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# Analysis of the activities of the Interregional Tax Inspectorate for Large Taxpayers in improving tax administration in Uzbekistan and solutions

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**ABSTRACT**

This article analyzes the priority areas of improving tax administration in the Republic of Uzbekistan, in particular, the issues of digitization of the tax system, implementation of international standards (OECD) and optimization of tax control. During the study, specific solutions were proposed to reduce the human factor in selecting candidates for tax audits, accelerate analytical processes using "Big Data" technologies, and expand the tax base in the field of e-commerce. It also covers mechanisms for reducing the administrative burden by introducing a tax monitoring system for large taxpayers and establishing cooperation with taxpayers based on mutual trust.

**Keywords:**

tax administration, digitization, OECD standards, Big Data, tax audit, tax monitoring, e-commerce, transfer pricing.

**Introduction.** In modern conditions, ensuring the economic security of the state and the stable formation of budget revenues directly depend on the efficiency of tax administration. As part of the large-scale economic reforms being implemented in Uzbekistan, modernization of the tax system, fair distribution of the tax burden and reduction of the share of the "hidden economy" remain one of the urgent tasks. Today, in world practice, tax administration is becoming not just a tax collection mechanism, but an intellectual system based on high technologies and data analysis. Uzbekistan, not lagging behind these global trends, also aims to bring its tax legislation into line with international standards, in particular, the requirements of the Organization for Economic Cooperation and Development (OECD). However, the rapid development of the digital economy, the increase in the volume of e-commerce and the complexity of financial transactions require updating the current tax control methods. In particular, there is a need to improve the information and resource base of tax

authorities, introduce analytical systems such as OLTP and OLAP, and expand the tax base through automatic monitoring of bank turnover. The purpose of this article is to identify existing problems in the tax administration of Uzbekistan and develop scientific and practical proposals for the application of innovative solutions to eliminate them.

**Literature review.**

Western economists "S. Fisher, R. Dornbush and R. Schmalenzi [1] argue that tax policy is not an independent concept. They approach the concept of tax policy through the concept of fiscal policy. Fiscal policy is the state's decision-making on its own revenues and expenditures." A.V. Aronov and V.A. Kashin [2] describe "the content of maximum tax policy as the main strategy of tax policy, that is, in their opinion, increasing the number of taxes, increasing tax rates, and reducing tax benefits can be considered strategic goals of tax policy." I.A. Mayburov [3] argues that "tax reform is a radical change in the tax system to adapt it to the new content of state tax policy."

N.M.Dementeva [4] emphasizes that tax policy is a reflection of the state's economic policy, that it has an independent significance and should be based on the scientific theory of taxes. "The results of the implemented tax policy largely determine what adjustments the state is obliged to make to its economic policy, how to build the tax system"

Karp M.V. [5] Tax policy is a component of the general financial policy of the state in the medium and long term, and includes such concepts as the concept of state activity in the tax sphere, the tax mechanism, and the management of the tax system.

According to O.Sitnikova, [6] "when entering a consolidated group of taxpayers, it is necessary to recognize or specifically revalue its assets, a procedure for transferring losses of the enterprise before entering the group should be developed, special attention should be paid to the international recognition of the financial and economic activities of the consolidated taxpayer as a subject of the same value".

Yu. Darkina [7], referring to the characteristics of large taxpayers, states that "large taxpayers are characterized by the following features: large cash flows, extensive document turnover, the use of integration of various structural divisions subject to taxation under the simplified system, and the presence of cooperation with various companies both domestically and abroad."

#### **Analysis and discussion of results.**

It is important to further improve the activities of the interregional tax inspection and tax administration for large taxpayers. In particular, it is of great importance to bring the activities of the interregional tax inspection and tax administration for large taxpayers to a new level, to improve the quality of tax services provided to large taxpayers. Therefore, we set ourselves a number of goals.

1. Set the following as the main goals by 2030:

(a) increase the share of revenues from large taxpayers to the State Budget in the volume of GDP to 10 percent;

(b) increase the level of compliance rates of large taxpayers with tax discipline to 95 percent;

(v) reduce the share of total tax debts in annual tax revenues by half, excluding miners of precious metals.

Transfer of Legal Entities to the Category of Large Taxpayers:

From July 1, 2026, the following shall be included in the category of large taxpayers:

(a) Regardless of the amount of taxes and other payments paid to the state budget:

- commercial banks, insurance organizations, commodity and raw material, stock and currency exchanges, tobacco product manufacturers, legal entities providing mobile communication services;

- Navoi Mining and Metallurgical Combine JSC, Almalyk Mining and Metallurgical Combine JSC, Uzbekistan Railways JSC, Uzbekistan Metallurgical Combine JSC, Uzbekistan Automobile Industry JSC and organizations under their jurisdiction;

- legal entities using the airspace of the Republic of Uzbekistan for the purpose of transporting passengers, carrying out international air communications and being part of them;

- foreign legal entities that provide services in electronic form, the place of sale of which is the Republic of Uzbekistan;

(v) organizations participating in the performance of work under a product distribution agreement, legal entities that extract, process, supply and sell hydrocarbon raw materials and mineral resources, and produce and supply electricity, as well as permanent establishments (divisions) of foreign legal entities in the Republic of Uzbekistan that supply them with goods (works and services), with the exception of gas stations for cars and charging stations for electric vehicles;

(b) legal entities newly established by legal entities included in the category of large taxpayers with a share in the authorized fund (authorized capital) of 20 percent or more and issuing mutual invoices, with the exception of non-governmental non-profit organizations and enterprises paying turnover tax;

(v) Legal entities whose taxes and other payments paid to the state budget are not less than two hundred and forty thousand times the base calculation amount and the number of

permanent employees is not less than one hundred, excluding cotton-textile clusters, textile manufacturing enterprises, enterprises engaged in the production and wholesale trade of alcoholic beverages, cement and building materials manufacturing enterprises, construction enterprises, and wholesale and retail trade enterprises.

In this case, these legal entities are determined based on the indicators in the information system of tax authorities at the end of the previous calendar year or for a consecutive twelve-month period, and the list of large taxpayers is amended by the Tax Committee of the Republic of Uzbekistan every two years according to this criterion;

(g) high-income individuals with assets of 100 billion soums or more.

The Tax Committee shall ensure that the list of large taxpayers is reformatted and posted on its official website by July 1, 2026, and that taxpayers are notified of changes to this list through the taxpayer's personal account within one business day.

Starting from 2027, large taxpayers are enterprises and commercial banks whose taxes and other payments paid to the State Budget for the last 12 months as of October 1 of each calendar year exceed five hundred thousand times the base calculation amount, and their list must be approved by a resolution of the President of the Republic of Uzbekistan.

Improving the activities of the Interregional Tax Inspectorate for Large Taxpayers

The Tax Committee shall, within two weeks, re-approve the organizational structure of the Inspectorate within the current staff units, taking into account:

(a) the establishment of departments for the administration of high-income individuals and international taxation, as well as transfer pricing monitoring and monitoring the activities of foreign enterprises providing services in electronic form;

(b) it will be necessary to increase the number of inspectors to increase tax collection and strengthen tax control.

The Inspectorate will need to review the performance indicators of the staff performance assessment within a month based on the

approved budget revenue forecast for the fiscal year and the collection of additional revenues, the preliminary identification (elimination) of tax risks, and the level of taxpayers' satisfaction with the Inspectorate's activities.

In addition, it is advisable to determine the following.

The Inspectorate will also carry out tax control of transfer prices;

The Tax Committee will provide the Inspectorate with the opportunity to independently use the information system in operations related to maintaining taxpayers' personal accounts within a month;

The Inspectorate will be granted the right to use the software tools used for taxpayers' internal accounting, financial and tax accounts (1 C, Uzasbo, etc.) during tax control activities without restrictions;

In accordance with the Inspectorate's appeal, regional tax departments will ensure the allocation of an additional specialist within three days to participate in tax control activities conducted at large taxpayers;

Reports on reserve funds of commercial banks, non-bank credit organizations and insurance organizations that are large taxpayers, formed in accordance with the requirements of the legislation, are reviewed by the Inspectorate and accepted for taxation purposes;

the number of specialists recruited from the Inspectorate by law enforcement agencies, as a rule, is currently prohibited from exceeding 5 percent of the total number of employees;

Starting from 2027, tax service employees of all levels who have international qualification levels and (or) certificates in accordance with the appendix to this resolution will be paid a bonus in the amount of 100 percent of their position salary in addition to their monthly salary.

These bonuses are paid at the expense of the Special Fund for the Development of Tax Authorities and Unforeseen Expenses of the Tax Committee;

The Inspectorate is authorized to collect state-owned dividends based on the taxpayers' income tax returns in the event that state-owned enterprises with a state share of 50 percent or more fail to pay dividends on the

state share within the deadlines established by law or if a decision is not made by the general meeting of shareholders;

The State Assets Management Agency, the Ministry of Economy and Finance, and the Tax Committee shall, within two months, develop a draft resolution on the procedure for calculating and collecting dividends (allocations) on the state share and submit it to the Cabinet of Ministers.

The Tax Committee, together with the Chamber of Auditors, the Chamber of Tax Consultants, and other industry organizations, as well as an expert from the International Monetary Fund, shall develop the following:

(a) a catalog of existing schemes for artificially reducing the tax base in practice, solutions for identifying industry-specific tax risks and eliminating them in advance;

(b) mandatory annual training programs of at least 40 hours in tax risk analysis, transfer pricing, international tax law and digital auditing, as well as case studies on tax violations;

(v) tools for algorithmic analysis of data in systems covering large volumes of data and business processes of the enterprise (SAP, 1C, etc.);

(g) joint programs for training and exchange of experience in cooperation with international organizations. In this regard, the Tax Committee shall ensure that the activities provided for in subparagraph "b" of this paragraph are updated quarterly.

***Issues of distribution of tax payments of enterprises under the administration of the Inspectorate between budget levels and regulation of the forecast of budget revenues.***

Starting from the 2027 fiscal year:

tax revenues received by the State Budget from large taxpayers shall be distributed between budget levels in the following amounts:

revenues from value added tax, profit tax and income tax from individuals shall be fully deposited in the republican budget;

land and property taxes, taxes for the use of water resources, taxes for the use of subsoil for non-ferrous construction materials and excise taxes on the sale of gasoline, diesel fuel and gas to final consumers shall be fully deposited in the

republican budget of the Republic of Karakalpakstan, local budgets of the regions and the city of Tashkent.

The over-fulfilled part of the value added tax, profit tax and personal income tax revenues of large taxpayers shall be transferred in full to the republican budget of the Republic of Karakalpakstan, local budgets of the regions and the city of Tashkent by the end of the month following the reporting quarter. In this case, when determining the over-fulfilled part of the value added tax and profit tax, the list of which is approved by the resolution of the President of the Republic of Uzbekistan, non-residents of the Republic of Uzbekistan operating through a permanent establishment in the Republic of Uzbekistan, as well as value added tax and profit tax withheld at the source of payment, are calculated;

In the event that the revenue forecast indicators of the republican budget of the Republic of Karakalpakstan, regional budgets and local budgets of the city of Tashkent are not fulfilled due to a decrease in tax revenues from large taxpayers, the Ministry of Economy and Finance shall compensate for the unfulfilled part of the forecast from the republican budget with a reduction;

the execution of budget revenues shall be assessed based on quarterly forecast indicators, in which case the Ministry of Economy and Finance shall:

develop monthly forecast indicators of budget revenues (except for quarterly forecasts) and cancel the practice of submitting them to tax and customs authorities;

by the tenth day of the month following the reporting quarter, detailed information on the execution of quarterly forecast indicators of budget revenues shall be submitted to the Administration;

the execution of monthly forecast indicators of budget revenues shall be carried out based on the distribution of State budget revenues;

the amount of allocations to the State budget from newly introduced non-tax revenues and mandatory payments shall be determined at least seventy percent.

In this case, the requirements of subparagraph "e" do not apply to payments collected by

organizations that are not financed from the state budget.

Re-approval of the forecast indicators of State budget revenues for 2026 with the introduction of relevant changes. In this case, the Council of Ministers of the Republic of Karakalpakstan, regional and Tashkent city khokimiyats will be required to re-approve the district (city) forecast indicators within three working days, taking into account these changes.

In order to further improve tax administration, it is necessary to pay attention to the following. Starting from July 1, 2026:

to cancel the procedure for accounting for and deducting from profit tax the value added tax paid when purchasing (importing) passenger cars, motorcycles, helicopters, boats, aircraft and fuel for them. At the same time, this procedure does not apply to enterprises whose main activity is the direct transportation of passengers and cargo;

Payments for tickets for air and railway, as well as for cultural and recreational parks, amusement and gaming facilities, children's playgrounds, museums, theaters, stadiums, concert and entertainment services will be made only through bank cards or electronic payment systems;

Starting from September 1, 2026, the mechanism of the electricity billing system will be used to collect payments (debts) for property and (or) land tax from individuals and legal entities.

Starting from April 1, 2026, the amount of the commission for services provided for the purchase and sale of real estate and vehicles through commercial banks (cash or non-cash deposit, transfer to the seller and cash payment to the seller or transfer to another account) will be determined as follows:

in an amount not exceeding 50 percent of the base calculation amount for real estate; for motor vehicles in an amount not exceeding 25 percent of the base calculation amount.

To the Tax Committee:

regardless of the tax regime, all taxpayers (except for large taxpayers) shall organize their administration in the respective district (city) tax inspectorates starting from the following dates:

from July 1, 2026, markets and shopping complexes, as well as trade, catering, service and agricultural enterprises;

from January 1, 2027, all other enterprises;

within one month, it is necessary to establish the activities of the department for forecasting budget revenues and maintaining personal accounts of taxpayers in the district (city) tax inspectorates.

The importance of digitalization in the current era has been proven to have a positive impact in all areas. In particular, its implementation in economic sectors has already been confirmed by the fact that it not only increases labor productivity, but also reduces the human factor. A number of economists have obtained positive results in their research on the impact of digitalization on the economic sector, in particular, its importance in tax audits. "Digitalization is the use of digital technologies to change business models and create new income and value, and provide opportunities - this is the process of transition to digital business"<sup>1</sup>.

"To understand how the world can be transformed by new technology, it is important to note that technology itself creates new virtues"<sup>2</sup>.

R. Holley<sup>3</sup>, Arsenie-Samoil<sup>4</sup> Supported by and FAR<sup>5</sup> In their 2015-2016 report, they concluded

<sup>1</sup> Gartner (2016). IT Glossary. Gartner. <http://www.gartner.com/itglossary/Digitalization>. Retrieved 2017-04-10

<sup>2</sup> Zuboff, S. (1988). In the age of the smart machine: the future of work and power. New York: Basic Books.

<sup>3</sup> Holley, R. (2004). Developing a digitisation framework for your organisation. The Electronic Library, 22(6), 518–522. <https://doi.org/10.1108/02640470410570820>

<sup>4</sup> Arsenie-Samoil, M. (2010). The Impact of Using New Information Technologies on Accounting Organizations.

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<sup>5</sup> FAR. (2015). Framtidens rådgivning, redovisning och revision – En resa mot år 2025. FAR. (2016). Nyckeln till framtiden. FAR. Retrieved from [https://www.far.se/globalassets/trycksaker-pdf/nyckeln-till-framtiden\\_uppslag.pdf](https://www.far.se/globalassets/trycksaker-pdf/nyckeln-till-framtiden_uppslag.pdf)

that “the digitization of organizations is an inevitable impact on the audit profession.”

“As the audit profession is currently undergoing a paradigm shift towards a more digital organization, changes in the profession are inevitable”<sup>6</sup>.

It should be noted that the development of technologies in the world today is forcing a rethink of all sectors. In particular, the requirements for submitting taxes in digital format or issuing invoices in electronic form not only increase the efficiency of the tax system, but also give impetus to economic growth. Introducing taxes into systems that taxpayers naturally use, for example, accounting programs, can make changes in the sector easy and invisible. One of the pressing issues today is to increase the capacity for successful digital transformation of tax administrations among developing countries and emerging markets and develop global solutions for it. Also, studying the creation of a mechanism for identifying, prioritizing, financing and implementing digital public goods for use by tax administrations, combining tax and information technologies, is becoming increasingly relevant today.

In his research on the digitization of tax authorities, F. Isaev states that “technology is actually expanding the capabilities of tax authorities on a large scale, allowing them to increase the efficiency of their work, improve services to taxpayers, and reduce the burden associated with their activities”<sup>7</sup> he expressed his opinion.

Indeed, tax administrations need to shift their focus from simply processing taxpayer data to improving compliance, policy and efficiency. Modern revenue strategies must operate on digital platforms to a large extent, as they are essential for the effective implementation of key policy objectives.

<sup>6</sup> Spraaakman, G., O’Grady, W., Askarany, D. & Akroyd, C. (2015). Employers’ Perceptions of Information Technology Competency Requirements for Management Accounting Graduates. *Accounting Education*, 24 (5), 403–422. <https://doi.org/10.1080/09639284.2015.1089177>

<sup>7</sup> Исаев Ф. Солик текширувларини ракамлаштириш зарурияти. “Бизнес-эксперт”, илмий журнали 6-сон, 52-54 бет, 2021 й.

<sup>8</sup> OECD (2018), “Tax and digitalisation”, OECD Going

Digitalization has a wide-ranging impact on taxation, influencing tax policy and tax administration domestically and internationally, offering new tools and raising new challenges<sup>8</sup>.

S. Gupta and others, among the scholars who have expressed their opinion on the need for digitalization of tax audits, state: “Digitalization will transform the activities of tax administrations, helping to improve the efficiency of the process and the provision of services. A striking example is the adoption of electronic invoices (e-invoicing), which allows for the automatic transfer of accounting data between firms and the tax authority”<sup>9</sup>.

A. Barreix and R. Zambrano: “Based on the potential to increase tax compliance and reduce costs, more than 50 countries around the world, including ten countries in Latin America and the Caribbean, have introduced electronic invoicing”<sup>10</sup>.

### **Suggestions.**

In the direction of increasing the potential of personnel, the following are proposed:

Systematization of business processes in tax authorities and identification, assessment and reduction of operational risks in them. In this regard, the introduction of a system for identifying and assessing risks in business processes of tax authorities in accordance with international risk management standards (for example, ISO 22301 and 31000).

In order to encourage specialists with international certificates in the Tax Committee, the Tax Inspectorate for Large Taxpayers and regional tax departments, introduce a procedure for reimbursing the costs of these certificates and providing them with additional bonuses every month.

To identify corruption risks in tax authorities, prevent them and prevent such situations in the future, inventory the current procedures,

Digital Policy Note, OECD, Paris, [www.oecd.org/going-digital/topics/tax](http://www.oecd.org/going-digital/topics/tax)

<sup>9</sup> Sanjeev Gupta, Michael Keen, Alpa Shah, and Genevieve Verdier “Digital Revolutions in Public Finance” Chapter 2. “Digitalization and Taxation”. © 2017 International Monetary Fund. 26-27.

<sup>10</sup> Barreix, Alberto D. and Raul Zambrano. eds. 2018. *Electronic Invoicing in Latin America*. Inter-American Development Bank. doi: <http://dx.doi.org/10.18235/0001038>

develop the internal procedure of the Tax Committee and reorganize the work on this basis.

It should be noted that on the road ahead, new difficulties will undoubtedly arise. But it also offers many opportunities to strengthen cooperation and partnerships between different sectors.

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