



DIGITAL TRANSFORMATION OF TAX ADMINISTRATION AND ITS IMPACT ON ECONOMIC TRANSPARENCY: EVIDENCE FROM UZBEKISTAN

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Abstract

This study investigates the theoretical and practical aspects of digital transformation in tax administration in Uzbekistan and evaluates its impact on economic transparency and fiscal sustainability. The research systematically analyzes the implementation of international tax standards, including OECD frameworks and BEPS initiatives, as well as the application of digital tools such as electronic invoicing, big data analytics, and risk-based tax monitoring systems. The findings indicate that digital transformation significantly enhances tax compliance, reduces the shadow economy, and improves administrative efficiency. However, persistent challenges remain in the areas of e-commerce taxation, transfer pricing regulation, and digital inequality across regions. The study provides scientifically grounded policy recommendations aimed at strengthening digital tax governance and ensuring sustainable economic development.

Keywords: Tax administration, digitalization, economic transparency, BEPS, OECD, Uzbekistan.

Introduction

The digital transformation of public administration represents one of the most significant institutional shifts in modern economic systems. In particular, tax administration has evolved from a traditionally bureaucratic system into a technologically driven mechanism aimed at ensuring transparency, efficiency, and accountability. In contemporary economic conditions, tax systems perform not only fiscal functions but also serve as instruments for regulating economic processes and promoting sustainable development [1].

In Uzbekistan, large-scale reforms have been implemented to modernize the tax system and integrate it into the global financial architecture. These reforms are closely linked to the strategic priorities outlined in the “Uzbekistan – 2030” development program, which emphasizes digitalization, reduction of the shadow economy, and enhancement of institutional efficiency [2].

Furthermore, the rapid expansion of digital trade and cross-border economic activities has necessitated the adaptation of national tax systems to international standards, particularly those developed by the OECD within the BEPS framework [3]. In this context, digital transformation serves as a key driver for improving tax compliance and administrative performance.

Despite the progress achieved, the transformation process remains complex and requires further scientific analysis. Therefore, this study aims to examine the impact of digitalization on tax administration in Uzbekistan and identify key areas for improvement.

2. LITERATURE REVIEW

Theoretical and empirical studies on digital tax administration highlight the growing importance of integrating advanced technologies into fiscal systems. According to OECD research, the “Tax Administration 3.0” model represents a paradigm shift toward real-time, data-driven tax governance, enabling seamless interaction between taxpayers and authorities [4].

IMF studies confirm that digitalization reduces compliance costs and enhances revenue collection efficiency by minimizing human intervention and increasing automation [5]. Similarly, World Bank reports emphasize that digital platforms significantly improve service delivery and institutional transparency [6].

In the context of transition economies, Vahobov and Jo‘rayev argue that structural and institutional reforms, combined with digitalization, are critical for improving

tax system effectiveness [7]. Gulyamov highlights that digital technologies play a transformative role in shaping modern economic governance and innovation-driven development [8].

However, existing literature lacks sufficient empirical analysis of Uzbekistan's experience in digital tax reform, which underscores the relevance of this research.

3. METHODOLOGY

This study employs a comprehensive methodological framework combining both qualitative and quantitative approaches.

The following research methods were applied:

- comparative analysis of international tax standards and national legislation
- institutional analysis of tax administration reforms
- statistical analysis of tax performance indicators
- analytical assessment of digital technologies

The empirical base of the study consists of official data from the State Tax Committee of Uzbekistan, as well as reports from international organizations and academic sources [2; 6]. The methodological approach ensures the reliability and validity of the research findings.

4. RESULTS

The findings of the study demonstrate that digital transformation has significantly improved the performance of Uzbekistan's tax administration system.

Firstly, the implementation of electronic invoicing systems has increased transparency in economic transactions. Real-time data processing enables tax authorities to monitor financial flows and detect irregularities, thereby reducing tax evasion [4].

Secondly, the introduction of risk-based monitoring systems has enhanced the efficiency of tax control. The application of big data analytics allows for the identification of high-risk taxpayers and optimizes resource allocation [5].

Thirdly, digital platforms have improved taxpayer services by simplifying procedures such as filing tax returns and making payments. This has reduced administrative burdens and increased voluntary compliance [6].

Fourthly, integration into international frameworks such as the Common Reporting Standard (CRS) has strengthened cross-border financial transparency and reduced opportunities for tax avoidance [3].

5. DISCUSSION

Despite the positive outcomes, several structural and institutional challenges remain.

One of the key issues is the taxation of digital commerce. Existing tax regulations are not fully adapted to the rapidly evolving digital economy, particularly in relation to cross-border transactions [9].

Another challenge is the limited implementation of transfer pricing regulations. Full alignment with BEPS standards is necessary to prevent profit shifting and ensure fair taxation [3].

Moreover, disparities in digital infrastructure across regions hinder equal access to tax services and reduce the overall effectiveness of digital reforms [6].

Cybersecurity risks also represent a significant concern, as increased reliance on digital systems exposes tax administration to potential data breaches and cyber threats [10].

6. CONCLUSION AND POLICY IMPLICATIONS

The study concludes that digitalization has significantly improved tax administration in Uzbekistan by increasing transparency, efficiency, and compliance.

However, further reforms are necessary to address existing challenges.

The following recommendations are proposed:

- expand the use of artificial intelligence and big data in tax administration
- fully implement BEPS action plans
- develop legal frameworks for e-commerce taxation
- improve digital infrastructure across all regions
- strengthen cybersecurity systems

These measures will contribute to building a modern, transparent, and internationally competitive tax system.

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