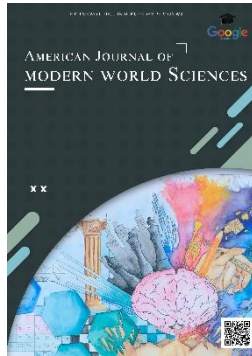


TAX MONITORING AND ITS IMPORTANCE**Turayev Alijon Akmal og'li**

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Abstract: *This scientific article provides an in-depth analysis of the theoretical and practical foundations, types, objectives, methods, impact on the state budget and economic development, advantages and problems of tax monitoring. The formation of the monitoring institution in the tax system of the Republic of Uzbekistan, legal and institutional foundations, digitalization and risk-based monitoring technologies, rights and obligations of taxpayers, international experience and modern assessment indicators are widely covered. The article presents statistical data from the practice of Uzbekistan in recent years, the results of reforms and the effectiveness of electronic monitoring systems with examples. The conclusion provides scientific and practical recommendations on the role of tax monitoring in ensuring economic stability and fiscal discipline, existing problems and areas for improvement.*

Keywords: *Tax monitoring, tax control, fiscal stability, digitalization, risk-based monitoring, state budget, economic development, taxpayer rights, Uzbek practice, international experience.*

ENTRANCE

The tax system is an important tool for ensuring economic stability and social development of each state. The full and timely collection of

taxes is the main source of revenue for the state budget, creating the necessary resources to finance social programs, infrastructure and innovative projects. Therefore, the institution of tax monitoring is of particular importance in the effective conduct of tax policy and strengthening fiscal discipline.

Tax monitoring is an integral part of modern tax administration and includes systematic and continuous monitoring of taxpayers' activities, assessment of the level of fulfillment of tax obligations, early identification and prevention of the risk of tax evasion, as well as collection and analysis of necessary information for optimization of tax policy. After gaining independence, the Republic of Uzbekistan has implemented large-scale reforms aimed at fundamentally reforming the tax system, simplifying tax administration, and introducing monitoring mechanisms.

Tax monitoring is a modern form of tax control, consisting of systematic, continuous and comprehensive monitoring, analysis and assessment of the process of taxpayers' fulfillment of tax obligations. It is carried out on the basis of expanded information exchange, active cooperation and openness between tax authorities and taxpayers.

The Tax Code of the Republic of Uzbekistan defines tax monitoring as one of the important forms of tax control, which is aimed at exchanging information between state tax authorities and honest taxpayers during the calendar year, providing advice and assistance in fulfilling tax obligations, and identifying and preventing the risk of tax evasion in advance.

The main goal of tax monitoring is to transparently and openly monitor the activities of taxpayers, ensure full and timely fulfillment of

tax obligations, reduce tax evasion and the share of the shadow economy, and strengthen the stable revenue base of the state budget.

Tax monitoring is divided into several types in modern tax administration. Each of them differs depending on the scope of taxpayer activities, the depth of monitoring and methods: Camera monitoring - a type of monitoring carried out remotely by tax authorities on the basis of reports, declarations and other documents submitted by taxpayers. In this method, the fulfillment of tax obligations is analyzed based on available information without visiting the taxpayer's premises. Mobile monitoring - tax authorities directly visit the taxpayer's premises and examine financial and accounting documents, business transactions. This type of monitoring is usually applied to high-risk or large-scale taxpayers. Risk-based monitoring - the level of risk is determined based on the taxpayer's activities, financial indicators and other factors, and monitoring resources are mainly directed to high-risk categories. This method requires the widespread use of modern analytical technologies and "big data" analysis. Electronic monitoring - a type of monitoring carried out using digital technologies, online platforms and automated information systems. In this method, all taxpayer transactions are monitored in real time and quickly analyzed.

Camera monitoring is the most economical and fastest method for tax authorities, allowing them to cover a large number of taxpayers. Mobile monitoring is used in cases where a deep and comprehensive analysis is required. Risk-based monitoring is one of the most effective areas of modern tax management, serving to optimally allocate resources and minimize the risk of tax evasion. Electronic monitoring

increases the transparency and speed of tax processes in the context of digital transformation.

The main objectives of tax monitoring are: Ensuring the fulfillment of tax obligations - monitoring the correct calculation and timely and full payment of taxes by taxpayers. Reducing tax evasion and the share of the shadow economy - identifying and preventing tax avoidance schemes through monitoring. Strengthening the stable revenue base of the state budget - achieving fiscal stability by ensuring the full and stable collection of tax revenues. Establishing an open and constructive dialogue with taxpayers - increasing tax culture through information exchange, advice and support. Collecting and analyzing the necessary information to optimize tax policy - making scientifically based decisions on improving tax policy based on the results of monitoring.

Through tax monitoring, state tax authorities will have the opportunity not only to strengthen tax discipline, but also to protect the rights and interests of taxpayers, simplify tax policy and form a fair tax system. Tax monitoring uses various methods and techniques in modern tax administration. The main ones are: Information analysis and monitoring of tax reports - taxpayers' declarations, financial and accounting reports, bank transactions, transactions with counterparties and other information are systematically analyzed. Risk analysis and segmentation - based on taxpayers' activities, financial indicators, industry and regional characteristics, the level of risk is determined and monitoring resources are directed to high-risk categories. Electronic monitoring and automated systems - real-time monitoring is carried out through the “my.soliq.uz” portal, online cash registers, electronic invoices, QR-code marking and other digital technologies. Data

exchange and integration - information exchange with customs, banking, cadastre, statistics and other government agencies will be established, which will increase the accuracy and speed of monitoring. Dialogue and consultation with taxpayers - the practice of providing advice, explanations and support to taxpayers during the monitoring process, and jointly solving identified problems will be widely used.

In recent years, Uzbekistan has been implementing tax monitoring methods that are increasingly integrated with modern technologies. In particular, risk-based monitoring systems, big data analytics, artificial intelligence-based analysis, real-time monitoring, and automated audit systems are being introduced.

The legal framework for tax monitoring in the Republic of Uzbekistan is determined by the following main regulatory legal acts: Tax Code of the Republic of Uzbekistan - the basic concept, forms, procedure for tax monitoring, the rights and obligations of taxpayers, the powers of tax authorities and the legal framework for the monitoring process are clearly defined. Decrees of the President of the Republic of Uzbekistan and government resolutions - a number of documents have been adopted on tax system reform, digitalization, risk-based monitoring and the introduction of electronic control systems. The Law on the State Tax Service - the powers, structure, areas of activity of tax authorities and their rights and obligations in the monitoring process are established. Regulations on the procedure for tax monitoring - the stages of tax monitoring, the procedure for information exchange, the mechanisms for considering monitoring results and resolving objections are clearly indicated. The legal framework for tax monitoring is aimed

at protecting the rights and legitimate interests of taxpayers, ensuring the transparency and fairness of the monitoring process.

The main body implementing tax monitoring in the Republic of Uzbekistan is the State Tax Committee and its territorial divisions. The following institutional structures participate in the tax monitoring process:

The State Tax Committee (STC) - as a central management body, determines the strategic directions of tax monitoring, develops monitoring procedures and regulations, summarizes and analyzes monitoring results. Regional tax departments and inspectorates - directly implement the monitoring process, are engaged in information exchange with taxpayers, analysis of documents, consideration of monitoring results and resolution of objections. Tax monitoring departments and risk analysis centers are special units responsible for risk-based monitoring, analytical analysis, management of electronic monitoring systems, and assessment of monitoring effectiveness.

Tax Academy and Training Centers - conduct training, advanced training, and research in the field of tax monitoring.

Open and constructive cooperation, information exchange, and mutual trust between tax authorities and taxpayers are essential in the tax monitoring process.

Tax monitoring plays a crucial role in ensuring a stable and full revenue base for the state budget. Monitoring ensures the full and timely collection of tax revenues, reduces tax evasion and the share of the shadow economy, and increases the effectiveness of tax policy.

In Uzbekistan, tax monitoring and digitalization have significantly increased tax revenues in recent years. For example, in 2024, the state

budget received 199.5 trillion soums in tax revenues, which is 20.2% more than in 2023. In the first quarter of 2025, 48.2 trillion soums were received, which is a 20% increase compared to the previous year.

The following results are achieved through tax monitoring:

Stable growth of tax revenues and implementation of budget revenues in accordance with the forecast. Reduction of tax evasion and the share of the shadow economy. Optimization of tax policy and ensuring fiscal stability. Reduction of the budget deficit and stability of public debt.

According to statistics, the ratio of Uzbekistan's budget revenues to GDP was 26.7% in 2021 and 30.3% in 2022. As a result of tax monitoring and reforms, tax collection increased from 82% in 2020 to 91% in 2024.

Tax monitoring is one of the important factors of economic development. It has a positive impact on economic growth in the following areas:

Improving the investment climate – monitoring will increase the transparency and fairness of the tax system, which will help attract foreign and domestic investments. Creating favorable conditions for business – monitoring will simplify tax policy, ensure a fair distribution of the tax burden and targeted use of tax benefits. Reducing the share of the shadow economy – monitoring and digitalization will reduce the informal sector, which will lead to an increase in economic activity and employment. Fiscal stability and macroeconomic balance – stability of tax revenues will ensure stable growth of the state budget and macroeconomic indicators.

As a result of tax monitoring and digitalization in Uzbekistan's practice, GDP grew by 6.5% in 2024, retail turnover increased by 22

trillion soums, and the number of new jobs and businesses increased significantly.

Tax monitoring has the following advantages of modern tax administration: Openness and transparency for taxpayers - during the monitoring process, taxpayers conduct their activities openly, have the opportunity to exchange information and receive advice from tax authorities. Fast and accurate information for tax authorities - through monitoring, tax authorities receive complete information about the financial situation of taxpayers, tax obligations and the level of risk. Reducing the risk of tax evasion - as a result of monitoring, tax avoidance schemes and the share of the shadow economy are identified and preventive measures are taken. Optimization of tax policy - based on the results of monitoring, it is possible to simplify tax policy, fairly distribute the tax burden and target the use of benefits. Electronic monitoring and digitalization - with the help of modern technologies, the speed, accuracy and efficiency of the monitoring process increase.

The benefits of tax monitoring are significant not only for tax authorities, but also for taxpayers and the economy as a whole. There are a number of problems and limitations in the process of tax monitoring that negatively affect the effectiveness of monitoring: Insufficient integration of information systems - incomplete integration of information exchange and databases between state bodies limits the accuracy and speed of monitoring. Insufficient human resources - there is a lack of qualified personnel to use modern technologies and analytical methods in the monitoring process, which negatively affects the quality of monitoring. Low level of legal awareness and responsibility among taxpayers - some taxpayers do not fully

understand the essence of the monitoring process, do not have sufficient information about their rights and obligations. Problems with the introduction of digital technologies - shortcomings in the technical infrastructure of electronic monitoring systems, internet coverage and software reduce the effectiveness of monitoring. Corruption and the human factor - the high human factor in the monitoring process, corruption risks and subjective decisions negatively affect the fairness of the monitoring results. Frequent changes in the regulatory framework - frequent changes in tax legislation complicate the monitoring process and create uncertainties for taxpayers. To eliminate these problems, it is necessary to integrate information systems, increase human resources capacity, educate taxpayers, widely introduce digital technologies and create an effective anti-corruption monitoring system.

The Republic of Uzbekistan has implemented large-scale reforms in the field of tax monitoring and digitalization in recent years. The following are key examples and statistics from Uzbekistan's practice:

Tax monitoring and digitalization results: In 2024, 199.5 trillion soums of tax revenues were provided to the state budget, which is 20.2% more than in 2023. In the 1st quarter of 2025, 48.2 trillion soums of revenues were provided, which is an increase of 20% compared to the previous year.

Risk-based monitoring system: Starting from 2021, an automated system "Tax Risk Management" was introduced in the tax authorities of Uzbekistan. Through this system, taxpayers are divided into low, medium and high categories depending on the level of risk, and monitoring resources are mainly directed to high-risk categories.

Electronic monitoring and online services: Tax monitoring is carried out

in real time through the “my.soliq.uz” portal, online cash registers, electronic invoices, QR code marking system and other digital technologies . In 2024, 8.2 billion pieces of marked goods were produced by 3.5 thousand entities. Number of taxpayers and monitoring coverage: The number of taxpayers increased from 444 thousand in 2021 to more than 600 thousand in 2024. The monitoring coverage has expanded, and large and medium-sized businesses have been fully involved in the monitoring system. Tax collection and fiscal stability: In 2020, tax collection was 82%, while in 2024 this indicator reached 91%. The ratio of budget revenues to GDP in 2022 was 30.3%. Small business and entrepreneurship monitoring: In 2024, 129.3 thousand new dehkan farms, 8.7 thousand self-employed people, and 947 individual entrepreneurs were involved in the monitoring system. This contributed to an increase in economic activity and employment levels.

The following table summarizes the results of Uzbekistan's tax monitoring:

Indicator	2020	2021	2022	2023	2024
Tax revenues (trillion soums)	132.9	164.7	199.5	166.0	199.5
Tax collection efficiency (%)	82	86	89	90	91
Number of taxpayers (thousand)	350	444	500	550	600
GDP growth (%)	1.6	7.4	5.7	5.6	6.5

Source: Tax Committee of the Republic of Uzbekistan, Ministry of Economy and Finance, National Statistics Committee.

Digitalization and electronic monitoring in the tax system of Uzbekistan have been developing rapidly in recent years. Electronic monitoring is being implemented in the following main areas: Electronic

tax services portal (my.soliq.uz) - all tax services are provided online for taxpayers, the ability to fulfill tax obligations, submit reports, and monitor tax debt has been created. Online cash registers - all transactions in the retail and service sectors are monitored in real time, which helps reduce hidden turnover and increase tax revenues. Electronic invoices and QR code marking - the movement of goods and services, sales, and the tax base are fully monitored, the share of counterfeit and shadow economy is reduced. Risk-based monitoring and "big data analytics" - the level of risk is determined based on the activities of taxpayers, financial indicators, and other factors, and monitoring resources are effectively distributed. As a result of electronic monitoring, tax revenues, tax collectability, and fiscal stability have significantly increased. In 2024, 74 new software products were launched through electronic monitoring systems, 201 marketplaces were registered, and the activities of more than 497.9 thousand citizens were legalized

Risk-based monitoring is one of the most effective areas of modern tax management. In this method, the level of risk is determined based on taxpayer activity, financial indicators, industry and regional characteristics, previous monitoring results, and other factors, and monitoring resources are focused primarily on high-risk categories.

In Uzbekistan, a risk-based monitoring system has been implemented since 2021. Through the automated "Tax Risk Management" system, taxpayers are divided into low, medium and high risk categories. Tax audits and in-depth monitoring are conducted for high-risk categories, while monitoring is applied to low-risk categories at a minimal level. Risk-based monitoring has the following advantages:

Optimal allocation and efficiency of monitoring resources. Early identification and prevention of tax evasion and hidden economy risks. Reducing the monitoring burden for taxpayers and encouraging honest payers. Increasing the accuracy and speed of monitoring results.

The rights and obligations of taxpayers in the process of tax monitoring are clearly defined by the Tax Code and other regulatory legal acts. Taxpayers have the following basic rights:

- Receive free information from tax authorities about current taxes, changes in tax legislation, tax calculation and payment procedures.
- Obtain explanations about tax reporting and application forms, and the procedure for filling them out.
- Use or waiver of tax benefits.
- Refund or credit of overpaid or collected taxes.
- Pay taxes in arrears or in installments.
- Participate in tax audits, review reports and file objections.
- Complain about illegal actions of tax authorities and officials and demand compensation for damages.
- The obligations of taxpayers are as follows:
 - Calculate tax liabilities correctly and pay them on time and in full.
 - Submit tax reports on time and in the correct format.
 - Providing documents and information requested during the monitoring process.
 - Information exchange and cooperation with tax authorities.
 - Compliance with tax legislation and implementation of monitoring results.

During tax monitoring, the rights and legitimate interests of taxpayers are protected, and objections and disagreements regarding the results of monitoring are considered openly and fairly.

There are various models of tax monitoring and control in world practice. The experience of developed countries shows that the following areas are important in increasing the effectiveness of tax monitoring: Digital tax administration and automated monitoring systems - in Germany, the USA, South Korea, Japan and the Scandinavian countries, electronic declarations, "smart taxation" systems, real-time monitoring and "big data analytics" are widely used. Risk-based monitoring and a differentiated approach - the level of risk is determined based on the behavior of taxpayers, financial indicators and industry characteristics, and monitoring resources are directed to high-risk categories. The principle of openness and transparency - in the Scandinavian countries, tax information is open to the public, and trust in the tax system and tax culture are at a high level. Cooperation and consultation with taxpayers - open communication, consultation and information exchange between tax authorities and taxpayers serve to increase tax discipline. In Uzbekistan, electronic monitoring, risk-based monitoring, real-time monitoring, and big data analytics technologies are being gradually introduced based on international experience. Reforms are being implemented to increase the efficiency of tax monitoring based on the recommendations of the World Bank, the International Monetary Fund, and the Organization for Economic Cooperation and Development.

The following main indicators are used to assess the effectiveness of tax monitoring: Tax collection ratio - the ratio of collected taxes to

total tax liabilities. Tax revenue growth rate - the dynamics of annual tax revenue growth. The share of the hidden economy - a decrease in the share of the informal sector. Monitoring coverage and accuracy - the number of taxpayers involved in monitoring and the accuracy of monitoring results. The number of cases of tax evasion and detected violations. The level of taxpayer consent and satisfaction with monitoring results. In the practice of Uzbekistan, in 2024, tax collection reached 91%, tax revenues increased by 20%, and the share of the hidden economy significantly decreased. As a result of electronic monitoring and risk-based monitoring, monitoring efficiency and accuracy increased.

The risk of corruption and the human factor in the process of tax monitoring can negatively affect the fairness and transparency of monitoring results. Therefore, the following measures are being taken to combat corruption and increase the effectiveness of monitoring in the tax system of Uzbekistan: Anti-corruption monitoring and control system - a system of internal departmental documents, monitoring and control standards, and employee awareness raising on combating corruption in the tax system has been introduced. Electronic monitoring and reduction of the human factor - the impact of the human factor and subjective decisions is minimized through digital technologies and automated systems. The principle of openness and transparency - openness of the monitoring process, public announcement of its results, and open dialogue with taxpayers. Code of ethics and staff training - a code of ethics, advanced training, and anti-corruption training are regularly conducted for tax authorities. An effective anti-corruption

monitoring system serves to increase the fairness, transparency, and effectiveness of tax monitoring.

The effectiveness of tax monitoring directly depends on the potential of qualified personnel. In the practice of Uzbekistan, personnel training and advanced training are carried out in the following areas: Tax Academy and training centers - bachelor's, master's, retraining and advanced training programs have been established for tax authorities. International cooperation and exchange of experience - international trainings, seminars and experience exchange programs have been established for tax officials. Training in modern technologies and analytical methods - special courses have been organized on electronic monitoring, risk analysis, "big data analytics" and analysis based on artificial intelligence. Distance learning and online training - distance learning and online training for tax officials are being widely introduced. Increasing the capacity of personnel is important for increasing the effectiveness of monitoring, introducing modern technologies and improving tax policy.

The following recommendations and reform policies are proposed to improve the efficiency of tax monitoring and eliminate existing problems: Accelerate the integration and digitization of information systems - ensuring full integration of information exchange and databases between state bodies, expanding electronic monitoring systems. Develop risk-based monitoring and analytical technologies - widely introducing "big data analytics", artificial intelligence and real-time monitoring technologies. Increase human resources capacity and organize modern training - expand training programs for tax officials on modern technologies, risk analysis and the code of ethics. Educate

taxpayers and raise legal awareness - expand information campaigns, advisory platforms and interactive services for taxpayers. Strengthen anti-corruption monitoring and transparency - improve the internal anti-corruption monitoring system, increase the openness of monitoring results and public oversight. Adapt international experience and best practices - increase the effectiveness of monitoring through critical analysis of the experience of developed countries and adaptation to the conditions of Uzbekistan.

CONCLUSION

Tax monitoring is an integral part of modern tax administration and plays a crucial role in ensuring a stable revenue base for the state budget, promoting fiscal discipline and economic development. In practice, Uzbekistan has implemented large-scale reforms in the field of tax monitoring and digitalization in recent years, which have resulted in a significant increase in tax revenues, collectability and fiscal sustainability.

The main advantages of tax monitoring are openness and transparency for taxpayers, quick and accurate information for tax authorities, reduction of the risk of tax evasion and optimization of tax policy. However, there are problems in the monitoring process, such as lack of integration of information systems, insufficient human resources, problems in the implementation of digital technologies, and the risk of corruption.

To improve the effectiveness of tax monitoring, it is necessary to integrate information systems, develop risk-based monitoring and analytical technologies, increase human resources capacity, educate

taxpayers, conduct anti-corruption monitoring, and adapt international experience.

In conclusion, tax monitoring is of strategic importance in ensuring economic stability and social development of Uzbekistan, and its effective operation creates a solid foundation for increasing state budget revenues, reducing the share of the shadow economy, and forming a fair tax system. In the future, further improvement of the monitoring institution, digitalization, and adaptation to international best practices will remain one of the priorities of Uzbekistan's tax policy.

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