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Ways to use effective methods to reduce the share of the shadow economy in the Republic of Uzbekistan

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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.

Key words: 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 the framework of formal regulations, tax systems, and labor laws. Its existence causes 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.

Analysis of literature on the topic:

We present a brief literature review on the topic of ways to effectively use financial instruments to reduce the share of the secret economy.

According to O.Mahkamov, non-payment of taxes, levies, duties and other mandatory payments set by the state, intentionally concealing or understating profits (income) or other taxable objects, as well as improving measures to protect tax or legal interests in our country It is necessary to solve the existing problems by legal means through the analysis and revision of a number of laws and regulations under the law. This, in turn, is of great practical importance in preventing crimes in this area" [1]. Although tax evasion occurs based on the economic egoistic feeling of the taxpayer, however, it is manifested at the level of a social problem through the economic spheres of society and becomes a political issue. In this regard, Bavarian finance minister E. Hoover pointed out the



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main socio-political basis of tax evasion when he said that "in Germany, the desire to avoid paying taxes is stronger than the desire to be born." [2]. According to A.R. Abdullina, there are difficulties in the analysis of accounting documents in the detection of tax crimes in tax evasion by law enforcement agencies, lack of sufficient skills in monitoring enterprises that are newly established and quickly end their activities, the difficulty of analyzing civil and economic legal documents based on mutual integration, the law based on the legal basis of tax evasion due to the insufficient improvement of documents, it affects the ineffectiveness of actions aimed at reducing this process [3]. I. Vachugov also explains the concept of "hidden economy in the field of taxation" as a part of the hidden economy. According to him, "tax evasion is a part of the underground economy, and the activities of secret structures for the provision of tax evasion services allow us to introduce the term "the underground economy in the field of taxation", the definition of which can be expressed as follows: both taxpayers themselves and tax evasion shadow structures that provide services that provide activities related to the organization of extortion"[4]. According to B.A. Raisberg, he evaluates the hidden economy as "economic processes that are not advertised, are not hidden by their participants, are not controlled by the state and society, and are not recorded in official state statistics" [5]. P.S. Efimichev defines "tax evasion as a manifestation (inaction) in the form of intentional failure to pay taxes specified in this law" [6]. S. L. Nudel explains that "tax evasion is socially dangerous, it is an action or inaction of individuals or legal entities aimed at not paying the taxes and (or) fees established by law in whole or in part in the field of taxation." [7]. I.A. Mayburova, A.P. Kireenko, Yu.B. Ivanova define tax evasion as follows: "tax evasion should be understood as an illegal way of changing the taxpayer's obligations to pay taxes, in which income from tax authorities and concealment of property, creation of fictitious expenses, as well as intentional violation of accounting and tax reporting" [8].

Analysis and discussion of results.

Tax evasion and loss of revenue: Activities in the informal economy often result in tax evasion, resulting in huge revenue losses for the government. This affects public services, infrastructure development and social welfare programs. In the informal economy, workers may not have access to social protections, including health insurance, retirement benefits, and legal guarantees. This leaves them vulnerable to economic shocks and insecurity. The informal sector can hinder overall economic growth and productivity because it operates without compliance with efficiency and quality standards and often relies on outdated technology and practices. It is very important for Uzbekistan to study and implement effective financial instruments and policy measures to reduce the share of the secret economy. These include measures such as tax reforms, financial inclusion initiatives, capacity building for formalization, and social safety nets for workers transitioning from the informal to the formal economy. This discussion examines these financial instruments and strategies and explores their potential impact on reducing the share of the informal economy in promoting economic growth, stability and social welfare in Uzbekistan. Effective tax reduction is not only a financial effort, but also a tool to promote economic inclusion, increase fiscal stability and pave the way for a more prosperous and just future for the nation. When it comes to the social consequences of tax evasion, it is necessary to assess the fact that taxpayers withdraw money from their tax obligations to the state budget in their own interests, as an attempt to aggravate the social conditions of other members of society. In addition to harming the interests of others, tax evasion



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ensures the strengthening of egoistic-selfish characteristics, in addition, not paying taxes loses the sense of unity with other members of society, brings individuality, and ultimately leads to forgetting to take social benefit from society and give economic benefit to society.

In particular, there are cases of concealment of tax bases by understating the prices in contracts for the sale of housing and immovable property to individuals by legal entities on the condition of installment payment, share purchase (or investment). There is no obligation of legal entities to sell real estate objects to residents only in a cashless manner. For this reason, real estate (residential and non-residential housing) is mainly sold to the population in cash, and a contract is signed between the population and the builder in the form of a share or investment in the name (fake), and during the real estate sale, its real price is shown to be reduced.

According to notary offices, in 2022, 732 enterprises realized 29,191 objects worth 8,162.9 billion soums, and these enterprises issued EHF for 6,161.4 billion soums. For example, "AZIYA INVEST FAVORIT" LLC, located in Yashnabad district of Tashkent city, entered into an investment contract with 1106 citizens for the construction of housing, took 163.4 billion soums in cash from the population, and in the end fraudulently used the funds without building the housing. 156.0 billion soums were reimbursed from the state budget to the persons who had embezzled and suffered losses as a result. In the study, realized 2001.5 bln. 192.3 billion soums of tax was not calculated as a result of the non-registration of EHF for 11963 objects of soums or the understatement of the realization amount.

For example, according to notary offices, PERFECT UNIVERSAL SERVIC LLC realized 60 objects worth 19.8 billion soums in 2022, but in the company's report, the amount of realization is 6.2 billion soums. indicated in the amount of soums. As a result, the tax base was reduced by 13.6 billion soums and 4.1 billion to the budget. soum taxes remained unpaid. In 2023, 7,800 real estate objects were realized by 923 construction enterprises, and 780 billion rubles were collected due to the understatement of real estate prices in tax reports. it was found that he hid the soum tax bases.

For example, "Plit industry building" LLC (Akay City brand) sold 927 sq.m of housing built in Tashkent to 14 citizens for 1 soum. It became known that prices from 1 million soums to 11.7 million soums were announced. As a result, the tax base of this enterprise alone was reduced by 6.4 billion soums.

In Azerbaijan, construction companies are obliged to issue electronic invoices for the sale of real estate to individuals in a non-cash manner. In this case, 20% of the VAT paid for purchased real estate will be returned to individuals. At the same time, in countries such as France, Italy, Portugal, Belgium and Greece, goods worth more than 2,000 EUR are sold without cash.

Our proposal is that it is necessary to register the contracts on the realization of housing and real estate objects by legal entities, participation in joint construction with residents, or investment contribution contracts in the information system of tax authorities. In this case, starting from April 1, 2024, it will be necessary to determine the procedure for the sale of real estate to residents by legal entities without cash and by issuing electronic invoices.

In addition. The information system of the Tax Committee is integrated with the national information system "Transparent Construction", but the architecture-planning order, project estimate documents, which are necessary for calculating taxes, are not submitted electronically, there is no system for complete digitization and electronic entry of the act of delivery-acceptance of the construction object. In 2022, 923 enterprises completed construction and assembly works worth



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11,358.2 billion soums on the "Transparent Construction" platform, of which 157 enterprises completed 779.8 billion soums. 101.7 billion soums were left unaccounted for in the budget for VAT alone due to the fact that the soum tax base was not reflected in the reports.

For example, according to the information of the "Transparent Construction" platform, "Mukammal Kurilish Zadda" LLC in Jizzakh region completed 15 construction projects worth 56.7 billion soums in 2022, and tax reports show that 32.6 billion soums worth of work was completed. As a result, 3.6 billion soums of taxes remained uncalculated due to the reduction of the tax base of 24.1 billion soums. For example: in 2023, "Khumoyun Construction" LLC completed construction works worth 8.5 billion soums and listed 2 employees in its tax reports. Complete digitization of architectural-planning task in the construction process, project estimate documents and construction object handover-acceptance certificate formation and electronic input into the "Transparent Construction" national information system. Cases of concealment of the tax base will be prevented due to the implementation of this procedure.

Also, it is not possible to obtain a full account of products sold by producers of agricultural products, except for cotton and grain. To do this, introduce the procedure for allocating subsidies based on the amount of agricultural products (except cotton and grain) realized through electronic invoicing, and establish the requirement for allocating subsidies in the case that the data on the total land area, types of crops, and productivity are available on the agroonline platform. According to statistics, in 2022, in addition to cotton and grain, 75 trillion soums worth of agricultural products were grown. From this, it became known that 86 billion soums of VAT remained unpaid as a result of the non-registration of the EXF for the sale of 68 trillion soums and not showing it in the tax reports. In 2022, 1.1 trillion soums of subsidies were allocated for the development of agriculture, animal husbandry, fisheries and poultry. For information: in Azerbaijan, about 400 agricultural enterprises have registered EHF for the sale of products through the information system, and subsidies have been allocated based on the amount of products.

In addition. there is no procedure for registration of contracts for the sale of electricity and highly liquid goods by enterprises that sell electricity and buy them with tax authorities. Today, all contracts for the sale of natural gas and oil products are compulsorily registered in the information system of tax authorities, and the practice of issuing electronic invoices has been introduced. Also, cotton goods sold by the farmer are registered in the information system of the tax authorities. Implementation of this system will prevent tax base concealment and create a transparent system for all business entities. As a result of the consideration of natural gas contracts by tax authorities and integration with electronic meters, the volume of natural gas purchased by gas utilities from Hududgaztaminot JSC in the 9th month of 2023 compared to the same period last year increased by 227.2 million m³ (9th month of 2023 - 2,868.5 million m³, 9 months of 2022 - 2,747.1 million m³). 137.5 billion when the excise tax is calculated. organized soum. For example, "Binokor Impex" LLC AGTSH purchased 4.7 million m³ of natural gas in July 2023 (loss of 0.1 million m³), and the tax report shows that 3.3 million m³ of gas was sold. As a result, 730 million soums of taxes were not paid to the budget without being reflected in the excise tax reports of 1.2 million m³ of gas. Contracts concluded by legal entities in China are subject to mandatory state registration and electronic invoices are issued on this basis. A fee based on the value of the contract was introduced for the registration of contracts.



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Compulsory registration of contracts concluded by legal entities with tax authorities step by step. In this case, it will be necessary to register the contracts on the sale of goods with the tax authorities by the enterprises that sell electricity and highly liquid goods and buy them. According to the fourth part of Article 248 of the Tax Code, tax authorities are given the right to make adjustments to the taxable base of taxpayers based on market prices, but there is no procedure for determining market prices for taxation purposes.

Tax bases are hidden by some "entrepreneurs" by selling goods at prices below the market value. Due to the lack of a procedure for setting market prices for taxation purposes, lawsuits filed by tax authorities are being canceled by the courts. This leads to large losses to the state budget. For example, based on the results of the inspection conducted at "Yuksal General" LLC, as a result of the sale of household appliances below market prices, VAT in the amount of 3.4 billion soums was additionally calculated, but the court authorities showed that there is no procedure for determining the market price, and the claim of the tax authority was rejected. For information: "Yuksal General" LLC may collect 143.5 billion soums as a result of using the market price in the Republic. This practice is provided for in the legislation of countries such as the Russian Federation, Azerbaijan and Georgia. Our proposal is to develop and put into practice the procedure for applying market prices for the purpose of taxation.

The current legislation does not introduce marking of antiseptic products, vegetable oil, car tires and batteries. According to the analysis, at least 1 million dal (10 million liters) of 425,000 dal (4.25 million liters) of alcohol products are produced and not reported in tax reports, causing annual losses to the state budget of 209.7 billion soums. For example, "Boburshok Farm Shifo" LLC purchased 93,000 cases of alcohol worth 26 billion soums in 1.5 years of 2023 and sold it in cash for 24 billion soums without antiseptic production equipment. 40 million soums of tax was paid by the society for this turnover. If this amount of alcohol was used for the production of alcohol products, 35 billion soums of excise tax and 9 billion soums of VAT would be provided to the budget, totaling 44 billion soums of taxes. For information, in Russia, the procedure for marking antiseptic products has been introduced. In 2023, agricultural enterprises purchased 77.4 billion soums of vegetable (cotton) oil, accounting for 9.3 billion soums of VAT, but these products were not sold. For example, 60.2 tons of vegetable oil worth 1.1 billion soums was imported by "KAHRAMON-ZILOLA" fx in 2023, VAT of 132 million soums was taken into account, but it was not realized during the year. In order to prevent this situation, it would be appropriate to introduce a mandatory digital marking procedure for antiseptic products, vegetable oil, car tires and batteries.

Conclusions and suggestions.

Financial literacy and education programs should be implemented to enable individuals in the informal sector to effectively manage their funds and transition into formal banking. Financial institutions can develop products tailored to the needs of such businesses, making it easier for them to transition into the formal sector.

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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