is achieved by conducting tax control measures and their effective collection by the tax authority. Tax control measures are tax audits conducted by the tax authority for the purpose of collecting taxes and fees, reducing tax arrears, and ensuring compliance by taxpayers with tax legislation.

In particular, the head of our state said: “...We are ready to create all the conditions for business representatives who will work properly, create jobs, implement advanced technologies, develop new types of products, and increase exports. However, we will certainly be uncompromising towards entrepreneurs in quotes who evade taxes and do not fulfill their obligations” [1].

Today, the number of cases of tax evasion by high-risk taxpayers in the country through various illegal means is increasing every year, and this, in turn, necessitates the organization and effective implementation of tax control measures, including the study and conduct of scientific research in this area.

2. Materials and Methods

The study used scientific observation, statistical observation, comparative analysis using statistical graphs, data grouping, abstract logical thinking, induction and deduction methods. Certain issues of organizing tax control measures in the country and increasing their effectiveness have been studied in the scientific works of a number of foreign and domestic scientists. In particular: Ayt Khozhina G., Miller A. [2], Slemrod J. [3], Keen M. [4], Alm J., Torgler B. [5], Simenko I.V. [6], Musayev B.M. [7], Yusupov S.T [8], Keynes J. M. [9], Kashin V. A. [10]. The above economists studied the procedure for organizing tax control measures. We can highlight the research work A. Sokolov [11] and M. Panskov. [12] In their scientific works, it was suggested that the main tax control is a key instrument through which the state ensures compliance with tax legislation; it serves to stabilize budget revenues and prevent tax evasion.

3. Results and Discussion

As is known, tax audits conducted by the tax authority are organized for the purpose of resolving problematic situations between taxpayers and tax legislation. Tax audits by the tax authority can be conducted in three different ways depending on the tax legislation, see Figure 1:

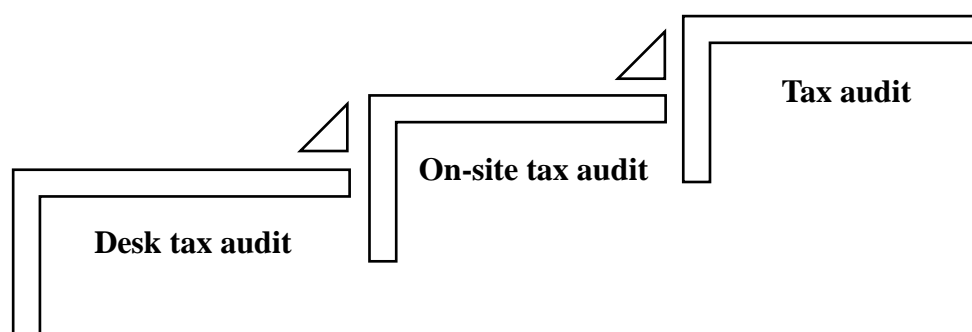


Figure 1. Types of tax audits [13].

A **desk tax audit** is an audit conducted by a tax authority based on an analysis of a tax return, an accounting report, as well as other documents and information available to the tax authority concerning the activities of the taxpayer, submitted by the taxpayer (tax agent).

An **on-site tax audit** is an inspection of taxpayers' compliance with individual obligations to calculate and pay taxes and fees, as well as other obligations established by tax legislation.

A **tax audit** is a verification of the correctness of the calculation and payment of taxes and fees for a specific period.

Such tax audits are usually carried out on taxpayers who are at high risk of tax evasion and are selected using an automated information system (without human intervention). However, tax control measures can also be organized in the following cases:

1. Failure of the taxpayer to submit revised tax reporting or justifications within ten days from the date of receipt of notification in response to a notification sent to the taxpayer by the tax authority regarding discrepancies identified as a result of the pre-audit analysis;
2. When discrepancies or errors are detected in the tax return submitted by the taxpayer;
3. Upon receipt by the tax authority of applications from individuals and legal entities regarding violations of tax legislation requirements;
4. When a taxpayer submits an amended tax return in which the amount of tax payable is reduced or the amount of loss incurred is increased compared to the previously submitted tax return;
5. When publishing information in the media about violations of tax and currency legislation;
6. If there is a need to obtain additional information for an objective desk tax audit;
7. If it is necessary to carry out additional tax control measures in the process of registering value added tax payers with tax authorities for value added tax;
8. When monitoring the validity of foreign exchange transactions, the taxpayer did not submit documents and information in response to a request from the tax authority or did not submit them in full;
9. Upon receipt of information from the court, law enforcement agencies, as well as other government agencies and organizations, indicating tax and currency violations;
10. If, based on the results of a desk tax audit, the taxpayer has not submitted an amended tax return (including in response to an amended request), has not provided justification for the discrepancies identified, or the justifications provided by him are deemed insufficient;
11. Legal entities in the process of voluntary liquidation (except for taxpayers who have tax opinions from tax consulting organizations);

12. As part of the audit of the financial and economic activities of taxpayers in criminal cases;
13. Individual entrepreneurs who have ceased their activities, with the exception of those who pay personal income tax in a fixed amount or on the basis of a declaration.

The above factors make it difficult to conduct an in-depth scientific analysis of the social, economic and legal aspects of tax evasion and tax avoidance. However, in this chapter of our research work we try to draw the appropriate conclusions by analyzing the practical situation of taxpayer evasion based on various methods of economic analysis and official practical materials. Based on the results of a tax audit, which is one of the types of tax control that allows identifying cases of tax evasion, we will try to show tax revenues that did not reach the budgets of different levels, and their reasons.

Table 1. Analysis of the results of tax audits conducted in 2021-2023 [14].

(billion soums)

No	Name	2021 year	2022 year	2023 year
1.	Total number of tax audits conducted:			
	Quantity	139	1157	2130
	Additional tax (with penalty)	622,64	2507,92	3473,6
	Levied	180,76	1054,46	2016,1
	Financial penalty	67,18	911,63	1124,1
	Levied	13,45	159,57	254,9

The data in Table 1 show that tax audits conducted in the analyzed years 2021-2023 increased, in 2021 their number was 139, and in 2023 they were conducted at 2130 enterprises. As a result, the amount of taxes that should have been transferred to budgets of different levels, but were not received, in 2023 alone amounted to 1457.5 billion. soums. That is, due to various methods and factors during the audit process, an additional tax was assessed.

If we draw a conclusion from this analysis, then every year the increase in tax audits and the creation of various illegal methods of tax evasion by taxpayers requires the digitalization of tax control.

Certainly, tax control measures carried out by the tax authority in relation to taxpayers in the above cases show significant results in ensuring compliance with tax legislation and increasing budget revenues. However, in a number of cases, the effectiveness of tax audits is negatively affected by gaps in tax legislation, as well as errors and shortcomings made by tax authorities during tax audits.

In particular, these situations give rise to justified objections from taxpayers, which leads to appeals to a higher tax authority or court against decisions of tax authorities and actions (inaction) of their officials. This, in turn, entails the cancellation of decisions of the tax authority taken as a result of tax control measures by a higher tax authority or court. Accordingly, the analysis of complaints filed by taxpayers to a higher tax authority regarding tax control measures over the past 4 years can be considered based on the data presented in Figure 2 below.

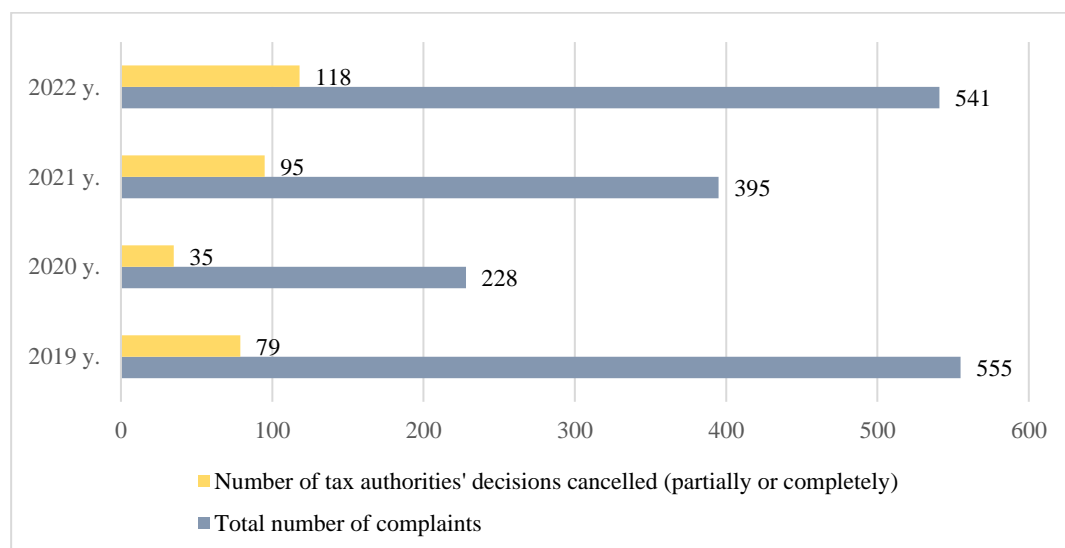


Figure 2. Analysis of taxpayers' complaints to a higher tax authority regarding tax control measures [14].

Analyzing the data presented in Figure 2 above, in 2019, 555 complaints were filed against tax control measures taken by tax authorities, of which in 79 cases, or 14 percent, the taxpayer's position was satisfied and the decisions of the tax authorities were fully or partially. In 2022, this number increased to 541, of which 118, or 22 percent, resulted in the satisfaction of the taxpayer's position and the full or partial cancellation of the decisions of the tax authorities. The analysis shows that tax control measures organized by tax authorities are not always implemented effectively, that is, in practice there are some shortcomings in conducting audits and calculating taxes. This reduces the effectiveness of tax control carried out by tax authorities.

4. Conclusion

As a conclusion, we can say that over the years of independence, our government has reduced the tax burden, optimized tax rates, created a number of benefits and wide opportunities for enterprises to conduct their activities. However, there is a growing number of taxpayers using various illegal tax evasion methods and deliberately not paying taxes. According to the author, the following proposals, based on the experience of developed countries, will contribute to the effective organization of tax control activities carried out by the tax authority in the country:

- a. Today, the number of complaints against tax authorities' decisions based on the results of tax audits conducted on taxpayers is increasing. We also analyzed this situation in Figure 2. In order to increase the efficiency of tax control measures organized by the tax authority and to reduce the number of taxpayer complaints regarding these tax audits in the future, it is advisable, first of all, to improve the qualifications of the tax authority employee conducting the audit. Also, in practice, resolving mutually exclusive or ambiguous issues of application of tax legislation in favor of the taxpayer will prevent the growth of objections from the taxpayer.
- b. In order to further improve the tax culture in our country, it is advisable to introduce tax sciences in general education, secondary specialized and higher educational institutions (regardless of specialization). The reason is that after graduating from an educational institution, every person will definitely work somewhere, earn income and become a taxpayer, whether he wants it or not. From this point of view, every person should know exactly what tax he has to pay, how much tax he has to pay and when he has to pay the tax, and what the consequences will be if he does not pay taxes. on time or if he does not pay them in full. For example, in Russia, on the initiative of

the Ministry of Taxation Service and the Ministry of Education, the science of “Tax Literacy” has been introduced in schools since 2002. In their opinion, citizens should receive their first knowledge about taxes in schools [15].

In this regard, it is appropriate to begin to improve the tax culture in our republic by educating young people. If this proposal is implemented in practice, it will have a positive impact on reducing tax liabilities of taxpayers that may arise to the budget in the future.

- c. Today, as in all sectors of the country, large-scale reforms are being carried out in the tax sphere. To do this, it is necessary to adapt tax legislation to modern requirements and improve it. We all know that no country has perfectly developed legislation, especially tax legislation. From this point of view, the application of individual provisions of tax legislation to hold taxpayers liable for tax violations during tax control activities carried out by the tax authority gives rise to wide objections. Therefore, encouraging the submission of proposals on shortcomings in tax legislation with the aim of eliminating individual shortcomings in tax legislation and eliminating objections from taxpayers in the future will contribute to the effective organization of tax control in the future and an increase in tax revenues to the budget.

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