

## **ANTI-CORRUPTION MEASURES IN THE TAX SYSTEM**

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### **Abstract:**

This thesis outlines the causes of corruption in the tax system, the challenges of its elimination, and objective solutions to the issue. It highlights key measures such as digitization, increasing accountability, ensuring independent oversight, and adopting best practices from countries with low corruption levels to reduce corruption in the tax system effectively.

**Keywords:** anti – corruption, tax system, economy, taxation.

**Relevance of the Topic:** Corruption has existed since the concept of money was created, and thus, corruption in the tax system has been present since the advent of taxation. The relevance of the topic in Uzbekistan's tax system lies in its significant impact on the country's socio-economic development, the efficiency of public institutions, and the level of trust citizens have in government. Key aspects underlining its importance include:

1. **Economic Consequences:** Corruption in the tax system leads to losses in the state budget due to tax evasion, underreporting of tax obligations, and bribery. This limits the government's ability to finance social programs, infrastructure, and other key sectors.

2. **Threats to the Investment Climate:** Lack of transparency in the tax system discourages both foreign and domestic investors who face unpredictable and opaque tax requirements.

3. **Low Trust in Institutions:** Corruption undermines public and business trust in government bodies, increasing social dissatisfaction and creating a sense of injustice in society.

4. **Social Inequality:** Large taxpayers may evade taxes or pay less than required, placing a heavier tax burden on small businesses and citizens, thereby exacerbating social inequality.

**Problem Statement:** Implementing anti-corruption measures in Uzbekistan's tax system faces numerous challenges, which can be categorized into institutional, economic, legal, and social aspects:

### **1. Institutional Problems:**

- **Lack of Transparency:** Opaque tax processes contribute to corruption, including tax collection, benefits, and refunds.

- **Insufficient Automation:** Manual handling of tax processes creates opportunities for manipulation and abuse.
- **Poor Coordination:** Tax authorities, law enforcement, and anti-corruption agencies often work unsystematically.

## **2. Economic Problems:**

- **Shadow Economy:** A significant portion of Uzbekistan's economy remains unregistered, complicating efforts to combat tax evasion.
- **Complex Tax System:** Numerous taxes and complicated procedures increase administrative costs and encourage tax evasion.

## **3. Legal Problems:**

- **Weak Legal Framework:** Anti-corruption regulations are often insufficiently specific and effective.
- **Inadequate Enforcement Mechanisms:** Lack of stringent oversight of tax law compliance fosters corruption.

## **4. Social Problems:**

- **Low Legal Awareness:** Many taxpayers are unaware of their rights and obligations, leading to corrupt dealings with tax authorities.
- **Human Resource Challenges:** Low salaries for tax officials and inadequate qualifications contribute to corruption.

Uzbekistan has already taken steps in this direction, such as creating the Anti-Corruption Agency. On January 12, 2022, a presidential decree introduced a system for evaluating the effectiveness of anti-corruption activities based on 29 specific indicators through the electronic platform "E-antikor.uz" (Official Government Website of Uzbekistan).

As a result, the State Tax Committee's anti-corruption efforts were rated "good," scoring 81 out of 100 points. This indicates reduced corruption prevalence due to preventive mechanisms implemented within the organization.

These measures promote greater transparency and efficiency in Uzbekistan's tax system, enhancing public and business trust in government institutions. However, significant progress requires a comprehensive approach involving reforms in economic, legal, and social spheres.

### **Proposed Solutions:**

#### **1. Digitization of Processes:**

- Widespread adoption of information technology, including automated tax administration and electronic declaration systems.

#### **2. Simplification of Tax Legislation:**

- Reducing the number of taxes and simplifying payment procedures.

#### **3. Increased Transparency:**

- Publishing tax authority reports and ensuring transparency in tax benefits and refunds.

#### **4. Strengthening Enforcement:**

- Stricter penalties for corruption in the tax system and establishing independent verification mechanisms.

#### **5. Training and Capacity Building:**

- Regular training programs and a motivation system for tax authority staff.

### **Conclusion:**

Effective anti-corruption measures in Uzbekistan's tax system require comprehensive reforms, including the digitization of tax processes, enhanced transparency in tax audits, increased accountability of public officials and citizens, and the introduction of independent control and reporting systems. These steps will ensure fair taxation, stimulate economic growth, and strengthen trust in government institutions.