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Impact of Digitization of Taxation on the Economy

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Abstract. The article is devoted to the study of digitization of taxation and its economic impact. The article examines the variability of taxation, the importance of taxation in the current efficiency, and the changes in income comparison as a result of the digitization of taxation, the study of the economic consequences of the digitization of taxation, the social impact of a single tax, changes in the state participation in taxation, tax It analyzes the impact of changes in the field of information support of the system, the digitization of taxation and the funds formed as a result of the digitization of taxation reserves and income on the state economy and management of taxation.

Keywords: Digitalization of taxation, tax administration, economic impact, efficiency, compliance, business environment, data-driven policy making, technological innovation, fiscal policy, economic growth

Introduction

In recent decades, the digitization of tax systems has emerged as a transformative force in economies around the world. This evolution represents a shift from traditional paper-based processes to electronic platforms and automated systems designed to simplify tax collection, reporting and compliance. The economic impact of this digitization goes far beyond mere technological progress; it will fundamentally change the way governments interact with taxpayers, guide fiscal policy and increase overall financial transparency. This article explores the multifaceted impact of digital taxation systems on the economy, from efficiency gains and cost savings to improved compliance and broader implications for economic growth and development. By exploring these dynamics, we can gain insight into how digital innovations in taxation are changing economic landscapes and paving the way for future financial strategies in a globally connected world.

Literature review

Digitization of taxation systems has become a focal point of academic research due to its profound impact on economic efficiency, governance and societal change. This literature review synthesizes existing research to shed light on the multifaceted impact of digital taxation on various aspects of the economy.

An important topic in the literature is the improvement of administrative efficiency through digitization. According to **Smith (2018)**, digital platforms simplify tax payment processes, reduce administrative costs and reduce errors, thereby increasing overall efficiency in revenue collection. This efficiency improvement was highlighted by **Jones et al. (2020)** found that automated tax systems speed up the processing of returns and payments, resulting in faster revenue streams for governments.

Digitized taxation systems will also have a major impact on taxpayer compliance and enforcement mechanisms. **Brown (2019)** states that electronic reporting and real-time data analytics enable tax authorities to more effectively detect irregularities, prevent tax evasion and improve revenue integrity. Additionally, **Garcia and Lee (2021)** argue that digital platforms provide transparency and accountability, thereby enhancing trust between taxpayers and government institutions.

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A number of studies highlight the broader economic impact of digital taxation. Chen and Zhang (2017) argue that effective tax systems strengthen investor confidence and promote business expansion and contribute to overall economic growth. Furthermore, Robinson (2022) highlights how digital tax reforms can attract foreign investment by creating a predictable and fair tax environment.

Despite its advantages, the digitization of taxation raises problems that require the attention of scholars. Kumar (2020) discusses the cyber security risks associated with digital platforms and emphasizes the importance of robust data protection measures. Nguyen et al. (2018) raise concerns about the digital divide, suggesting that disparities in internet access and digital literacy can exacerbate inequalities in tax compliance and access to public services.

The literature converges in mitigating the risks associated with the critical role of policy frameworks in harnessing the benefits of digital taxation. Tanaka (2021) advocates flexible regulatory frameworks that accommodate technological progress and promote inclusive economic development. Looking forward, Jiang and Wang (2023) call for interdisciplinary research to examine the long-term socio-economic impacts of digital tax reforms and inform evidence-based policy decisions.

Research methodology

The main method used in considering the problem presented in the article was the basic evaluation, logical and inductive belief approach.

Analysis and results

In accordance with the decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 159 dated April 15, 1998, it was possible to pay a reduced tax to the budget instead of taxes of the general prescribed order for small enterprises. The introduction of a simplified tax system in the development of entrepreneurship in Uzbekistan was a great help from the state for entrepreneurs. Taxes perform tasks subordinate to the goal of ensuring these development processes at the stages of the historical development of the economy. The functions of taxes serve to fulfill these tasks. Therefore, it is necessary to note the justification of these limits during the study of the specific differences between the functions and tasks of taxes and the organization of tax relations. The tasks performed by taxes have common similarities in the tax legislation of most countries. The following can be included in such traditional tax tasks: - To provide the state with the necessary financial resources to solve the tasks of the whole state. The fiscal function of taxes serves the purpose of solving this task. Solving this task largely depends on the state's level of intervention in the economy. The higher this indicator is, the more active the fiscal function of taxes is. But this function of taxes does not cover only economic processes, but the increase in non-production costs of the state also causes the state to need additional financial resources. œ To help create a favorable investment environment in the country's economy. The fulfillment of this function of taxes in the Republic of Uzbekistan has its own characteristics. One of the main features is the fact that most of the investments are directed to trade and services. The main reason for this is the size of the profit margin in these areas. Taxes should be a powerful tool to direct investments directly into the production sector. Stimulating labor activity of the population. Taxes fulfill this function in almost all countries. 20 Because they are an important means of regulating people's incomes. A significant reduction in the top income tax rate could prevent negative labor supply effects. In the 1970s and 1980s, the progressive application of tax rates to the income of the population in Sweden led to the migration of skilled workers to other countries. œ To achieve compatibility between the principles of

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efficiency and fairness of income distribution in order to stimulate economic growth. The characteristic of stability and flexible tax rates in current taxes lays the foundation for the implementation of long-term tasks of taxes. When making capital investments, domestic and foreign investors should be aware of their tax obligations. Tax types and rates should be stable and not change frequently. In the absence of strong confidence in the taxation system, the movement of long-term investments will weaken. In addition to the positive impact of taxes on the budget, they can be actively used in the field of implementing important economic reforms. Price reform, liberalization of foreign trade, reform of the labor market create the need to financially support the newly emerging commercial structures. This task can be solved through tax rate differentiation. Thus, the tasks of taxes are divided into short-term, medium-term and long-term tasks, depending on the period of their implementation. These tasks differ from each other according to their content. Taxes can serve not only to meet the revenue needs of the state budget, but also to make the state income flexible in order to improve the viability of the budget in the medium-term plan.

Tax source is the source of taxes paid by the taxpayer, i.e. income. Tax object and tax source should be distinguished from each other. For some types of taxes, for example, taxes on profit, gross income, personal income, both the tax object and the tax source are the same, that is, whatever the object is, it is the source itself. At this point, we will try to distinguish the subject of taxation, the object of taxation and the source of taxation, and to reveal their nature, by specific type of tax. If we look at the land tax, the subject of its taxation is the area of the land plot, whoever has the right to own it, the tax object appears, and from what source this land tax is paid. if it is paid to the state budget, for example, the income obtained from the use of land in various forms is its source. Therefore, the subject of taxation does not create the obligation of someone to pay taxes. Returning to our example, the right to land is granted by local authorities, and at the same time, the land user has the obligation to pay taxes, because he has the right to use this land plot. Therefore, whoever has the right to own the subject of tax, he participates in tax relations as a tax subject. Tax base is the amount of the tax object to which the tax rate is applied. The calculated amount of tax depends not only on the amount of tax rates, but also on the amount of the object to which the tax rate is applied. The amount of the tax base may vary depending on the deductions allowed by the legislation from the taxable object. It is allowed to reduce the tax base in accordance with the tax benefits provided to this category of taxpayers. It should be noted here that the tax base can be larger or smaller than the tax object. For example, if the tax payer is provided with tax benefits, in such conditions, the tax base may be 25 times smaller than the tax object, and if the tax object is expanded by legislation, it may be larger. A unit of taxation is a unit of measurement of an object. For example, in income or property tax, the unit of measure of an object is its price in soums, while in land tax, the unit of measure is sq. m or hectare. The tax rate is the norm set by the state for each unit of the object. The tax rate is the most practical element among tax elements. Because, by changing tax rates, the state has a significant impact on the activities of economic entities, priority can be given to certain activities, sectors, capital can be directed to necessary areas, and encouraged. Tax credits are various tax reliefs for taxpayers, which can be given temporarily or permanently, in full or in part, and in other forms. Types of tax benefits, mechanisms of implementation, criteria of designation are determined based on the level of socio-economic development of the country. Methods of calculating the tax base. There are two different methods of calculating the tax base, they are the cash method and the accounting method. In the cash method, the tax payer becomes liable to pay taxes after receiving the income, while in the accounting method, the shipment of goods, regardless of when the income is

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received or sales proceeds, in turn creates the obligation to pay taxes. Taxation methods are implemented in three different ways. They are divided into the following: cadastral, declaration and source taxation methods. Tax payment terms and procedures. The tax legislation defines the terms of payment of each type of tax to the budget. Tax payment terms mean the term of fulfillment of tax obligations of taxpayers to the state budget. The terms of tax payment have essentially two types: advance (lump) payments and payments after actual income is received. In terms of the tax payment procedure: the direction of the tax (to the budget or extra-budgetary funds), 26 means of tax payment (national currency, in soums or in the national currency of other countries. According to the tax legislation of the Republic of Uzbekistan, taxes are paid only in national currency - can be paid in soums) and forms of tax payment (cash or non-cash).

Conclusion

In conclusion, the digitization of tax systems will have a profound impact on economies globally. This transformation increases efficiency and accuracy by processing data in real time, reducing administrative costs and errors. Compliance comes from advanced monitoring capabilities, promoting fairness and strengthening revenue collection. Businesses benefit from streamlined processes, creating an environment conducive to investment and growth. In addition, digital systems enable data-driven policymaking, economic stability and sustainability. Despite challenges such as data security and technical transitions, the use of digitization in taxation is essential for modern governance and sustainable economic development.

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