

## **WAYS TO IMPROVE SERVICE TO TAXPAYERS IN THE TAX ADMINISTRATION IN UZBEKISTAN**

Yusupov Farrukhbek Farkhodovich

Tashkent State University of Economics, Independent Researcher

### **Abstract**

In this article, special attention is paid to further reducing the negative impact on the competitiveness of the republic's economy by gradually reducing the monopoly on commodity and financial markets, improving the efficiency of the system of granting benefits and preferences, as well as reducing the regulatory burden on business entities and radically improving the interaction of taxpayers in the implementation of tax administration and the fulfillment of tax obligations of the republic.

**Keywords:** tax, fiscal policy, budget, tax administration, tax potential, regulatory analysis, positive analysis, tax burden, representative tax rate, average rate, tax reporting, tax revenues, tax benefits.

### **Аннотация:**

в данной статье особое внимание уделяется дальнейшему снижению негативного влияния на конкурентоспособность экономики республики путем постепенного снижения монополии на товарных и финансовых рынках, повышению эффективности системы предоставления льгот и преференций, а также снижению нормативной нагрузки на субъекты предпринимательства и коренному совершенствованию взаимодействия налогоплательщиков по осуществлению налогового администрирования и исполнению налоговых обязательств направляется.

**Ключевые слова:** налог, фискальная политика, бюджет, налоговое администрирование, налоговый потенциал, нормативный анализ, позитивный анализ, налоговая нагрузка, репрезентативная ставка налога, средняя ставка, налоговая отчетность, налоговые поступления, налоговые льготы.

### **Introduction**

Tax administration plays a crucial role in ensuring the effective and efficient collection of taxes for the development of a country. The level of tax compliance by taxpayers is greatly influenced by the quality of service provided by the tax administration. In Uzbekistan, like in many other countries, the tax administration has taken various measures to improve its services to taxpayers.



This paper aims to explore the ways in which service to taxpayers in the tax administration can be improved in Uzbekistan. The paper will begin by providing a brief background of the tax administration in Uzbekistan and the importance of improving service to taxpayers. It will then discuss the various ways in which service to taxpayers can be improved, including the use of technology, simplification of tax procedures, and capacity building of tax officials. The paper will conclude by highlighting the potential benefits of improving service to taxpayers in the tax administration.

### **Analysis of literature on the topic**

A study on “Improving the efficiency of the tax administration system in Uzbekistan through digitalization” recommended the implementation of a taxpayer service portal to provide online services, as well as the simplification of tax procedures to improve service to taxpayers. (A. Gafurov, S. Safarov, & D. Umarov, 2021) [1]

An article on “The role of tax authorities in ensuring the rights and interests of taxpayers” suggested that tax authorities in Uzbekistan should improve communication with taxpayers by providing a hotline and conducting surveys to receive feedback. (S. Karimov & M. Tojiyev, 2020) [2]

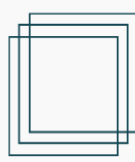
A study on “Improving the quality of services provided by tax authorities to taxpayers” recommended the establishment of a separate department to provide services to taxpayers, training programs for tax officials to improve their communication skills, and the implementation of a mobile application to provide access to tax-related information. (N. Rakhimova & B. Yuldashev, 2019) [3].

An article on “Improving the quality of taxpayer services in Uzbekistan” recommended the implementation of an electronic queue system, the creation of a taxpayer service center, and the provision of more online services to improve the quality of service to taxpayers. (D. Khaydarov, 2018) [4].

A study on “The importance of taxpayer services in tax administration” suggested that tax authorities in Uzbekistan should improve their taxpayer services by providing more information on tax regulations, simplifying tax procedures, and creating a more transparent and accessible system for taxpayers. (N. Avezova, 2017)

According to L. Erhard, the market economy can function only if freedom of consumption, choice of profession and workplace, ownership of private property together with means of production, and freedom to enter into contracts are a necessary condition. L. Erhard described free private initiative and competition in accordance with the active participation of the state in economic life as a tool for the economic recovery of the country [5].

In particular, according to the great classical economist Adam Smith, he associated competition with fair, honest, non-collusive competition between market entities for more favorable conditions for buying and selling goods.



He knew price changes as the main method of competition. In this, he noted that the market, which is not controlled by the will of the community, does not have common goals, and follows strict rules of behavior. Therefore, competition is the “invisible hand” that coordinates the activities of market participants. [6].

Y. Schumpeter, within the framework of the theory of economic development, defined competition as a rivalry between the old and the new. Innovations are viewed with skepticism by the market, but if the innovator succeeds in implementing them, he argued that the competitive mechanism will drive companies using outdated technologies out of the market. [7].

According to Tokarev and Manina, export potential can be defined as the ability of an enterprise to create and produce competitive products for export, promote it to foreign markets, sell goods there and provide services at the required level. [8].

According to Pogorlesky and Keshner: “Introduction of digitalization and information technology to the tax administration will necessarily lead to a reduction in the workload of the tax authorities, as well as to a reduction in debts in terms of types of taxes and insurance contributions.” [9].

According to Goncharenko (2021), “tax optimization” is becoming very complicated nowadays. Tax authorities should be interested in optimizing tax expenses, so that businessmen forget the concept of “tax avoidance”. [10].

Overall, the literature suggests that the implementation of digitalization, simplification of tax procedures, and improvement of communication and access to information can improve service to taxpayers in tax administration in Uzbekistan.

### **Research Methodology**

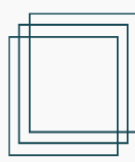
Theoretical methods such as scientific abstraction, induction-deduction, and observation, statistical analysis, vertical and horizontal analysis and methods are widely used in researching the stages and conceptual foundations of taxation reforms in the agrarian sector.

### **Analysis and Results**

The functions of ways to improve service to taxpayers in the tax administration are to: When taxpayers receive quality services from the tax administration, they are more likely to comply with tax laws and regulations.

Improving the quality of service can enhance taxpayer satisfaction, which can have a positive impact on voluntary compliance.

By providing clear and concise information to taxpayers, the tax administration can promote transparency and accountability in the tax system.



Effective communication between taxpayers and tax administrators can improve taxpayer understanding of tax laws and regulations and help them to comply.

Improving service to taxpayers can lead to more efficient tax administration, which can help reduce costs associated with tax collection and compliance.

When taxpayers are more likely to comply with tax laws and regulations, and tax administration is more efficient, tax revenue can increase.

Some possible tasks to improve service to taxpayers in the tax administration could include:

Simplifying tax procedures and making them more user-friendly can help to reduce the burden on taxpayers and improve their experience.

Ensuring that taxpayers have access to clear and accurate information about their tax obligations can help to reduce confusion and errors.

Providing taxpayers with more information about how their tax dollars are being used can help to increase trust and confidence in the tax system.

Leveraging technology can help to automate processes, reduce paperwork, and improve the speed and efficiency of tax administration.

Ensuring that tax administration staff are well-trained and knowledgeable about tax laws and regulations can help to improve the quality of service provided to taxpayers.

Offering taxpayers a range of channels to contact the tax administration, including phone, email, and chat, can help to improve the customer service experience.

Promptly addressing concerns and complaints from taxpayers can help to improve their satisfaction with the tax administration and increase their willingness to comply with tax laws.

Offering incentives, such as tax credits or reduced penalties, to taxpayers who comply with tax laws can help to encourage compliance and improve the overall tax system.

Along with supporting the economic activity of business entities, digitization of the industry - the level of coverage with electronic invoices has reached 100%, the automation of reports has increased from 76% to 86%, "Tahlika-Analyz" AAT, "E-Ijara", "Avtokameral", Tax.gap, "Cashback" and "Saliq" mobile applications and the launch of a number of other software products have a positive effect on tax revenues.

In particular, a sharp reduction in the rate of profit and mineral taxes for large taxpayers (Navoiy and Almalyk KMK), the norms of amortization deductions - on average 2 times, the amount of one-time investment deduction - 2 times, seen as a result of activity and transferred to the next period despite the fact that the limited amount of losses incurred has been increased from 60% to 100% of the tax base for the current tax period, in January-August of this year, the budget received 96.9 trillion soums, compared to the corresponding period of the previous year, compared to 13.7 trillion soums ( 17%) grew.



Tax revenues in the regions increased by 34%. 1.7 trillion soums from turnover tax decreased by 138% compared to the same period last year, VAT decreased by 21.1 trillion soums to 131%, and 13.1 trillion soums from profit tax ( except for Navoi and Almalik KMK) fell and increased by 1.5 times. The main factor was the introduction of the following new instruments.

1. As a result of automatic segmentation of VAT payers according to tax risk (low, medium and high) and introduction of new principles of registration - 4.9 trillion as a result of tax control measures for 22.7 thousand enterprises. 1.4 trillion soums were collected as additional tax, and the collection of the remaining amounts is ongoing.

With the involvement of the general public, the introduction of the institution of incentives for compliance with payment discipline in the field of trade and services ("Cashback" and "Tax" mobile application) will increase the activity of the population and lead to the emergence of hidden goods circulation. and the turnover of goods through online control cash registers increased by 161% compared to the same period last year (from 70.6 trillion soums to 113.5 trillion soums).

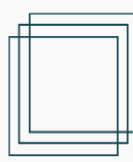
For information: 313.7 billion soums of the cashback amount of 337.7 billion soums approved for payment as a result of the processing of purchase checks were paid to citizens. Citizens can transfer the remaining 24 billion soums to their plastic cards at any time.

According to the appeals received through the "Tax Partner System", the violated rights of citizens were restored in 95,700 cases of non-issue of checks, in 4,300 cases of non-sale of plastic cards, and in 395 cases of selling products at a higher price than the actual value of plastic.

24.1 billion soums were paid out of the collected financial fines to the citizens who reported the violations of the law to the tax authorities without being indifferent to the violation of the payment discipline. Through the "Avtokameral" system, 48,400 business entities were given the opportunity to voluntarily correct errors worth 1.3 trillion soums, and 960 billion soums were recovered. Also, financial fines of 715 billion soums were not applied to them.

As a result of the automation of all information on the identification of errors and deficiencies in the reports of business entities, an opportunity was created to clarify all deficiencies within the framework of 1 camera inspection, and as a result, repeated inspections of the activities of business entities were prevented. As a result, the number of camera inspections was reduced by 30,500 compared to last year.

As a result of the introduction of the "E-lease" electronic service, 243,000 lease contracts and 9.5 trillion soums of income from them were controlled (81,000 of 5.5 trillion soums between legal entities and 81,000 between individuals 162 thousand contracts worth 3.9 trillion soums were concluded).



102.7 billion soums of personal income tax was calculated on the basis of 162,000 contracts as a result of accounting of rental contracts in the tax authorities, which is 27.4 billion soums or 36, compared to the corresponding period of the previous year. increased by 4 percent.

Also, since September of this year, the possibility of formalizing vehicle rental contracts has been created in the "E-Ijara" electronic service. As a result, 102 transport lease contracts worth 74.2 billion soums were registered in the last 20 days.

As a result of the introduction of the single electronic national catalog of products (goods and services), a single national electronic catalog of 259,900 products (goods and services) was formed in the "Tasnif.soliq.uz" system. As of August 1 of this year, 98,600 of the 180,300 ONCTs in active use were incorrect, and 93,800 of them were provided with correct information as of September 1.

The digital marking system was gradually introduced in all processes of sales of alcohol, tobacco and beer products. In addition, a total of 1.5 bln. Marked products are manufactured and sold.

As a result of the introduction of the system, it was observed that the realization indicators of 51 alcohol product manufacturing enterprises in 8 months of 2022 increased by 7% compared to the same period last year, and in 8 imports by 47.6% and in 26 beer producers by 11%.

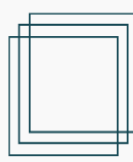
In accordance with the decisions of the Cabinet of Ministers No. 148 and 149 of April 2, 2022, measures are being taken to introduce digital marking systems for household appliances (April 15, 2022) and medicines. A total of 2.1 million branded products were sold by 71 manufacturers and 96 importing companies.

Also, 50,600 branded medicines were produced by 6 local manufacturers.

In particular, automation of tax reports (Khorazm experience, etc.)

a) 66.5 thousand across the republic through the compilation of data of the cadastral agency and the "E-privilege" program (cadastre number, land area, category, tax rate, date of new emergence or cancellation of the right, privileged area) reports of non-rural land tax payers are fully automated, and 2.8 thousand (4.2%) submitted independently. For information: this indicator is 97% of the country, and an interactive service is being created for 1,875 (3%) taxpayers with plots of land located in the arable and pasture zone, not intended for agriculture.

b) As a result of the integration of electronic invoices, online cash register technology, marketplace and customs declarations, the tax report received from the turnover without taking into account the deductible income of taxpayers and the application of different rates is 100 percent for 359.4 thousand taxpayers across the republic. fully automated. Of these, 121,600 or 33.8 percent made independent changes to the reports. As a result of the unification of rates from the next reporting year, it is assumed that the existing problems will be completely eliminated, and reports will be prepared by the tax



authorities.v) 100% automated VAT reporting for 156,300 payers by introducing electronic invoicing, online cash register technology, "marketplace" system data, and real-time data exchange with the State Customs Committee.

19.9 thousand (12.7%) of these taxpayers made independent changes to the reports.

g) The property tax report was 100.0 percent for 61,900 payers across the republic, fully automated through the compilation of information from the Cadastre Agency and the "E-privilege" program. Of these, 13,600 (22%) independently made changes to the submitted reports. Also, 46 types of interactive services provided to taxpayers were expanded, and taxpayers used them 93.4 million times (including 33.6 million times when paying taxes). The number of people registered for self-employment is 1.9 million. reached 779,000 people.

In order to further improve the tax administration and compensate for the losses due to the reduction of the VAT rate, in 2023, the necessary new instruments for the improvement of the concept of the interruption of the VAT chain (Tax sentence) and the precise definition of the working mechanisms, including the right to correct the VAT "zacet" amounts, will be introduced by the tax authorities. give to the authorities.

Today, the amount of the VAT chain break is 21.2 trillion soums, and failure to introduce this norm will continue to cause huge losses to the budget.

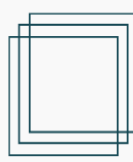
Transition to the calculation of the tax base based on the market price. Today, in order to effectively implement the system of price formation based on market principles and to protect the rights of honest taxpayers and consumers, as well as to create equal conditions for business activities aimed at reducing the hidden economy, an automated system for determining the market price of goods (services) without a human factor has been put into practice. should be introduced.

For example, according to the Customs Committee, the invoice value of imported goods in the amount of 262.7 million dollars by 387 economic entities in 2,670 cases compared to the declared value of the goods in the exporting country is 60.7 purchased at an increased price of millions of dollars. Due to this amendment, the tax base for profit tax will be increased by 669.0 billion soums only at the expense of importers themselves.

Transition to the full implementation of the CIS and "E-active" system (not to extend the period of liability application on March 1, 2023).

As a result of the reduction of the VAT rate by 3 percentage points, it is expected that the amount of "receipt" between the 15 percent rate and the 12 percent rate will exceed 3 trillion soums in the next year. Without an electronic tracking system, it will not be possible to control the balance of goods.

In addition, only 112 enterprises, which are segmented at the expense of those engaged in the underground economy, made a turnover of 1.8 trillion soums in 7 months, and there is another 1.9 trillion soums in stock.



The US has implemented several measures to improve service to taxpayers in the tax administration. One of the main ways is through the use of technology. The Internal Revenue Service (IRS) has implemented several online tools that allow taxpayers to file their taxes electronically, check the status of their refunds, and receive notifications regarding their taxes.

Another way the US has improved service to taxpayers is through education and outreach. The IRS has provided extensive resources on their website and through community outreach programs to educate taxpayers on their rights and responsibilities. Additionally, the IRS has established the Taxpayer Advocate Service, an independent organization within the IRS that helps taxpayers resolve issues with the agency.

Furthermore, the US has implemented several measures to protect taxpayers from fraudulent activity. The IRS has established a special unit focused on detecting and investigating tax-related identity theft and other forms of fraud. They also provide resources to taxpayers to help them protect their personal and financial information.

Overall, the US has implemented a combination of technology, education, outreach, and fraud protection measures to improve service to taxpayers in the tax administration.

The Russian tax system has undergone significant reforms in recent years, with a focus on improving services to taxpayers. Some of the ways in which Russia has sought to improve services to taxpayers in the tax administration include:

The Russian government has taken steps to simplify tax legislation, making it easier for taxpayers to understand and comply with tax requirements.

The Russian tax administration has introduced a range of electronic services, including online tax filing and payment systems, to make it easier and more convenient for taxpayers to comply with tax requirements.

The Russian tax administration has worked to improve taxpayer education, providing information and guidance to help taxpayers understand their tax obligations and comply with tax laws.

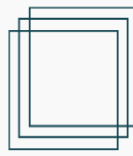
The Russian tax administration has worked to increase transparency in the tax system, making it easier for taxpayers to understand how taxes are assessed and collected.

The Russian tax administration has increased its focus on providing high-quality service to taxpayers, including establishing dedicated taxpayer service centers and improving the responsiveness of tax officials to taxpayer inquiries and requests.

Overall, the Russian experience suggests that improving services to taxpayers in the tax administration requires a multi-faceted approach that includes simplifying tax legislation, introducing electronic services, improving taxpayer education, increasing transparency, and improving taxpayer service.

South Korea has been implementing various measures to improve its tax administration service to taxpayers. One of the key approaches that the country has adopted is the utilization of information technology.





The country has implemented an online tax filing system that has significantly reduced the time and effort required for taxpayers to file their tax returns. Additionally, South Korea has established a call center to provide taxpayers with information and assistance related to tax filing and payment.

The country has also been working to enhance the transparency and fairness of its tax administration system. For example, South Korea has introduced a tax appeal system to provide taxpayers with a mechanism to challenge tax assessments they believe to be incorrect or unfair. The country has also implemented measures to prevent corruption and increase accountability in tax administration.

Moreover, South Korea has been working to improve the communication and cooperation between the tax administration and taxpayers. The country has established taxpayer associations that provide a platform for taxpayers to raise their concerns and suggestions regarding tax administration. Additionally, South Korea has been organizing tax education and outreach programs to enhance taxpayers' understanding of the tax system and their rights and obligations as taxpayers.

Overall, the South Korean experience highlights the importance of utilizing technology, enhancing transparency and fairness, preventing corruption, and improving communication and cooperation with taxpayers in improving tax administration service.

European countries have different approaches and experiences when it comes to improving services to taxpayers in tax administration. Here are a few examples:

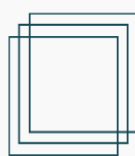
**Sweden:** Sweden is known for having one of the most effective tax systems in the world. To improve services to taxpayers, the Swedish Tax Agency has introduced several initiatives, such as simplifying tax forms, providing online tax filing, and offering personalized tax assistance through a telephone hotline.

**Germany:** The German tax administration has implemented measures to improve transparency and reduce bureaucracy. This includes a one-stop-shop for tax-related inquiries, an online portal for tax filings, and the use of electronic signatures to streamline the filing process.

**United Kingdom:** The UK's tax administration, HM Revenue and Customs (HMRC), has also focused on improving services to taxpayers through digitalization. This includes an online portal for tax filings and inquiries, as well as a mobile app that allows taxpayers to check their tax information and manage their accounts.

**Netherlands:** The Dutch tax administration has implemented several initiatives to improve services to taxpayers, including a simplified tax return process, online filing options, and personalized assistance through a dedicated support line.

Overall, these countries have emphasized the importance of digitalization, simplification, and personalized assistance in improving services to taxpayers in tax administration.



## **Conclusions and Suggestions**

There are several proposals that can be made to improve service to taxpayers in the tax administration, including:

Tax laws and regulations should be simplified and made more understandable to taxpayers. This can reduce confusion and increase compliance, leading to a more efficient and effective tax system.

The use of technology can improve tax administration by reducing the time and cost of compliance for taxpayers. This can include electronic filing, online payment systems, and automated tax assessments.

Providing taxpayers with education and outreach programs can improve compliance by increasing awareness of tax laws and regulations. This can include seminars, workshops, and informational campaigns.

Tax administrations can provide better taxpayer services by improving communication and providing more personalized service. This can include dedicated phone lines, online chat services, and in-person consultations.

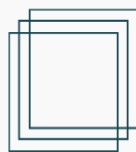
Stronger enforcement of tax laws can improve compliance and reduce the tax gap. This can include increased audits, more severe penalties for noncompliance, and better cooperation with other government agencies to identify noncompliant taxpayers.

Tax administrations should strive to ensure fairness and transparency in the tax system. This can include providing clear information on how taxes are calculated, ensuring that taxpayers are treated equally, and providing avenues for appeal and dispute resolution.

Overall, a combination of these proposals can lead to a more efficient and effective tax administration that serves the needs of taxpayers while also meeting revenue goals.

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