



THE ISSUES OF IMPROVING TAX AUDIT IN UZBEKISTAN

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Abstract

This article explores the theoretical aspects of tax audit in the context of the digital economy. It also presents the results of tax control activities, categorized by form and type, based on practical data.

Keywords: Digitalization, tax, tax control, tax audit.

1. Introduction

New technologies enhance the efficiency of tax administration operations and reduce associated costs. The emergence of a digital economy entails the widespread adoption of innovations and information and communication technologies (ICT) across all areas of economic activity, including tax inspections. One significant advantage of electronic tax inspections is the reduced time required to complete them, coupled with an increased likelihood of detecting tax evasion. However, digital tools in tax inspections also introduce several challenges.

A new tax control mechanism has been introduced in the Republic of Uzbekistan. Under this system, inspections are scheduled based on a risk analysis. Taxpayers are categorized into three risk groups: high (red), medium (yellow), and low (green). Those in the green group are exempt from inspections, while taxpayers in the red group may be subject to tax audits.

A tax audit is a comprehensive examination of a taxpayer's compliance with tax legislation, particularly for those identified as high-risk with substantial turnover. It is a critical component of tax risk management, ensuring compliance with tax policies, strategies, and obligations. Due to frequent changes in tax laws and accounting standards, the strategic management of tax risks and exposures



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has become a pressing issue. It supports transparency, real-time compliance, and data-driven auditing by tax authorities.

The methodology for conducting tax audits of tax expenditures remains underexplored. Therefore, it is essential to consider sector-specific characteristics when organizing and conducting a tax audit, as well as when documenting its results. This paper addresses several key issues related to tax audit.

2. Literature review

The term *tax audit* is frequently used in Uzbekistan and is widely referenced in domestic literature. However, the concept is interpreted variably across legal documents and economic sources.

According to V.V. Pankov (2019), the traditional audit approach to analyzing reports no longer meets modern requirements. He emphasizes the need for new solutions, concluding that future audit methodologies will be based on risk-oriented principles [Pankov, 1]. Hence, in the digital economy, significant changes are anticipated not only in audit theory but also in its methods and practical application.

Z.N. Kurbanov (2020) notes that the development of the digital economy introduces new accounting objects, necessitating improvements in auditing methodology - especially relevant to tax audits [Kurbanov, 2].

Mohammed S. Chokhawala (2024) defines tax audit as the examination of business accounts from the perspective of income tax. He states that businesses exceeding a certain turnover threshold, as specified in the 1961 Income Tax Act, are required to undergo audits. Similarly, the Act mandates inspections for specific taxpayers, referring to these as *tax inspections* [Chokhawala, 3].

Mayank Khandelwal (2024) highlights the importance of tax inspections in ensuring compliance with tax laws and upholding the integrity of the tax system. He argues that inspections are more than a procedural formality—they are essential for verifying the accuracy of financial statements and tax returns [Khandelwal, 4].

N. Karmazina (2018) examined modern approaches to budget and financial audits, including the relationship between audit tasks, methods, and procedures.



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She developed methodological approaches to enhance audit effectiveness through a strategic combination of audit methods and techniques [Karmazina, 5].

T.D. Barsulaya (2019) underscores the increasing demand for tax audit services, noting that approximately 30% of the revenue of Russian audit firms comes from tax audits [Barsulaya, 6].

L.V. Usatova (2008) defines tax audit as an independent review of an organization's accounting and tax records, including the accuracy of tax calculations and compliance with tax obligations [Usatova, 7].

According to K.R. Khotamov (2016), a tax audit involves an independent audit firm verifying the proper application of tax elements and compliance with tax and accounting regulations [Khotamov, 8].

Article 140 of the Tax Code defines tax audit as the calculation and verification of the accuracy of taxes and fees for a given period and the verification of their payment. This audit is conducted for taxpayers (or tax agents) classified in the high-risk category [9].

O.A. Mironova and A.F. Hanafeev (2014) argue that tax audit is not a subset of financial audit and is not considered a "related service". They assert that tax audits are an independent type of external audit conducted by auditing organizations, focusing on both budget and accounting control [Mironova et al., 10].

D.V. Oplov (2019) attempts to define tax audit as a distinct service provided to taxpayers [Oplov, 11].

Finally, F.A. Akramov (2022) describes tax audit as the independent verification of compliance with tax legislation regarding accurate tax calculation and full, timely payment to the budget. It also includes services related to taxation issues [Akramov, 12].

3. Research Methodology

This study is based on the analysis of numerous scientific publications related to the enhancement of tax audit practices. Research methods such as logical reasoning, comparative analysis, and systematic approaches were extensively



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applied. Drawing on a comprehensive review of the existing literature, relevant conclusions were reached and practical recommendations were developed.

4. Analysis and Results

In Uzbekistan, tax audits are organized in accordance with Appendix 2 of Resolution No. 1 of the Cabinet of Ministers of the Republic of Uzbekistan, dated January 7, 2021, titled *“On Tax Risk Management, Identification of Taxpayers (Tax Agents) at Risk, and the Organization and Conduct of Tax Audits”* - specifically, the *Regulations on the Procedure for Organizing and Conducting Tax Audits* [13].

According to this resolution, one of the primary criteria for assigning a tax audit is the classification of a taxpayer as high-risk based on the automated *Tax Risk Identification, Analysis, and Assessment* program used by tax authorities. Business entities identified as having a high level of tax risk (commonly referred to as “red” risk level) are notified by the public tax authority through their personal account, after which a tax audit is initiated following the prescribed procedure.

Table 1 presents data on the types of tax audits conducted on business entities in the Republic of Uzbekistan during the period from 2021 to 2023.

Table 1 Types of tax inspections conducted on the activities of business entities in the Republic of Uzbekistan in 2021-2023¹ (billion UZS).

No	Indicators	Unit of measure	2021	2022	2023
1	Off-site tax inspection	number	291 078	341 372	397 295
		amount	9 331,7	12 744,5	14 322,5
2	Field tax inspection	number	65 127	77 176	54 031
		amount	198,7	226,5	243,4
3	Tax audits	number	33 337	30 644	32 411
		amount	15 639,1	16 856,5	17 603,8
Additionally calculated tax, total		amount	25 169,5	29 827,5	32 169,7

As shown in Table 1, the tax amounts assessed through tax audits have increased year over year, indicating that tax control measures have partially contributed to

¹ Developed by the author based on the data of the Tax Committee.



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achieving budgetary targets. In 2021, a total of 291,078 off-site tax inspections, 65,127 field inspections, and 33,337 tax audits were conducted in the Republic of Uzbekistan. These efforts resulted in the identification of additional taxes amounting to 25,169.5 billion UZS.

By 2023, the number of off-site inspections had risen to 397,295, with 54,031 field inspections and 17,603.8 tax audits carried out. As a result, an additional 32,169.7 billion UZS in taxes were assessed. This trend suggests that a number of taxpayers continue to violate tax regulations.

In 2024, the tax authorities audited 1,780 business entities classified as high-risk for tax non-compliance. This group represented just 0.3% of the total number of active taxpayers (563,000) during that period.

- **Identified tax risk amount:** 5,259 billion UZS
- **Amount identified through tax audits:** 5,903.4 billion UZS

For comparison, in the United States, only about 1% of taxpayers are audited annually by the Internal Revenue Service (IRS).

The **tax audit efficiency index** is used to evaluate the effectiveness of tax audits. In Uzbekistan, this index remains lower than that of many European countries. For instance, in Poland, 13,023 tax audits were completed in 2023, and 9,829 in 2024. The number of customs and fiscal inspections also slightly declined - from 7,186 in 2023 to 7,043 in 2024.

An analysis of these statistics indicates that audits are an important tool for verifying the accuracy of tax reporting. Both tax and customs/fiscal audits tend to be conducted when there is a high likelihood of identifying violations. This is supported by high audit efficiency rates: 99% for tax audits and 98% for customs and fiscal inspections, reflecting the frequency of violations uncovered during these procedures.

Notably, the actual efficiency of tax audits is projected to exceed future targets. According to the *Regulation of the Minister of Finance on Determining the Priority Areas for Action and Development of the National Revenue Agency for 2025–2028*, the forecasted efficiency rate for identifying taxpayers as audit subjects is 93.1% in 2025 [14].



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5. Conclusion and Proposals

Based on the above findings, we conclude that the organization and methodology of audits are poised for significant transformation in the context of the digital economy. The integration of artificial intelligence (AI) and information technologies into auditing practices is expanding. To support this evolution, it is necessary to create favorable conditions for software developers utilizing AI technologies - specifically by enabling access to digital data and ensuring the rapid digitization of relevant datasets within organizations.

These developments will require corresponding amendments to legal and regulatory frameworks governing auditing activities. We propose the development of international auditing standards tailored to the conditions of the digital economy, or the revision of existing standards to accommodate these new realities.

The adoption of modern digital technologies in tax audits is expected to significantly enhance their overall efficiency

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