



IMPACT OF THE DIGITALIZATION OF TAX ADMINISTRATION ON REDUCING THE SHADOW ECONOMY IN THE REPUBLIC OF UZBEKISTAN

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Abstract

This article examines the impact of digital transformation in tax administration on reducing the scale of the shadow economy in the Republic of Uzbekistan. The key digital tax control tools and their role in improving the transparency of economic activity are analyzed. The study concludes that the introduction of digital technologies contributes to the reduction of the informal sector and enhances the efficiency of tax administration.

Keywords

digitalization, tax administration, shadow economy, tax control, digital technologies, Uzbekistan.

Аннотация. В статье рассматривается влияние цифровых преобразований в системе налогового администрирования на снижение масштабов теневой экономики в Республике Узбекистан. Рассмотрены ключевые цифровые инструменты налогового контроля и их роль в повышении прозрачности экономической деятельности. Сделан вывод, что внедрение цифровых технологий способствует сокращению неформального сектора и повышению эффективности налогового администрирования.

Ключевые слова: налоговое администрирование, налоги, цифровизация, налоговый контроль, теневая экономика, Республика Узбекистан.

The shadow economy continues to remain one of the main obstacles to sustainable economic growth, as it distorts the conditions of market competition and narrows the





fiscal capacity of the state. According to the estimates of international financial institutions, a significant informal sector continues to be a characteristic feature of many developing economies. At the same time, traditional methods of tax control often prove to be insufficiently effective and are associated with high administrative costs [1].

In the Republic of Uzbekistan, reducing the share of the shadow economy is defined as one of the priorities of state macroeconomic policy. In the "Uzbekistan – 2030" Strategy, one of the goals is a substantial reduction of the informal sector through the formation of an environment intolerant to corruption and the creation of equal competitive conditions for business [2]. To achieve this strategic goal, it is necessary to abandon purely formal administration in favor of more flexible and result-oriented approaches based on predictive analytics.

A key instrument of this transition is the digital transformation of tax administration. Digital solutions include the integration of primary accounting (online cash registers and electronic invoices) and end-to-end product labeling, which ensures their interconnected operation and unified digital accounting of business transactions. As a result, automatic control makes tax evasion a more complex and economically unprofitable process.

As global experience shows, technological modernization makes the market more transparent, although approaches to its regulation change along with this. The experience of OECD countries, as well as the implementation in China of the "Golden Tax" end-to-end transaction monitoring system, show that digital control of value-added chains allows for a significant reduction in the tax gap. At the same time, it should be taken into account that nominal tax rates may not change, but the real burden on business often increases. This is due to the growth of taxpayers' transaction costs for implementing electronic document management, purchasing online cash registers, and complying with stricter operational requirements. Under such conditions, the state needs





to find a balance between strengthening fiscal control and maintaining the profitability of the private sector.

The current stage of institutional transformations of the fiscal system of the Republic of Uzbekistan is associated with the transition from partial automation of accounting functions to the creation of a unified integrated information and technological environment of traceability. The Tax Committee under the Ministry of Economy and Finance of the Republic of Uzbekistan has formed a unified digital tax administration system providing automated collection and processing of data on business transactions. The integration of information resources makes it possible to increase the transparency of economic activity, reduce the influence of the subjective factor in the implementation of tax control, and limit the opportunities for the functioning of the informal sector of the economy.

In the formed digital fiscal ecosystem, the interaction of several end-to-end modules, which work as a single data verification complex, has special analytical significance. The basic element of transaction control in the B2B segment is the electronic invoicing system. The mandatory transition of commercial document flow to a digital format has significantly changed the procedure for administering the value-added tax (VAT). Thanks to the automatic matching of counter material and documentary flows, the fiscal authorities have managed to significantly reduce the use of schemes for artificial cost inflation and limit the activities of fictitious intermediaries and entities with signs of sham entrepreneurship, which were previously used for the unlawful formation of VAT offsets.

The next stage of digitalization of tax control was to increase the transparency of retail turnover and cash settlements (business-to-consumer, B2C) through the introduction of online cash registers and the "Soliq.uz" mobile platform. The introduction of a fiscal stimulation mechanism in the form of a 1% cashback for





registering receipts increased consumer involvement in monitoring compliance with cash register discipline. The economic motivation of consumers has formed a system of public control over compliance with fiscal discipline, which prompted retail enterprises to bring real volumes of cash revenue into the legal framework.

To process large volumes of information in the tax system, an automated risk management system is applied. It analyzes the incoming data and automatically distributes taxpayers according to risk levels based on established criteria. One of the important functions of the system is the identification of the tax gap, that is, cases when the declared VAT deductions are not confirmed by tax payment at previous stages of product movement. This allows for the timely identification of suspicious transactions and improves the efficiency of tax control.

An additional element of digital control is the national digital labeling and traceability system "Asl Belgisi". Its implementation makes it possible to track the movement of certain categories of goods at all stages of circulation and contributes to reducing the turnover of counterfeit and unaccounted products.

An additional confirmation of the increased transparency of economic operations is the data of the Central Bank of the Republic of Uzbekistan. In 2024, the total volume of cash receipts amounted to 840 trillion UZS, which is 26% more than in the previous year. At the same time, the share of non-cash settlements increased: in the total volume of receipts, it increased from 38% to 40%, and in the sphere of trade and paid services — from 40% to 44%. The volume of receipts to bank cards of individuals reached 1,034 trillion UZS, which is 1.3 times more than before. Furthermore, as of January 1, 2025, the share of cash in the money supply (M2) decreased to 19.2%, which indicates a gradual growth of non-cash turnover and greater transparency of financial flows [3].

Despite the positive results achieved in the field of tax administration digitalization, a number of unresolved problems remain. One such problem is the artificial splitting of





business, in which entrepreneurs register their activities through several formally independent entities in order to apply more preferential taxation regimes. Such practice reduces the efficiency of tax control and necessitates the improvement of mechanisms for identifying interconnected business entities.

The analysis of the results shows that the digital transformation of tax administration in the Republic of Uzbekistan increases the transparency of economic transactions, improves income accounting, and reduces the opportunities for tax evasion, which collectively leads to a reduction in the scale of the shadow economy. Further improvement of the system's efficiency is associated with the development of digital control tools and the enhancement of interdepartmental data exchange.

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