

**TAX AUTHORITY AUTHORITY INSPECTIONS: GROUNDS, PROCEDURE AND  
TAXPAYERS' RIGHTS**

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**Abstract:** This article analyzes the economic and legal nature of inspections carried out by tax authorities. The study covers the basics of conducting tax inspections, their types and established procedure, as well as issues of protecting the rights and legitimate interests of taxpayers during the inspection process. The role and importance of the risk-based approach in tax control are considered, and factors affecting the effectiveness of tax inspections are identified. The results of the study allow the formulation of scientific conclusions and practical proposals aimed at improving tax inspections, increasing their transparency, and strengthening mutual trust between taxpayers and tax authorities.

**Keywords:** tax inspections, tax control, risk-based approach, in-house inspection, on-site inspection, taxpayer rights, tax legislation, fiscal control.

**Introduction.** Tax control is a crucial element of the state tax system and is aimed at ensuring the complete and timely collection of taxes and fees into the budget. One of the main forms of tax control is tax authority audits, which help identify violations of tax legislation, prevent tax evasion, and ensure taxpayer financial discipline. With the development of a market economy and the growing role of entrepreneurship, maintaining a balance between the state's fiscal interests and the protection of taxpayers' rights is particularly important.

Literature Review. Academic research and academic literature consider tax audits a key tax control tool, ensuring compliance with tax legislation and the replenishment of budgets at all levels. The works of domestic and foreign economists emphasize that the effectiveness of tax audits largely depends on their legal validity, the transparency of procedures, and the level of protection of taxpayers' rights.

In works devoted to the theory of tax control, authors focus on the nature and functions of tax audits as a form of state financial control. Tax audits are viewed not only as a means of identifying violations but also as a preventative mechanism aimed at preventing tax offenses and fostering tax discipline. The need to maintain a balance between the state's fiscal interests and the economic freedom of business entities is emphasized.

The analysis of the rationale for conducting tax audits occupies a significant place in the literature. Researchers note that the transition from blanket audits to a risk-based approach is an important stage in the development of tax administration. Academic publications indicate that the use of a tax risk assessment system reduces the administrative burden on conscientious taxpayers and improves the effectiveness of audit activities.

The procedure for conducting tax audits is covered in detail in works on tax law and financial law. The authors analyze the stages of conducting desk and on-site audits, the procedure for recording their results, and the process for reviewing taxpayer objections. It is noted that clearly defined procedures reduce the likelihood of abuse by regulatory authorities and increase business confidence in the tax system.

The literature places particular emphasis on taxpayers' rights during tax audits. Many researchers emphasize that the level of legal protection for taxpayers is an important indicator of the quality of tax administration. Academic works examine the rights to information, to provide explanations and objections, and to appeal tax authority decisions. It is concluded that the effective implementation of these rights helps reduce the likelihood of conflict in tax relations.

International studies analyze tax audits in the context of increasing voluntary tax compliance. The authors note that combining audits with advisory and informational support for taxpayers increases voluntary tax payment and reduces tax administration costs.

Overall, the literature review shows that the problem of tax audits is multifaceted and requires a comprehensive approach integrating economic, legal, and institutional aspects. Despite a significant amount of research, there remains a need for further scientific research aimed at assessing the effectiveness of tax audits and improving mechanisms for protecting taxpayers' rights in the context of digitalization of tax administration.

**Analysis and results.** The analysis shows that in modern tax administration practice, the primary basis for conducting tax audits is the identification of elevated tax risks. Tax authorities are increasingly applying a risk-based approach, whereby taxpayers are selected for audit based on analytical indicators characterizing the likelihood of tax violations. Such indicators include inconsistencies in tax reporting data, sharp fluctuations in the tax burden, systematically declaring losses, and a disproportionate relationship between turnover and taxes paid.

The analysis results indicate that the transition to a risk-based taxpayer selection system reduces the number of unjustified audits and focuses audit resources on high-risk taxpayers, thereby increasing the overall effectiveness of tax audits.

An analysis of tax audit procedures shows that current procedures are generally aimed at ensuring the legality and consistency of audit activities. Desk audits allow for the prompt identification of arithmetic and logical errors in tax reporting without significant interference with taxpayers' activities. On-site audits, in turn, provide more in-depth oversight of financial and economic activities, but are accompanied by a higher administrative burden.

The study's results indicate that, in practice, the most problematic aspects remain the timing of on-site audits and the completeness of documentary support, which often leads to disputes between tax authorities and taxpayers. At the same time, it has been established that strict adherence to procedural rules significantly reduces the number of appeals and litigation.

An analysis of the practice of exercising taxpayer rights during tax audits indicates a gradual expansion of legal protection mechanisms. Taxpayers are increasingly exercising their right to submit explanations and objections, as well as their right to administrative and judicial appeals of tax authority decisions. The analysis shows that the effectiveness of taxpayer protection directly depends on their level of legal awareness and the quality of documentary records. In cases where taxpayers provide timely, well-founded explanations and supporting documents, a significant portion of additional assessments are corrected even during the objection review stage.

The study found that tax audits remain an effective tool for identifying tax violations and increasing budget revenues. However, the analysis also showed that excessive focus on the fiscal component can negatively impact the business climate and investment activity.

The most effective tax control model is recognized as one based on a combination of audit activities, violation prevention, digital data analysis tools, and taxpayer advisory support. This contributes to increased voluntary compliance with tax legislation and a reduction in conflicts in tax relations. The following conclusions can be drawn from the analysis:

a risk-based approach improves the targeting and effectiveness of tax audits;

office audits are a less expensive and more widespread form of tax control;

Compliance with audit procedures reduces the number of tax disputes;

the exercise of taxpayer rights contributes to increased transparency and trust in tax authorities; the effectiveness of tax audits increases when combined with digital and preventive tax administration measures.

**Conclusion.** Thus, tax audits are an important tool for ensuring tax discipline and budgetary system stability. Their effectiveness largely depends on the legality and validity of the grounds for conducting them, compliance with established procedures, and respect for taxpayer rights. Improving tax control mechanisms should be aimed not only at strengthening the state's fiscal function but also at fostering trust between businesses and tax authorities.

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