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## **WAYS TO REDUCE THE INFORMAL ECONOMY IN UZBEKISTAN THROUGH TAX INSTRUMENTS**

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### **Abstract:**

In recent years, this article in our republic examines the issues of the effective use of financial instruments to reduce the share of the shadow economy in the country, as well as the fact that the work of tax authorities to combat the widespread practice of concealing the amount of income by taxpayers and the use of tax evasion schemes, are not carried out separately and consistently, led to a decrease in tax discipline, a hidden study was conducted to analyze and evaluate the results of maintaining the scale of the economy and the deterioration of business conditions for honest entrepreneurs, and scientific and practical conclusions and proposals were developed for its application.

**Keywords:** shadow economy, financial, hidden economy, tax revenues, analysis, risks, efficiency, schemes, tax discipline, methods and tools, advanced information and communication technologies, analysis, optimization, tax rate.

### **Introduction:**

Uzbekistan, like many other countries, faces a number of unique economic problems, one of which is the prevalence of the informal or often so-called "secret" economy. This informal economy includes economic activities that occur outside of formal regulations, tax systems, and labor laws. Its existence creates several problems for the country's economic development, fiscal stability and social welfare. Effective use of financial means to reduce the share of the secret economy is an important condition for the economic development of Uzbekistan. The informal economy can have some advantages, such as providing livelihoods to sections of the population and filling gaps in the formal sector.



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The shadow economy can contribute to the spread of corruption, as it often involves illegal transactions and tax evasion, implying a propensity for abuse and bribery. Due to its informal and clandestine nature, the shadow economy can be difficult to monitor and regulate. Its fight requires measures to strengthen the rule of law, reform the tax system, and encourage formal employment. The shadow economy changes frequently in response to changes in laws and regulations, making it unpredictable and difficult for governments to combat. To fight against the underground economy, it is necessary to implement complex measures, which include strengthening of penalties against law-breakers, promotion of formal employment, improvement of the tax system, and measures of strengthening transparency and control.

Many companies in the shadow economy are not officially registered and do not go through the necessary formalities, such as obtaining licenses and permits. The shadow economy is often characterized by the use of cash, which makes transactions less transparent and harder for authorities to track. The underground economy usually operates outside of government regulation and control. This means that it is not subject to the same standards and regulations as the formal economy. The main feature of the underground economy is that most of its activities are illegal or semi-legal. In addition, in our opinion, it is appropriate to introduce a mandatory procedure for registration of contracts for construction and purchase of housing with the tax authorities, participation in joint-stock construction concluded with the population by construction enterprises, investment contribution. For this purpose, it is necessary to create an opportunity to take into account in the information system of registration of contracts introduced by tax authorities, contracts related to the realization of housing and real estate objects, as well as contracts on participation in joint construction or investment contributions, concluded with residents, in the information system of registration of contracts introduced by tax authorities, contracts are registered with tax authorities. in case of non-transfer, it will be necessary to make amendments and additions to the legal documents regarding the grounds for refusal of notarization of contracts related to the sale of housing or the change of the owner of the property.

One of the other problems in this regard is that there is no norm (obligation) in the legislation for tax-paying business entities to accept payments from customers via



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mobile application, which is one of the reasons for the growth of the clandestine economy in our national economy today. The following can be cited as a scientific proof of our opinion. among others, according to the data of the Central Bank, in 2022, the volume of transactions through bank cards of individuals will amount to 1,103.4 trillion soums (including 553.6 trillion soums received on the card, 549.8 trillion soums transferred from the card), totaling The value of P2P payments is 582.3 trillion. amounted to soums (or 52 percent). In addition, in December 2023, during a mobile tax inspection of business entities that accepted P2P payments, all 196 cases were found to accept P2P payments. In particular, as a result of receiving payments of 542.5 million soums for the sales activity of "KEGEYLI PHONE STORE" LLC on the plastic card of the citizen G.N.K., in the 10th month of 2023, a total of 130.7 million soums were transferred to the budget (including profit - 72.6 million soums) , VAT - 58.1 million soums) taxes remained uncollected and caused the creation of a secret economy.

In Article 221 of the Tax Code of the Republic of Uzbekistan, adding the equipment "ROS terminal with QR-display" to the list of equipment that must be installed in trade and service provision (Control-cash register equipment, settlement terminals); Editing of Article 221, Item 1 of the Tax Code as follows: "While the use of cash register equipment, payment terminals, and QR-displays is mandatory, conducting trade and rendering services without using them shall result in a fine of five million soums";

introducing a mechanism for taxing citizens who accept payments through P2P on the basis of a declaration, and setting penalties for the act of accepting payments on citizens' plastic cards by business entities;

if the turnover of individuals through P2P exceeds 1 billion soums in a year, to establish a mechanism for taxing them on the basis of a declaration;

classifying the cases of accepting payments to the plastic cards of individuals by the taxpayer - business entities as tax evasion and the Tax Code. We believe that it is appropriate to amend Article 223. We believe that the implementation of these scientific and practical measures will increase the role and importance of tax instruments in reducing the secret economy.



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As part of the next topic, one of the problems is hiding the number of employees working in the enterprise in order to avoid taxes by business entities (not officially registering employees), as well as minimally reflecting the salary of employees in tax reports, and in some cases, monthly wages less than the minimum wage. payment cases are being monitored. According to the analysis, there are a total of 19.5 million labor resources in the country, of which 13.8 million are employed, 1.3 million are employed, and 4.3 million are economically inactive citizens. . As of December 1 of this year, 186.6 trillion soums of wages were calculated for 5.3 million (non-budgetary) individuals in economic sectors, and income tax in the amount of 22.4 trillion soums was paid to the budget. In the construction sector alone (buildings, structures) in 2022, 1,075 enterprises with a turnover of more than 10 billion soums differed sharply from the average salary (3.1 million soums) and in 825 cases where the number of employees was 1-2 employees, 13 billion It was found that additional JSHODS can be calculated. As a solution to this problem, we believe that it is appropriate to develop a platform capable of reducing informal labor relations. In our opinion, the launch of this platform will bring an additional 541.0 billion soums to the budget (including income tax - 270.9 billion soums, social tax - 270.9 billion soums) ensures the formation of tax revenue.

This platform should be created in the database of the Ministry of Poverty Alleviation and Employment of the Republic of Uzbekistan and the Tax Committee, as well as the creation of an automated database (platform) of people who are employed, unable to work, and unemployed. As one of the next practical problems, the real-time consumption and technical ethyl alcohol producers of alcohol are transported in vehicles equipped with an automated tracking system (GPS) and the data of electronic counters that take into account the volume of their turnover installed in these enterprises, regulation of the alcohol and tobacco market, and winemaking. integrated into the information system of the development agency, but due to the fact that there is no possibility to use this information in an integrated way to the state tax service bodies, the problem of not being fully taxed on the sale of this type of products can be mentioned.

It is known that on July 23, 2020, the Decree of the President of the Republic of Uzbekistan No. PF-6033 "On improving the management system in the field of



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production and regulation of alcohol and tobacco products" was adopted. In accordance with paragraph 10 of this decree, consumer and technical ethyl alcohol will be equipped with a real-time automated tracking system (GPS) from July 1, 2021, and production of consumer and technical ethyl alcohol, alcohol and tobacco products from January 1, 2022. it is determined that they are transported in motor vehicles equipped with an electronic meter integrated into the information system to take into account the volume of their turnover and the single register of vineyards. Based on this, it is appropriate to present information about alcohol transported in vehicles equipped with a real-time automated tracking system (GPS) and equipped with an electronic counter through the interdepartmental integration platform of the "Electronic Government" system and integrate it with the database of the State Tax Committee. this allows for the correct determination of the tax base for taxation of alcohol products.

Based on this, in our opinion, in cooperation with the Ministry of Justice, the Ministry of Internal Affairs, the Tax Committee, by integrating the information about the founders and leaders of the organizations that have committed previous economic crimes into the database of the tax authorities, restricting these individuals from becoming the founders or leaders of newly established entities and It is desirable to ensure mutual information integration between the Ministry of Justice, the Ministry of Internal Affairs, and the Tax Committee. We believe that this procedure will provide an opportunity to prevent tax evasion as a result of "one-day firms" and collusion based on the appointment of one manager for the purpose of tax avoidance.

One of the reasons for creating a shadow economy is the process of unjustified tax benefits and their abuse by taxpayers. In general, tax incentives are aimed at the development of a specific sector, sector, production line or economic relations and support of a certain class during social protection. serves to stimulate cases of non-payment or tax evasion in some way, becoming a factor in the development of fraudulent activity in the economy.

Another type of tax incentives for reducing the secret economy through tax instruments, i.e., an exemption from income tax for income received by individuals from the sale of property owned by them on the basis of private property rights.



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According to the analysis, only in 2022, by applying this exemption, 2,800 deals were concluded in order to escape, resulting in budget losses of 100 billion. soum, and as a result, the use of such benefits, on the one hand, creates an opportunity for the middle and rich strata of the population to earn more income, as well as leads to the emergence of a speculative conjuncture in the housing market and prevents the objective taxation of property as a result of the creation of a secret economy.

Based on these, it is appropriate to cancel the exemption from income tax from individuals on the income obtained from the sale of property belonging to individuals to legal entities based on private property rights.

## Conclusions and suggestions

It is necessary to work together with representatives and associations of the informal sector to understand their needs and problems and to facilitate formalization, and to develop a strategy for Uzbekistan using international best practices and experiences in addressing the informal economy. These proposals reduce the shadow economy in Uzbekistan is a complex process that requires a complex, multifaceted approach. By implementing effective financial instruments and supportive policies, Uzbekistan can attempt to formalize its economy, increase fiscal stability, and improve the welfare of its citizens.

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