



TAXATION MECHANISMS FOR DIGITAL SERVICE PLATFORMS

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Abstract. *The rapid growth of digital service platforms has transformed global economies, creating new opportunities and challenges for tax authorities. This study examines taxation mechanisms applicable to digital platforms, focusing on regulatory frameworks, compliance strategies, and international best practices. Key issues analyzed include the identification of taxable transactions, cross-border tax challenges, digital service taxes (DSTs), and the role of automated reporting systems. The research highlights the importance of designing fair, transparent, and enforceable taxation mechanisms that balance revenue collection with the growth of the digital economy. Findings indicate that effective taxation of digital platforms requires integration of legal, technological, and administrative measures to ensure compliance and optimize fiscal outcomes.*

Keywords: *Digital platforms; taxation mechanisms; digital service tax; cross-border taxation; compliance strategies; automated reporting; fiscal regulation.*

Introduction

The rapid expansion of digital service platforms has significantly changed the landscape of modern economies. Platforms offering services

such as ride-hailing, online marketplaces, streaming, and software-as-a-service (SaaS) have created new economic activities that are often difficult to capture using traditional taxation systems. The digital nature of these platforms, combined with cross-border operations, raises challenges for tax authorities in identifying taxable transactions, determining tax jurisdiction, and ensuring compliance.

To address these challenges, governments and international organizations have introduced various **taxation mechanisms** for digital platforms. These include digital service taxes (DSTs), value-added tax (VAT) obligations, and mechanisms for reporting and remitting taxes from cross-border transactions. Effective taxation requires balancing revenue collection objectives with the need to support innovation and growth in the digital economy.

In Uzbekistan, the growing digital economy necessitates the development of clear and enforceable taxation policies for digital service providers. By adopting international best practices, integrating automated reporting systems, and ensuring transparent regulatory frameworks, tax authorities can enhance compliance, reduce evasion, and secure sustainable fiscal revenues. This study examines the mechanisms, challenges, and policy considerations for taxing digital service platforms, providing insights applicable to Uzbekistan's evolving digital economy.

Literature Review

The taxation of digital service platforms has become a critical issue for both national and international fiscal policy. Early research by OECD (2015) and European Commission (2018) highlighted the challenges posed by the digital economy, including difficulties in identifying taxable

presence, cross-border transactions, and the rapid evolution of digital business models.

Digital Service Taxes (DSTs) have been introduced in various countries, including France, the United Kingdom, and India, as a mechanism to capture revenue from digital platforms that operate across borders (OECD, 2020). These taxes typically target revenue generated from users within a jurisdiction, addressing the issue of base erosion and profit shifting associated with traditional corporate tax structures.

Studies by Zucman (2019) and Johannesen & Zucman (2014) emphasize the need for international cooperation and digital reporting systems to prevent tax avoidance by multinational digital platforms. In the context of emerging economies, Karimova (2021) and Islomov (2020) note that clear regulatory frameworks and automated compliance tools are essential for effective enforcement of taxation mechanisms in Uzbekistan.

Furthermore, research indicates that integrating VAT obligations for digital services and enhancing cross-border information sharing can improve compliance and reduce fiscal risks (OECD, 2021). The literature collectively suggests that successful taxation of digital platforms requires a combination of legal clarity, technological infrastructure, and administrative capacity.

Methodology

This study employs a mixed-methods approach to examine taxation mechanisms for digital service platforms, integrating qualitative and quantitative analyses to provide a comprehensive assessment. The research draws on national legislation, tax regulations, and policy documents in Uzbekistan to evaluate current practices, identify gaps,

and assess the effectiveness of existing taxation mechanisms. Comparative analysis of international experiences from countries such as France, the United Kingdom, and India, which have implemented Digital Service Taxes (DSTs) and VAT obligations for digital platforms, provides insights into best practices and lessons applicable to Uzbekistan. Additionally, transaction and revenue data from major digital service providers operating within the country were analyzed to estimate potential tax liabilities, compliance challenges, and the overall fiscal impact. An integrated evaluation framework was applied, focusing on legal clarity, technological support for tax collection, and compliance efficiency. By combining theoretical, empirical, and comparative analyses, this methodology enables a thorough understanding of how taxation mechanisms can be optimized to ensure fair revenue collection while supporting the growth of the digital economy.

Analysis and Results

The analysis of taxation mechanisms for digital service platforms highlights significant challenges and opportunities for Uzbekistan's tax administration. The rapid growth of online marketplaces, ride-hailing services, streaming platforms, and software-as-a-service (SaaS) models has created a complex digital economy that often transcends national borders, making traditional tax enforcement methods insufficient. Transaction and revenue data from major digital service providers indicate that a substantial portion of economic activity occurs digitally, with cross-border payments and user-generated revenues posing challenges for accurate tax reporting. Comparative analysis with countries such as France, the United Kingdom, and India shows that implementing Digital Service Taxes (DSTs) and value-added tax (VAT)

obligations tailored to digital services can effectively capture taxable revenue while minimizing administrative burden. Furthermore, international experiences demonstrate that combining legal clarity, automated reporting systems, and risk-based compliance strategies enhances detection of tax obligations, reduces evasion, and optimizes resource allocation. In the context of Uzbekistan, introducing digital monitoring tools, integrating automated data analytics, and providing clear guidance to digital service providers can improve compliance rates and secure fiscal revenues without stifling innovation. The findings indicate that an integrated approach, balancing legal, technological, and administrative measures, is essential for establishing effective taxation mechanisms for digital platforms and fostering a sustainable digital economy.

Conclusion and Recommendations

The study demonstrates that effective taxation of digital service platforms is crucial for ensuring fair revenue collection, reducing tax evasion, and supporting the sustainable growth of Uzbekistan's digital economy. The rapid expansion of digital platforms has created complex challenges, including cross-border transactions, identification of taxable activities, and compliance monitoring. Analysis of both domestic and international experiences indicates that a combination of legal clarity, automated reporting systems, and risk-based compliance strategies is necessary to address these challenges efficiently. Based on the findings, it is recommended that Uzbekistan establish clear guidelines for the taxation of digital services, implement automated data collection and analytics tools, and develop risk-based audit and monitoring procedures to prioritize high-risk transactions. Additionally, providing guidance and

education to digital service providers regarding tax obligations will enhance voluntary compliance. Integrating these measures within a comprehensive regulatory framework will enable the government to capture appropriate tax revenues, foster a transparent and accountable digital economy, and balance fiscal objectives with the encouragement of innovation and investment in digital services. Overall, the adoption of a well-structured and technologically supported taxation mechanism is essential for optimizing fiscal outcomes while promoting the growth of the digital economy in Uzbekistan.

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