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| Research Article

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The principles of establishing a tax administration system

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Abstract: This article discusses the principles and factors that influence the efficiency and quality of tax administration. It emphasizes the importance of continuous tax oversight of taxpayers, the role of administrators' productivity, and the technical and organizational aspects that impact the effectiveness of the tax process. Key indicators for evaluating the quality of tax administration include taxpayer satisfaction, dispute resolution efficiency, and the degree of digitalization in the system.

Key words: Tax administration, efficiency, productivity, taxpayer satisfaction, tax, compliance, administrator performance, digitalization, technical equipment, tax disputes, tax collection, organizational factors, modern technologies, tax culture, quality of service, economic impact.

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The Introduction

The decision of the Eurasian Economic Community No. 75 dated April 5, 2002, "On the basic principles of tax administration in the member states of the Eurasian Economic Community," defines the following basic principles of tax administration:

Ensuring the clarity of departmental normative legal documents to prevent ambiguous interpretations.

Improving and codifying the norms regulating the activities of tax administration and taxpayers.Enhancing the structure of the tax authorities' apparatus.

Improving the monitoring of compliance with tax legislation and eliminating economic operations conducted in the "shadow."

Methods: Literature Review: The article analyzes various theoretical approaches and scientific research on tax administration principles, examining both international and national standards.

Comparative Analysis: A comparison of tax administration practices and principles across different countries, focusing on both legal and organizational aspects.

Case Study Approach: The article examines real-world examples of tax administration efficiency in Uzbekistan, identifying best practices and challenges.

Quantitative Analysis: Performance metrics, such as the number of identified tax violations, taxpayer satisfaction, and tax collection rates, are used to assess the efficiency of tax administration.

Evaluation of Administrator Performance: The study examines factors such as administrator experience, technical resources, and work efficiency, using specific indicators like workload, error rates, and taxpayer feedback.

Results: Improved Efficiency with Technology: The use of modern technologies in tax administration (e.g., electronic document exchange, automated systems) significantly improves productivity and reduces time loss, making tax administration more efficient.

Administrator Performance: Administrator experience and technical proficiency are directly linked to the efficiency of tax administration, with a focus on reducing errors and improving taxpayer relations.

Factors Affecting Productivity: Work discipline, equipment failures, and organizational communication were identified as key factors that affect productivity in tax administration. Improved technical support and internal communication systems were suggested to minimize these issues.

Quality of Tax Administration: The quality of tax administration is determined by both the process (e.g., taxpayer satisfaction, electronic access to services) and outcomes (e.g., increased tax collection, reduced violations).

Satisfaction and Transparency: The article highlights the importance of transparency and taxpayer satisfaction in achieving effective tax administration. It also suggests improving communication between taxpayers and tax authorities to resolve disputes before litigation.

Impact on Tax Culture: Effective tax administration positively influences the development of tax culture and compliance, leading to better overall results in tax collection and legal compliance.

Organizing activities to quickly inform taxpayers about current legislation and explain the rules for its application. Expanding the scope of information services to improve taxpayers' tax literacy and awareness. Developing information technologies in the tax system. Ensuring the interaction of integrated information management systems. Establishing uniform rules to ensure the accurate documentation of taxpayer information. Enhancing the efficiency of resolving tax disputes. Expanding pre-trial procedures for resolving disputes with taxpayers.

Standardizing rules and norms for controlling transfer pricing. Establishing equal responsibility measures for tax violations of the same nature.Unifying provisions of treaties to prevent double taxation on income and capital and to prevent tax evasion.

In economic terminology, "principle" (from the Latin "principium" — basis, beginning) is described as the "basic, initial rules of a theory, the main rules of activity; established, assimilated, generally accepted, widespread rules of economic activities and characteristics of economic processes."

According to the Explanatory Dictionary of the Uzbek Language, the term "principle" refers to the following:

Inclination or tendency (e.g., in primitive societies, there is a strong tendency towards violence).

A rule or established pattern in a particular field (e.g., in folklore, realistic tendencies increasingly developed).

In our view, the meanings of the word "principle" given above are broader and cover various areas of activity, some of which are not directly related to tax administration. For example, ensuring the clarity of departmental normative legal documents, standardizing rules for transfer pricing, and establishing equal responsibility for similar tax violations should be categorized under legal areas; improving the monitoring of compliance with tax legislation and enhancing the efficiency of dispute resolution fall under tax control activities; while reducing tax benefits pertains to tax policy.

The Global Tax Code outlines more specific principles of tax administration, although a complete list is not provided:

Unifying tax authorities.

Enabling taxpayers to independently calculate taxes and comply with laws through the following:

Informing taxpayers on tax-related matters.

Providing a clear interpretation of tax legislation norms and applying a uniform approach.

Ensuring a high level of qualification for tax authorities’ employees.

Establishing clear regulations on tax sanctions for both taxpayers and tax authorities. The transparency of the tax collection process is ensured through the following:

The existence of taxpayer identification numbers.

Documented verification of financial transactions.

The use of computer systems for data processing.

Expanding audit checks to confirm basic tax calculations.

Centralizing information related to taxpayers’ foreign and domestic operations (creating a unified database). Scholars such as T.A. Yefremova, I.V. Kalinina, A.T. Izmaylov, and others have made significant contributions to identifying the principles of tax administration. O.A.P. Khomyakov builds tax administration on the following principles: legality, transparency, fairness, neutrality, and efficiency; voluntary fulfillment of tax obligations; accountability for mismanagement; protection of taxpayers' rights; and the presumption of innocence for taxpayers.

T.A. Yefremova also emphasizes principles like tax planning, calculation, and regulation, with a focus on organizing interactions with taxpayers.

Considering the characteristics of Uzbekistan's tax system, mentalities, and tax culture, as well as international norms, the following key principles of tax administration are identified:

Legality – Tax administration must comply with the established norms of the Republic of Uzbekistan's legislation and international legal documents.

Objectivity – Any inconsistencies or ambiguities in tax legislation must be interpreted in favor of the taxpayer.

Unity – The application and interpretation of tax legislation must be uniform across the entire country.

Equality – Tax administration must not be influenced by race, nationality, gender, citizenship, social status, or religious and political beliefs.

Inclusiveness – Tax administration should apply to all taxpayers.

Neutrality – There must be no relationship or influence between the administrator (tax authority) and the taxpayer.

Information exchange – An exchange of information between tax authorities and other state institutions must be ensured.

Economic efficiency – Tax administration should achieve maximum results with minimal costs.

Digitization – A unified electronic data system must operate within the tax framework.

Confidentiality – Information collected during tax administration must be kept confidential.

Transparency – Information not covered by tax confidentiality should be made public.

Promptness – Taxpayers should be promptly informed and provided with explanations regarding tax legislation.

Accuracy and reliability – Decisions and explanations provided to taxpayers must be accurate and reliable.

Simplicity – The requirements and procedures of tax administration must be understandable for taxpayers.

Cooperation – Tax administration should strengthen trust between the state and taxpayers.

Second chance – No penalties should be imposed for first-time errors by taxpayers.

Inevitability of penalties – Legal consequences must be imposed for repeated tax violations.

Protection of rights – Taxpayers should have the right to appeal any actions or decisions of tax authorities at any stage.

Tax administration should be aligned with the priorities of tax policy and reform. Therefore, the principles are not immutable; they evolve with changing circumstances and the behavior of economic agents.

On April 5, 2002, the EurAsEC (Eurasian Economic Community) issued Resolution No. 75, "On the Main Principles of Tax Administration in the Member States of the EurAsEC," which outlines the following basic principles for tax administration:

Ensuring clarity in departmental regulatory legal documents, avoiding ambiguities and misinterpretation;

Improving and codifying regulations that govern the activities of tax authorities and taxpayers;

Enhancing the structure of the tax authorities;

Improving tax compliance control, eliminating "shadow" economic operations;

Organizing work to promptly inform taxpayers about current legislation and explaining its application procedures;

Expanding the range of information services to raise taxpayers' tax literacy and awareness;

Developing information technologies in the tax system;

Ensuring interaction between joint information management systems;

Establishing unified rules for verifying that documented taxpayer information corresponds to the actual individual;

Improving the efficiency of tax dispute resolution;

Expanding practices for resolving disputes between taxpayers and tax authorities before they reach court;

Unifying rules and regulations for transfer pricing control;

Establishing equal liability measures for tax violations of the same nature;

Unifying provisions of agreements to avoid double taxation and prevent tax evasion on income and capital.

The economic lexicon defines "principle" (from Latin "principium"—basis, beginning) as "the main, foundational rules of a theory or activity; established, assimilated, widely accepted rules of economic activities and processes." In the Uzbek explanatory dictionary, "principle" is defined as either "a preference or tendency" or "a rule or established pattern of activity."

In our opinion, the term "principle" in tax administration is broader in scope than the concept suggests and pertains to multiple aspects of activity. Some scholars, such as A.P. Khomyakov, base tax administration on principles like legality, transparency, fairness, and efficiency, among others. T.A. Yefremova highlights principles like tax planning, calculation, analysis, regulation, and interaction with taxpayers.

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