IMPROVING TAX ADMINISTRATION IN THE DIGITAL ECONOMY

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Abstract. *This article examines the theoretical foundations of tax administration in the context of the digital economy and current trends in developed countries and Uzbekistan. As a result of the research, conclusions and recommendations for improving the tax administration of digital technologies have been formed. In particular, in the digital economy, the first stage of improving tax administration requires costs such as Internet access, staff training and the purchase of new devices, while the next stage of digitalization of tax administration leads to cost reduction and prevention of tax crime; It is advisable to use IT technologies in the system of tax refunds in accordance with the Tax Code and Presidential decrees (children whose children are studying on a paid contract, etc.). This will allow for the reduction of bureaucracy and so on.*
Keywords: *tax, tax administration, digital economy, blockchain, VAT, information technology (IT), business process, infrastructure, UK, Finland, Estonia.*

Introduction

Currently, communication technologies are an important factor affecting the social sphere, which in turn is felt in the process of economic development. Modern trends in economic development include: rapidly developing business processes on the Internet, global information and financial centers, and the formation of global mobile communication networks. All this affects economic processes and indicates that the digital international economy is taking shape today.

The term "digital economy" based on the use of new IT technologies was first used in 1995 by Nicholas Negroponte, a scientist at the University of Massachusetts, and in the modern era, the digital economy is a global network of social and economic measures implemented through Internet platforms and mobile networks.

The digital economy assumes that people's needs will be met more competently and efficiently.

Three components are necessary for the digital economy to function successfully:

1) providing infrastructure or access to the Internet, software and telecommunications;

2) electronic business, conducting work through computer networks;

3) e-commerce, sale of goods (services) via the Internet [1].

The digital economy based on new types of intangible goods is characterized by the following features:

- input of large amounts of data into business processes (Big data);
- use of a large number of business models in a new format;
- elimination of complications in determining the jurisdiction of the source of income.

The advantages of the new type of economy include simple and fast interaction between participants, through which economic processes are easily and transparently controlled. Such an economy can easily develop internationally and integrate quickly and easily into government reforms. At the same time, the ongoing processes of digitalization of the economy require new

approaches of tax administration due to the emergence of qualitatively new format business models.

This article defines the digital economy in the context of tax administration with the help of digital technologies. Digitization of economic development also opens up new opportunities, while at the same time it creates new challenges in the field of taxation and tax administration. The purpose of the study is to determine the advantages and problems of introducing modern digital technologies used in the process of tax administration, to determine the directions for increasing its efficiency in the new conditions of digitalization of the economy.

The level of study of the topic

Among foreign and CIS scientists who have studied tax administration in the context of the digital economy, the following points are made within this topic:

A.B. Paskachev, V.A. Kashin, M.R. Boboev revealed the content of tax administration in a broad and narrow sense in their works. First of all, it is explained that the tax administration is a tax process management system [2].

O.B. Buzdalina in his article suggests that the concept of "tax administration" includes a number of measures aimed at the maximum possible tax collection, while minimizing costs, including the burden on the taxpayer [3].

According to R.A.Petukhova, Ya.A.Grigoreva, digitization and integration of all information sources and data flows into a single information space, automation of analysis based on the introduction of modern technologies for processing large arrays of data, use of Big Data increases the capabilities of the tax administration [4].

According to E. V. Yanchenko [5], digital technologies change business practices and have a significant impact on the tax system. Digitization contributes to the improvement of tax administration, allows solving problems in the field of reducing the administrative burden, facilitates cooperation between tax authorities and fights tax evasion. For companies, digitization is a cost-cutting tool.

According to the research of Thomas Mesenburg, there are three main components of the digital economy concept:

1) infrastructure support (software, telecommunications, networks, etc.) (this can also mean the tax system);

2) electronic business (conducting business and other business processes through computer networks);

3) electronic commerce. Digital transformation includes all aspects of human activity [6].

Antonio Faundes-Ugalde&Rafael Mellado-Silva&Eduardo Aldunate-Lizana's research explores artificial intelligence that analyzes the risk of taxpayers not paying taxes on time and robotizes the tax audit system in Latin America. As a result of the research, suggestions are made on the issues of tax crime prevention by using algorithms in the tax system [7].

In the scientific article "Information system and corporate income tax enforcement: Evidence from China" by Chenju Xiao&Yuchen Shao, the use of CTAIS-3 information system in tax administration caused a decrease in cases of tax evasion and non-compliance with tax legislation. Also, as a result of the use of the CTAIS-3 program, accounting in companies has also improved [8].

According to the research of Stefania Fiorentino & Silvia Bartolucci, the application of blockchains in all branches and sectors of the economy is presented. In particular, as a result of the use of blockchains in accounting, the improvement of the tax system was mentioned [9].

But there are no Uzbek scientists who have studied this topic. In this regard, it is urgent to conduct research on this topic.

Analysis and results

Tax relations are regulated through the tax administration, urgent issues arising in the process of interaction between taxpayers and tax administration bodies are resolved. Institutional theory views the tax administration as a multifaceted complex institution consisting of tax relations, state policy, powers of relevant bodies and mechanisms for regulation and control of the tax system.

In the digital economy, it will be possible to introduce new information technologies into the tax administration process, which will increase its quality and efficiency. The introduction of modern information technologies by tax authorities in the digital environment can lead to minimizing the risk of non-compliance by taxpayers, increasing the efficiency of tax administration and bringing the rate of tax compliance closer to 100% [10].

The use of modern information technologies solves a wide range of problems and allows to conceptually change the paradigm of tax administration. The main advantages of tax administration automation are:

- reduction of tax administration costs;
- acceleration of detection of tax evasion schemes and minimization of tax liabilities;
- reducing the administrative burden of taxpayers and administrative obstacles;
- reduce the risk of compliance of tax audits;
- coordination of tax administration in order to expand the geography of doing business.

Despite the active development of the digital economy, in many countries of the world, the introduction of new information technologies into the tax process is extremely slow, which prevents them from fully using their advantages in tax administration. According to the 2019 Digital Economy Index study, Denmark, Sweden, Finland, the Netherlands, Luxembourg, Ireland, the United Kingdom, Belgium, and Estonia[11] are among the top ten countries in the ranking of the world's digital economies. In the United Kingdom, which is on this list, it is even planned to use blockchain technology in the tax system. In particular, on December 6, 2019, the "VAT in the Digital Age" conference organized by the Tax and Customs Department of the European Commission was held in Brussels, Belgium. At this conference, ideas were exchanged about the introduction of new technologies to the VAT administration, including the possibilities of blockchain technology in the VAT mechanism. It was noted that the implementation of EU blockchain technology in VAT is an effective solution [12].

Blockchain technology is also being used in the tax system of Finland and Estonia. In particular, the Estonian government has been experimenting with the use of blockchain technology in the tax system for several years. In particular, the database developed by the Estonian company "Guardtime" known as "Keyless Signature Infrastructure" is a technology that integrates blockchain technology. This technology allows taxpayers to enter their personal accounts, find out tax details, change them, pay taxes online through the Internet, and get back overpaid VAT amounts in a short time. It gives the tax authorities the opportunity to monitor the timely payment of taxes online, ensure the transparency of the tax system, and monitor tax transactions in real

time. As of today, 98% of Estonians declare their income to the tax authorities online. This is a convenient option for taxpayers, where taxpayers spend less than five minutes to submit a return [13].

Unfortunately, the indicators of Uzbekistan are not included in this index. But this does not mean that the tax system is not digitized in Uzbekistan.

The Decree of the President of the Republic of Uzbekistan No. PD-5116 (18.07.2017) on measures to fundamentally improve tax administration and increase the collection of taxes and other mandatory payments (18.07.2017) started a new era in the development of the industry. According to the decree, the introduction of the most advanced information and communication technologies in the tax administration system is defined as a priority task. In particular, in our country, work has been carried out to digitize the VAT mechanism, and today a single automated system of this tax (register of VAT payers) has been developed. Currently, reimbursement of VAT negative difference amounts is carried out through the "my.soliq.uz" portal. To date, 98,191 out of a total of 106,195 VAT payers (93%) have switched to the electronic document circulation system.

The State Program [14] was adopted by the decision of the Cabinet of Ministers dated June 5, 2020 No. 359 "On additional measures for the widespread introduction of modern information and communication technologies in the tax administration". As a result, it is planned to increase the speed of data processing and analysis up to 10 times, to increase the level of confidentiality of information in the database by 100%, to protect against external risks and to expand the possibilities of safe and reliable storage of data, to increase the size of the database to 1 Petabyte.

It is planned to improve the tax system with the help of Case Management System, Case Assessment System - automatic recording, monitoring, use of information and analysis of the tax audit process through the Strategy for the Development of Information and Communication Technologies adopted within the framework of this state program. Also, as a result of the implementation of this strategy, the volume of additional revenues to the state budget is expected to increase to 20 trillion soums.

Uzbekistan became one of the first countries not only in the CIS, but also in the whole world to use "blockchain" technology and regulate the circulation of crypto-assets as part of the development of the digital economy. "Uzbekistan Blockchain Valley" Regulatory sandbox is planned to be established, and this regulatory sandbox provides the following opportunities: development and implementation of "blockchain" technology; providing over-the-counter services for transactions related to crypto-assets; implementation of private and industrial mining; conversion of crypto-assets, provision of crypto-wallet services; initial placement of crypto-assets (Security Token Offering); circulation of crypto-assets and other activities in the field of "blockchain" technology [15].

The launch of this project will allow the use of "blockchain" technology in the tax system.

In the last three years, information and communication technologies for tax control have been introduced:

- electronic systems;
- tax risk analysis by segmenting taxpayers according to the level of risk of non-fulfillment or incomplete fulfillment of tax obligations;
- tax report through the taxpayer's personal office;
- registration of taxpayers and their accounts;
- special system of registration of VAT payers;

- electronic invoices with the introduction of identification codes of goods and services, as well as a system of providing information about the tax deduction coefficient for VAT;
- system of registration and scanning of special control signs based on QR-codes;
- information system of online cash registers and online terminals;
- e-ijara (ijara.soliq.uz) electronic service designed to register real estate lease contracts;
- "e-asset" (E-warehouse, virtual warehouse) information system for accounting of fixed assets, intangible assets and material resources, analysis of the arrival and balance of goods, online accounting and tracking.

In addition to the great work done on the automation of tax control, the following should be noted:

- often the above mentioned products are introduced without full development and expert evaluation. For example, about 88,000 goods and services are registered in the CIS. In doing so, entrepreneurs discovered many errors - different codes for the same product, spelling mistakes, display of products in inappropriate categories. But the main thing is that the developers admitted that the number of goods may be more than 1 million units, and because of this, errors were detected in the formation of codes;
- systems have been implemented, but the effectiveness of their implementation has not always been effective. For example, in 2020, a marking system was introduced to legalize alcohol and tobacco products. The results of 2021 did not indicate growth and, accordingly, the legalization of these products;
- electronic products introduced in 2020-2021, but not tested among taxpayers, caused many complaints from taxpayers. This led developers to change the deadlines for the introduction of systems, to cancel or delay fines in case of non-compliance by taxpayers with the requirements of these systems, to carefully develop them, and to test them among taxpayers. The rush to introduce these systems affects their efficiency and the tax administration system as a whole.

Despite the existing advantages of using digital technologies, along with the emergence of new business models, certain difficulties appear in the process of tax administration.

One of the problems was the emergence of new objects of international taxation in the digital economy, which caused certain complications for the tax administration. With the introduction of digital technologies, tax systems in most countries have faced the challenge of having a significant presence of digital commerce without imposing a heavy tax burden on companies. In international taxation, this problem is primarily related to difficulties in managing VAT based on the "country of destination" principle, as it is impossible to reliably determine the address of the buyer of the service. Thus, for example, when using personal devices (phones, tablets, laptops, computers, etc.), it is difficult to determine the service consumer due to the mobility of users and business functions as a result of using telecommunication networks. This affects the speed of transaction, payment, etc.

In the context of the digitization of the economy, there is a problem of additional costs of doing business for taxpayers (taxpayers, insurance premium payers) and tax agents, as the costs of using new IT technologies increase (purchase of modern devices, Internet connection). In addition to the above, the introduction of new technologies requires training of employees, maintenance by contracting specialized organizations with appropriate licenses and specialists, which leads to additional costs. Another problem is the low level of use of modern technologies for entities located in regions that do not have constant access to communication, cannot enter into contracts

with Internet providers, as well as specialized authorized companies. In general, the development of information technologies, including free software in remote areas, free services, as well as "test projects" where any taxpayer in the tax field can practically test new IT systems and services, ensure efficiency.

The next important problem is that the introduction of new information technologies in the process of tax administration leads to the emergence of a new order of tax risks, which is one of the factors affecting the information security of taxpayers and the tax security of the state.

Conclusions and recommendations

Based on the above, the author made the following conclusions:

If the first stage of improvement of tax administration in the conditions of digital economy requires expenses such as provision of internet, training of employees and purchase of new devices, the next stage of digitalization of tax administration leads to cost reduction and prevention of tax crime;

The use of "blockchain" technology is a process that is not familiar to the main layer of the population (taxpayers). The application of this technology in the tax system may cause difficulties in the early stages of the process;

In the period of development of electronic payments, as a result of the adoption of the Strategy for the development of information and communication technologies and its goals in reducing corruption, the interaction and communication of the human factor will decrease, and it can be an important factor in the realization of the goals of the Strategy.

Based on the conclusions, the following proposals were formulated:

Based on the experience of foreign developed countries, the use of blockchains in the VAT payment process can also be effective. This system provides an opportunity to pay taxes online through the Internet, to recover overpaid VAT sums in a short period of time;

In order to increase the effectiveness of the Information and Communication Technologies Development Strategy, it is necessary to develop additional measures to improve the quality of the Internet in areas where remote Internet providers cannot offer quality services. Improving the quality of the Internet in remote areas, along with increasing the efficiency of digitalization of the tax system, will create an opportunity to speed up digitization in the banking-finance, utility payment system;

It is appropriate to use IT technologies in the system of returning taxes in accordance with the Tax Code and Presidential decrees (those whose children are studying on the basis of a payment contract, etc.). This allows for the reduction of bureaucracy.

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