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Digital Fiscal Reforms and Improved Public Administration: An Example of Modernizing the Tax System in Uzbekistan

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Abstract: The article examines digital fiscal reforms in Uzbekistan as an important direction in the modernization of the tax system and the improvement of public administration. Particular attention is paid to the transition from a traditional model of tax administration, based mainly on post-audit control, to a digital model focused on data-driven management, preventive analytics, risk-based control, and voluntary compliance with tax obligations.

The study considers the introduction of electronic invoices, online cash registers, digital product labeling, electronic consignment notes, the Unified Electronic Classification Platform for Goods and Services, Big Data analytics systems, and electronic tax services. It is substantiated that these instruments contribute to increasing the transparency of the tax base, reducing information asymmetry, limiting the shadow turnover, decreasing the administrative burden, and minimizing corruption risks.

Keywords: Digital fiscal reforms, tax administration, digitalization, public administration, tax system, electronic invoices, risk-based control, tax discipline.

Introduction: In the context of the accelerated digital transformation of public administration, the tax systems of developing countries are increasingly moving from a traditional model of administrative control to a model based on data, risk-oriented analysis, interagency integration, and electronic interaction with taxpayers. This process is particularly important for countries with transforming economies, where increasing the transparency of tax administration, reducing the shadow turnover, and lowering business transaction costs are essential conditions for strengthening fiscal sustainability and improving the quality of public governance.

In recent years, Uzbekistan has been implementing large-scale digital fiscal reforms aimed at modernizing tax administration, automating tax procedures, and expanding electronic public services. The institutional basis for these transformations includes the Decree of the President of the Republic of Uzbekistan No. UP–5837 of September 26, 2019, "On Measures for Further Improvement of the Tax Policy of the Republic of Uzbekistan" [1], the Decree of the President of the Republic of Uzbekistan No. UP–158 of September 11, 2023, "On the Uzbekistan–2030 Strategy" [2], as well as subsequent regulatory legal acts aimed at improving the activities of tax authorities and introducing modern approaches to tax administration.

Within the framework of these reforms, the national tax system has introduced electronic invoices, online cash registers, digital product labeling, electronic consignment notes, an integrated platform for product and service identification codes, Big Data analysis systems, automated tax risk assessment, and digital mechanisms for encouraging taxpayers. These instruments have significantly changed the nature of interaction between the state and business: tax control has become more preventive, analytical, and based on data generated almost in real time.

From a scientific perspective, the digitalization of tax administration represents not only a technological renewal of tax procedures, but also an institutional transformation of the public administration system. It helps reduce information asymmetry between tax authorities, businesses, and other participants in economic relations, increases the reliability of tax and financial information, limits opportunities for tax evasion and corrupt practices, and creates conditions for voluntary compliance with tax obligations. In this context, digital fiscal reforms can be considered a mechanism for increasing the efficiency of public governance and strengthening trust between the state and taxpayers.

This issue is especially relevant for Uzbekistan, where the digitalization of the tax system is accompanied by broader public administration reforms, the development of e-government, the improvement of interagency data exchange, and the transition toward a service-oriented model of interaction with business. As a result, tax authorities are gradually moving away from the “control — sanctions” model and shifting toward the “preventive analytics — transparency — voluntary compliance” model. Such a transformation makes it possible not only to increase tax collection, but also to reduce the administrative burden on compliant taxpayers.

Despite the growing interest in digital tax administration, existing studies on Uzbekistan mainly focus on specific aspects of tax policy, the reduction of administrative barriers, the expansion of the tax base, and the improvement of tax control efficiency. At the same time, the institutional consequences of digital fiscal reforms remain insufficiently studied, including their impact on the quality of public administration, the transparency of economic processes, taxpayer trust, and the state’s ability to create a more stable and predictable tax environment. This research gap determines the need for a more comprehensive analysis of tax system digitalization as a factor in the modernization of public governance.

The purpose of this article is to examine digital fiscal reforms in Uzbekistan as an instrument for improving public administration and modernizing the tax system. To achieve this purpose, the article considers the institutional prerequisites for the digitalization of tax administration, the main directions of introducing digital tax instruments, their impact on the transparency of tax relations, the reduction of information asymmetry, the strengthening of tax discipline, and the formation of a new model of interaction between the state and taxpayers.

METHODOLOGY

The study is based on a combination of qualitative and quantitative methods of analysis. As the qualitative foundation of the research, the methods of institutional analysis, comparative analysis, the systems approach, and the analysis of regulatory legal documents were applied. This made it possible to identify the main stages of tax administration digitalization in Uzbekistan, reveal the institutional prerequisites for the reforms, and determine their impact on the transformation of the tax governance model. Particular attention is paid to the transition from the traditional “control — sanctions” model to the modern model of “preventive analytics — transparency — voluntary compliance,” which has already been reflected in the conceptual part of the study.

To assess the results of tax administration digitalization, the article applies an indicator-based approach. This approach makes it possible to group the outcomes of digital fiscal reforms into several analytical blocks: fiscal performance, administrative efficiency, transparency of the tax base, reduction of the shadow turnover, development of digital services, and strengthening of risk-oriented control. Such an approach allows the study not only to describe the reforms, but also to evaluate their practical impact on the tax system and public administration.

Literature Review

In recent years, issues related to the digitalization of the tax system, improvement of tax administration, and enhancement of public administration efficiency have received considerable attention in academic research in Uzbekistan. This is due to the fact that, after 2018–2019, the country’s tax system entered a new stage of institutional modernization associated with the introduction of electronic invoices, online cash registers, digital labeling, risk-oriented control, electronic tax services, and interagency data exchange. Several main directions of research on this issue can be identified in the national academic literature.

The first direction is related to the study of the general foundations of tax administration reform in the Republic of Uzbekistan. In particular, S. Kh. Khaydarov examines the main directions of tax administration in Uzbekistan in the context of the Concept for Improving Tax Policy, focusing on the reform of the taxation system, the reduction of the tax burden, and the improvement of interaction between tax authorities and taxpayers [4].

The second direction is represented by studies devoted to the digital economy and its impact on tax administration. G. B. Bababekova analyzes the role of the digital economy in the further improvement of tax administration and emphasizes the importance of digital technologies for the effective organization of the tax system [5]. Sh. Zh. Borotov studies the main directions for improving Uzbekistan's tax system in the context of the digital economy, linking the improvement of tax service quality with the professional development of tax authority employees and the introduction of digital technologies [6].

The third direction is connected with the study of digital technologies as a factor in increasing the efficiency of tax administration. U. A. Berdieva emphasizes that innovative digital technologies in Uzbekistan's tax system serve as a means of strengthening tax control, combating the shadow economy, and reducing budget losses caused by tax evasion [7]. This approach is particularly important for the present study, as it demonstrates the relationship between digital instruments, the reduction of the shadow turnover, and the strengthening of the state's fiscal sustainability.

Despite the existence of a significant number of studies devoted to tax policy, the digital economy, and the improvement of tax administration in Uzbekistan, the relationship between digital fiscal reforms and the quality of public administration has not been sufficiently explored in the national academic literature. Existing studies mainly consider digitalization as an instrument for automating tax procedures and strengthening tax control. At the same time, its institutional significance — as a mechanism for increasing transparency, reducing information asymmetry, strengthening taxpayer trust, and transitioning to a service-oriented model of public administration — requires deeper scientific analysis.

RESULTS

As a result of the digitalization of the tax system, Uzbekistan has achieved several measurable outcomes in the tax sphere. These outcomes can be classified into fiscal, administrative, control-related, and institutional indicators.

1. Growth of tax revenues.

One of the main results of digitalization and the improvement of tax administration has been the increase in state budget revenues. In 2024, budget revenues amounted to 274.4 trillion soums instead of the projected 270.4 trillion soums. This means that revenues exceeded the forecast by 4.0 trillion soums, or by 1.5%. Compared with 2023, revenues increased by 18.4%. In the first quarter of 2025, revenues amounted to 63.9 trillion soums against the planned 45.5 trillion soums, exceeding the plan by 2.7 trillion soums.

2. Expansion of the digital infrastructure of tax administration.

In 2024, the number of software products used by tax authorities to improve administration and restrain the shadow economy was increased to 74. In addition, electronic information exchange was established with 60 ministries and organizations, while the number of integration areas reached 238. This indicates that tax administration has become more interagency-based, automated, and data-driven.

3. Legalization of turnover and reduction of the shadow economy.

Digitalization has made it possible to bring a significant part of economic activity in certain sectors out of the shadow economy. For example, due to the integration of taxi aggregators with the databases of tax authorities, by January 1, 2025, the number of such aggregators reached 155, while more than 497.9 thousand citizens legalized their activities as self-employed persons. In 2024, 319.1 million receipts amounting to 5.9 trillion soums were issued through aggregators, and the amount of taxes paid reached 156.8 billion soums, including 66.2 billion soums of VAT.

4. Development of digital product labeling.

In 2024, 3.5 thousand entities were registered in the digital labeling system, adding more than 100 thousand types of products to the digital labeling catalog. As a result, about 8.2 billion labeled goods were produced. This indicator is important because digital labeling increases the transparency of commodity turnover, reduces the risk of illegal product sales, and strengthens control over the tax base.

5. Improvement of tax control based on data analysis.

Through the analysis of tax reporting and the elimination of discrepancies, an additional 486.3 billion soums of taxes were assessed in 2024, of which 418.7 billion soums were collected. This shows that digital instruments enable tax authorities not only to record violations, but also to identify tax gaps, errors, and inconsistencies in reporting more accurately.

6. Transition to risk-oriented control.

An important achievement has been the introduction of an information and analytical risk assessment system for electronic invoices. The system automatically analyzes each electronic invoice at the stage of its creation and assigns it a risk level — high or low. At the same time, the assessment is carried out in real time and without human involvement. According to the Tax Committee, no more than 10% of electronic invoices issued across the republic may be classified as high-risk.

7. Reduction of the human factor and administrative burden.

Digitalization has made it possible to gradually move from the traditional model of tax control to a model of automatic monitoring, electronic interaction, and preventive analysis. In the materials of the study, this is formulated as a transition from the "control → sanctions" model to the "preventive analytics → transparency → voluntary compliance" model. This approach reduces corruption risks, decreases the number of direct contacts between taxpayers and inspectors, and increases business confidence in the tax system.

CONCLUSION AND RECOMMENDATIONS

The conducted research shows that digital fiscal reforms in Uzbekistan have become one of the key directions in the modernization of the tax system and the improvement of public administration. In recent years, tax administration in the country has gradually been transforming from a traditional model based mainly on inspections, paper reporting, and post-factum control into a digital model based on data, automation, risk-oriented analysis, and electronic interaction with taxpayers.

The introduction of electronic invoices, online cash registers, digital product labeling, electronic consignment notes, the IKPU platform, automated Big Data analysis systems, and electronic tax services has made it possible to significantly increase the transparency of the tax base, reduce information asymmetry between the state and business, limit opportunities for tax evasion, and strengthen tax discipline. These areas of digitalization were identified in the initial materials of the article as the basis for the transition to the model of "preventive analytics — transparency — voluntary compliance."

Based on the conducted research, the following recommendations can be formulated:

1. Develop an integral index of tax administration digitalization.

For a more objective assessment of the results of digital fiscal reforms, it is advisable to develop a special index of tax administration digitalization. This index may include such indicators as the number of electronic invoices, the share of transactions conducted through online cash registers, the coverage of taxpayers by digital services, the number of interagency integrations, the share of automatically generated reporting, the number of digital receipts, the level of use of the taxpayer's personal account, and the degree of automation of risk analysis.

2. Strengthen risk-oriented tax control based on Big Data.

It is necessary to continue developing analytical systems that make it possible to identify tax risks not only after violations have occurred, but also at early stages. For this purpose, it is important to expand the use of artificial intelligence, machine learning, and automatic data matching based on electronic invoices, online cash registers, banking transactions, customs information, and digital product labeling systems.

3. Improve the quality of interagency data exchange.

The digitalization of the tax system will be more effective if stable integration is ensured between tax authorities, customs authorities, banks, statistical agencies, the cadastre, the Ministry of Economy and Finance, business registration authorities, and other government institutions. This will make it possible to reduce the number of repeatedly requested documents, accelerate tax procedures, and improve the accuracy of tax liability formation.

4. Expand the automatic generation of tax reporting.

The positive experience of automating certain tax procedures should be extended to a wider range of taxes and taxpayer categories. In the long term, it is advisable to develop a model in which tax reporting is generated mainly on the basis of already available digital data, while the taxpayer only checks and confirms the accuracy of the information.

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