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WAYS TO IMPROVE THE TAX AUDIT SYSTEM: INSTITUTIONAL AND ANALYTICAL PERSPECTIVES FROM UZBEKISTAN

Turayev Alijon Akmal ugli

Acting associate professor of the department
of "Investment and Innovations", PhD
alijon.turayev@mail.ru
Abdujalilova Marvarid Bobomurod kizi
Student of Samarkand Institute of Economics and Service

Abstract. This study examines the current state of the tax audit system and identifies key directions for its improvement in the context of modern tax administration reforms. The research analyzes the institutional, legal, and analytical aspects of tax audits based on the current tax legislation and administrative practices of Uzbekistan. Particular attention is given to the role of risk-based audit approaches, digital technologies, and data integration in improving the efficiency of tax control.

Keywords: tax audit, tax administration, tax compliance, risk-based auditing, digitalization, fiscal policy, Uzbekistan.

Annotatsiya. Mazkur tadqiqot soliq auditi tizimining hozirgi holatini tahlil qilish hamda uni takomillashtirishning asosiy yo'nalishlarini aniqlashga bag'ishlangan. Tadqiqotda O'zbekistonning amaldagi soliq qonunchiligi va soliq ma'murchiligi amaliyoti asosida soliq auditining institutsional, huquqiy va tahliliy jihatlari o'rganilgan. Shuningdek, soliq nazorati samaradorligini oshirishda riskka asoslangan audit yondashuvlari, raqamli texnologiyalar va ma'lumotlar integratsiyasining ahamiyati tahlil qilingan.

Kalit so'zlar: soliq auditi, soliq ma'murchiligi, soliq intizomi, riskka asoslangan audit, raqamlashtirish, fiskal siyosat, O'zbekiston.

Аннотация. В данном исследовании анализируется современное состояние системы налогового аудита и определяются основные направления ее совершенствования в условиях реформ налогового администрирования. В работе рассматриваются институциональные, правовые и аналитические аспекты налоговых проверок на основе действующего налогового законодательства и практики налогового администрирования Узбекистана. Особое внимание уделяется роли риск-ориентированного подхода, цифровых технологий и интеграции данных в повышении эффективности налогового контроля.

Ключевые слова: налоговый аудит, налоговое администрирование, налоговая дисциплина, риск-ориентированный аудит, цифровизация, фискальная политика, Узбекистан.

INTRODUCTION

In modern fiscal systems, the effectiveness of tax administration largely determines the stability of public finances and the sustainability of economic development. Among the various mechanisms used to ensure tax compliance, the tax audit system plays a particularly important role because it serves as a practical instrument through which tax authorities verify the accuracy of tax reporting and detect potential violations of tax legislation. A well-organized tax audit system not only increases budget revenues but also contributes to the formation of a transparent and fair economic environment where all taxpayers operate under equal conditions.

In the context of globalization and increasing economic complexity, the traditional approaches to tax control are gradually losing their effectiveness. Economic activities have become more digitalized, financial transactions are increasingly automated, and cross-border economic relations are expanding. Under such circumstances, tax administrations must adapt their audit mechanisms to new economic realities. Many countries are therefore shifting from traditional audit models based mainly on manual inspections toward modern risk-based systems supported by digital technologies and data analytics. In the Republic of Uzbekistan, tax administration reforms have intensified in recent years as part of broader economic liberalization policies. The adoption of the updated Tax Code and the implementation of institutional reforms within the tax authorities have significantly transformed the system of tax control. The modern tax audit framework is aimed at improving transparency, strengthening analytical methods of tax risk identification, and reducing excessive administrative pressure on businesses.

Despite these reforms, several structural problems remain within the tax audit system. These include insufficient integration of advanced analytical tools in audit planning, limited automation of tax risk assessment processes, and the persistence of bureaucratic procedures that may reduce the overall efficiency of tax control. Moreover, rapid digitalization of economic activities creates new challenges for tax authorities, requiring them to constantly modernize their audit methods. Therefore, improving the tax audit system remains one of the key priorities of tax administration reforms in Uzbekistan. The effectiveness of tax audits depends not only on the regulatory framework but also on the quality of institutional management, the use of modern information technologies, and the development of professional competencies among tax officials. This study aims to analyze the current state of the tax audit system in Uzbekistan and to identify strategic directions for its further improvement in accordance with modern international practices.

METHODOLOGY

The research methodology is based on a combination of theoretical analysis and institutional evaluation of the tax audit system. The study primarily relies on qualitative research methods, which allow for a comprehensive examination of the legal, organizational, and analytical aspects of tax audit practices in Uzbekistan.

The legal framework of the research is formed by the current Tax Code of the Republic of Uzbekistan, as well as relevant legislative acts regulating tax administration and tax control procedures. These legal documents provide the institutional basis for understanding the structure, objectives, and operational mechanisms of tax audits. Particular attention is given to the provisions regulating the classification of tax audits, the rights and responsibilities of taxpayers and tax authorities, and the procedural standards governing audit implementation.

In addition to the analysis of legislative sources, the study also relies on academic literature related to tax administration, public finance, and fiscal governance. The works of national and international researchers provide theoretical foundations for understanding the role of tax audits in ensuring tax compliance and improving fiscal discipline. Through this approach, the study integrates both theoretical insights and practical policy considerations.

The methodological framework also includes institutional analysis, which focuses on evaluating the organizational structure and functional responsibilities of tax authorities responsible for conducting audits. This analysis allows for identifying institutional strengths and weaknesses within the existing tax audit system.

RESULTS

The analysis of the current tax audit system in Uzbekistan demonstrates that significant progress has been achieved in modernizing tax control mechanisms. The introduction of a risk-based audit approach represents one of the most important institutional innovations in recent tax administration reforms.

Under the risk-based system, tax authorities evaluate taxpayers using a set of analytical indicators that reflect the probability of tax violations. These indicators may include discrepancies in financial reporting, unusual patterns of tax payments, inconsistencies between declared income and economic activity, and other analytical signals detected through information systems. Based on this evaluation, taxpayers are categorized according to their risk level, which determines the likelihood of being selected for an audit. This approach allows tax authorities to allocate their administrative resources more efficiently by focusing audit activities on taxpayers who present the highest risk of non-compliance. As a result, unnecessary inspections of low-risk taxpayers are reduced, which helps improve the business environment and decrease administrative pressure on compliant enterprises.

Another important element of the tax audit system is the differentiation of audit types. The legislation provides for several forms of tax control, including desk audits, on-site inspections, and comprehensive audits. Desk audits are conducted through the analysis of tax declarations and supporting documentation submitted by taxpayers. These audits are generally less intrusive and allow tax authorities to verify compliance without direct physical inspection. On-site audits, in contrast, involve direct examination of accounting records and business activities at the taxpayer's premises. Such audits are typically conducted when preliminary analysis reveals potential inconsistencies or significant tax risks. Comprehensive audits represent the most extensive form of tax inspection and involve a detailed examination of financial and accounting documentation over a specified reporting period.

The legal regulation of audit procedures also includes clear time limitations designed to prevent excessive interference in business activities. These procedural safeguards are intended to maintain a balance between effective tax control and the protection of taxpayer rights. However, the results of the analysis also reveal several limitations within the current tax audit system. One of the main challenges is the insufficient integration of advanced analytical technologies in audit planning and risk assessment. Although digital information systems are increasingly used in tax administration, their analytical potential has not yet been fully realized.

Another limitation relates to the fragmentation of information sources used in tax risk analysis. Effective risk assessment requires access to comprehensive data, including information from financial institutions, customs authorities, and other government agencies. In practice, the integration of such databases is still developing, which may limit the accuracy of tax risk evaluation. Additionally, the effectiveness of tax audits largely depends on the professional competence of tax inspectors. The rapid evolution of economic transactions, especially in the digital economy, requires tax officials to possess advanced analytical and technological skills. Continuous professional training and capacity building therefore remain essential components of tax administration reforms.

DISCUSSION

The improvement of the tax audit system requires a multidimensional approach that addresses both institutional and technological aspects of tax administration. One of the most promising directions for reform is the deeper integration of digital technologies into audit planning and risk management processes.

The use of big data analytics and artificial intelligence tools can significantly improve the ability of tax authorities to detect irregularities in taxpayer behavior. Automated analytical systems are capable of processing large volumes of financial information and identifying hidden patterns that may indicate potential tax violations. Such technologies can enhance the precision of risk assessments and reduce the reliance on manual inspections. Another important reform direction involves strengthening transparency and accountability within the tax audit process. Transparent audit procedures contribute to building trust between taxpayers and tax authorities. When taxpayers clearly understand the criteria used for selecting audits and the procedures followed during inspections, the likelihood of disputes and conflicts decreases.

The development of cooperative compliance programs can also play an important role in improving tax administration. Under such programs, tax authorities focus not only on enforcement but also on collaboration with taxpayers. Through advisory support, early risk notifications, and voluntary disclosure mechanisms, taxpayers are encouraged to correct mistakes before formal enforcement measures are applied. Institutional strengthening of tax authorities is equally important. The effectiveness of tax audits depends largely on the professional capacity of tax inspectors. Training programs focused on digital auditing techniques, financial analysis, and international tax standards can significantly improve the quality of tax control activities.

Furthermore, improving interagency cooperation represents a crucial element of effective tax administration. Access to integrated data from banking systems, customs services, and other regulatory bodies allows tax authorities to conduct more accurate and comprehensive risk analysis. Such integration helps identify hidden economic activities and improves the overall transparency of economic transactions. The modernization of the tax audit system must therefore be viewed not as a single reform initiative but as a continuous process of institutional development and technological adaptation.

CONCLUSION

The tax audit system represents one of the most important instruments of tax administration and plays a crucial role in ensuring compliance with tax legislation. In Uzbekistan, recent reforms have significantly improved the regulatory and institutional framework governing tax control. The introduction of risk-based audit mechanisms, the differentiation of audit procedures, and the establishment of legal safeguards for taxpayers demonstrate the government's commitment to modernizing tax administration.

Nevertheless, further improvements are necessary to enhance the efficiency and effectiveness of the tax audit system. Expanding the use of advanced digital technologies, strengthening institutional capacity, and improving transparency in audit procedures are key factors that can significantly increase the quality of tax control.

At the same time, promoting voluntary tax compliance through cooperative relationships between taxpayers and tax authorities can reduce administrative costs and improve the overall stability of the fiscal system. By implementing these reforms, Uzbekistan can create a more efficient and modern tax audit system capable of responding to the challenges of a rapidly evolving economic environment.

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