THE IMPACT OF DIGITALIZING UZBEKISTAN'S TAX SYSTEM ON BUDGET REVENUES

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Abstract. This article presents a practical and analytical study of the results of numerous changes in the tax system, as well as the introduction of information and communication technologies, electronic tax services, online cash registers, electronic invoices, and automated monitoring systems, which have increased the efficiency of tax revenues. It highlights the role of tax system digitalization in reducing the shadow economy, strengthening tax discipline, and decreasing corruption cases related to the human factor. The research results substantiate that digitalizing the tax system serves to ensure the sustainable growth of budget revenues, increase the efficiency of tax collection, and enhance the transparency of fiscal policy. The study concludes with scientific and practical proposals for the further improvement of the digital tax system in Uzbekistan.

Keywords. Tax system, invoice, modernization, tax administration, shadow economy, database, cash registers.

INTRODUCTION

Today, the widespread implementation of digital technologies in the global economy holds a significant place across all areas of public administration, including the tax system. In particular, the modernization and digitalization of the tax system, one of the primary sources for generating state budget revenues, is becoming a priority for economic reforms. Tax administration organized around digital technologies is a key factor in increasing tax revenues, reducing the shadow economy, strengthening tax compliance, and ensuring the transparency of tax authorities' activities. In recent years, Uzbekistan has also been implementing large-scale measures to reform and digitalize its tax system. Specifically, the introduction of electronic tax services, electronic invoices, online cash registers, automated information systems, and remote tax audit mechanisms is serving to increase the efficiency of tax administration. As a result, conveniences are being created for taxpayers, and the processes of calculating and collecting taxes are being simplified.

In the context of the country's ongoing economic reforms, the role of a digitized tax system in ensuring state budget stability, expanding the tax base, and increasing budget revenues is steadily growing. At the same time, certain challenges—such as underdeveloped technological infrastructure, low digital literacy in some regions, and cybersecurity risks—necessitate scientific research in this field. The "Uzbekistan – 2030" Strategy also outlines specific strategies for the digitalization of the tax system. This will reduce the share of the shadow economy and accelerate data processing and analysis by expanding the database. The main purpose of this article is to analyze the impact of digitalizing tax administration on state budget revenues within Uzbekistan's tax system, identify existing problems, and develop scientific and practical recommendations for its further improvement.

Literature Review. The tax system of Uzbekistan has been undergoing radical reforms in recent years, with digitalization processes being implemented. Numerous local and international scholars, as well as financial institutions, have been advancing their perspectives on increasing budget revenues through the digitalization of the tax system. Furthermore, according to International Monetary Fund experts Manabu Nose and Andualem Mengistu, "The introduction of digital technologies into tax administration serves to increase tax revenues, strengthen tax discipline, and reduce instances of tax evasion." Therefore, in the current era of globalization, it is important to further support the digitalization of the tax system alongside the digitalization of every other sector.

Methodology. This study employed scientific methods of economic-statistical analysis, comparison, dynamic analysis, generalization, and logical analysis. The theoretical and methodological basis of the research was formed by the scientific works of foreign and local economists on the modernization of tax administration, the digital economy, and the effectiveness of fiscal management. In particular, research conducted by Manabu Nose and Andualem Mengistu scientifically substantiates that introducing digital technologies into tax administration increases the efficiency of tax collection, strengthens tax compliance, and reduces the size of the shadow economy. The study utilized statistical data related to the state budget revenues, tax receipts, and electronic tax services of the Republic of Uzbekistan. The data analysis examined the digitalization processes implemented in the tax system in recent years and their impact on budget revenues based on their interconnection.

Analysis and Results. Numerous reforms have been and continue to be implemented in tax administration. Specifically, Clause 69 of the 2020 State Program, titled "Improving Tax Administration through the Modernization of Information and Communication Technologies," outlined key tasks such as developing the State Tax Committee's strategy for advancing information and communication technologies, and implementing the "Risk Analysis" software product, "Business Intelligence" analytical models based on "Big Data" architecture, and the "Reliable Partner" project.

This includes modernizing the State Tax Committee's data processing center and telecommunications equipment, procuring servers and software, migrating the complex of information systems to a unified platform, improving the quality of electronic public services, and establishing systems for the rapid analysis of large volumes of data. As a result, **additional revenues to the state budget** are expected to increase **by up to 20 trillion soums.**

The document aims to resolve the following issues related to data exchange:

- the insufficient capacity of the existing database;
- server memory usage is at 90%;
- the need to increase corporate network speed due to a 3.8-fold increase in the number of electronic services and a 2.5-fold increase in information systems.
- high load on the database due to the integration of various information systems;
- the absence of a single, unified platform.

As a result of modernizing the data processing center:

- the speed of data processing and analysis will increase by up to 10 times;
- the level of data confidentiality in the database will increase by 100%, and the capabilities for protection from external threats and secure, reliable data storage will be enhanced;
- the database size will be increased to 1 Petabyte.

One of the main objectives of the strategy is to implement **Business Intelligence** and **Big Data** technologies. This will achieve the following:

- systems for processing large volumes of data and conducting rapid analysis will be expanded;
- the level of the shadow economy will be sharply reduced, and the tax base will be broadened;
- processing data generated through centralized systems will create opportunities to study market conditions, as well as analyze and forecast market prices for goods and services;
- 50-60 percent of employees will have the capability to engage in data processing and analysis.

As a result of the complete transfer of the tax authorities' complex of information systems to **a single platform:**

- data entry, collection, and analysis systems will be optimized;
- high loads on the database will be prevented;
- the reporting process for taxpayers will be simplified by a factor of 5 to 7;
- human intervention will be reduced by 60 percent;
- it will enable the creation of a completely new system of tax administration and control, as well as the application of preventive measures to eliminate corruption factors.

The implementation of the Strategy will reduce the total time spent on business processes by 20-30 percent**.** The Case Management System and Case Assessment System, as envisioned in the Strategy, will ensure a significant improvement of the tax system by automatically recording, monitoring, and utilizing data and analysis in the tax audit process. Implementing such modern technologies will reduce the human factor in using tax services by 60 percent. Consequently, not only will corruption be prevented, but paperwork and excessive time consumption will also be saved. Furthermore, the integration of information exchange systems between tax service bodies and other ministries and agencies will directly serve to obtain and analyze large volumes of information electronically, thereby expanding the tax base.

Recommendations and Conclusions. The digitalization of Uzbekistan's tax system is emerging as one of the most important institutional reforms in public finance management. In recent years, the introduction of digital mechanisms such as electronic invoices, online cash registers, electronic tax reporting, automated tax administration, and personal taxpayer accounts has significantly impacted the growth of budget revenues. As a result of digitalization, the transparency of tax revenues has increased, the share of the shadow economy has declined, and instances of corruption related to the human factor have been reduced. In particular, the use of electronic systems in VAT administration has made it possible to expand the tax base and monitor revenues in real-time. At the same time, the exchange of information within tax authorities has accelerated, enhancing the effectiveness of tax audits. To further advance this process, this article puts forward the following recommendations.

✓ It is essential to develop a stable digital infrastructure across all regions. Providing high-speed internet access to business entities, especially in remote areas, will support the full digital operation of the tax system;

✓ It is advisable to further improve simple and user-friendly mobile tax applications for small businesses and individual entrepreneurs. This will help them submit tax reports with ease and increase voluntary tax compliance;

✓ it is necessary to create a unified, integrated database between tax authorities and other state organizations. This system will enable the automatic comparison of banking, customs, cadastral, and statistical data;

✓ it is required to implement modern cybersecurity systems to strengthen information security and protect tax data. This is because data security is one of the most critical issues in the digitalization process.

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