



## ASSESSMENT OF THE EFFECTIVENESS OF THE ACTIVITIES OF TAX AUTHORITIES IN FOREIGN COUNTRIES

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### Abstract

The theoretical aspects of tax administration are analyzed, its concept of a tax system, an element of the tax system, functions of tax administration, trends in the development of the tax system are revealed, a small analysis of key features that characterize the essence and content of tax administration in modern conditions is carried out.

**Keywords:** Tax system, tax administration, elements of the tax system, the essence and content of tax administration, digital technologies.

### Introduction

In the institutional architecture of the tax administration system of any country, an important place belongs to the structure and hierarchy of tax authorities. When forming the institutional structure of tax authorities in various states, in our opinion, the following circumstances should be taken into account: the presence of a stable functioning legal system, the level of economic development and existing national traditions.

The process of studying advanced foreign experience poses a task in two ways: identifying systemic problems in the activities of tax authorities and selecting the appropriate advanced foreign experience in ways to solve these problems. Such problems in the taxation practice of our country include the system of management and control over the field of taxation as a whole. Within the framework of this problem, it would be justified to turn to the experience of tax administration in successful developed countries, such as Sweden, Denmark, Norway, Germany, France, South Korea, Russia and Japan<sup>1</sup>.

To give a few examples, Sweden is one of the most taxing countries in the world. Tax revenues account for about 45% of GDP, and most tax revenues go to the state budget. In this analysis, we look at the performance of tax authorities in Sweden.

The Swedish tax system is based on the principle of self-assessment, in which taxpayers assess their income and pay taxes according to this assessment. However, the IRS reviews these estimates and conducts audits to ensure compliance with tax laws and regulations.

According to the Swedish Tax Administration's 2020 report, total tax revenue was SEK 1,728 billion (about US\$200 billion). Of this, SEK 1,016 billion (about US\$120 billion) was

collected through the tax office. The remaining tax revenue was collected through other government agencies.

The Danish tax system consists of several types of taxes, including personal income tax, corporate income tax, VAT, property tax and others. In 2019, tax revenue in Denmark was 46.8% of GDP, one of the highest in the world.

Despite the high level of tax revenue, the Danish tax authorities successfully cope with the task of collecting taxes. In 2019, Denmark's tax collection rate was 91.2%, one of the highest in the world.

The Norwegian tax system is considered one of the most developed and efficient in the world. Contributing to the efficiency of the tax system in Norway is the high level of automation and use of digital technologies. For example, in 2020, more than 90% of taxpayers filed income tax returns through an electronic system, which reduces document processing time and reduces the number of errors.

In general, we can highlight general and special aspects of tax administration inherent in the countries under study - Sweden, Denmark and Norway (Table 1).

**Table 1**

**General and special aspects of the tax administration system of Sweden, Denmark and Norway<sup>2</sup>**

Criteria	Tax administration system		
	Sweden	Denmark	Norway
<b><i>Special aspects of the tax administration system</i></b>			
Responsible body of the tax administration system	Tax Department of the Ministry of Finance	Ministry of Taxation	Tax administration
System for assessing the work of tax inspectors	A scoring system for the work of tax inspectors carrying out control audits	Assessment of the work of departments and employees of tax authorities based on clear criteria	Desk audits are carried out by tax auditors. On-site audits are carried out by tax inspectors, who, compared to tax auditors, are more experienced and qualified specialists
Specialized tax intermediaries	Tax consultants	Tax advice provided by lawyers and accountants	Specialized companies - tax agents
Supervision of the quality of work of tax authorities	Department of the Ministry of Finance for Control over Tax Administration	Treasury Service	Accounts Chamber

**General aspects of the tax administration system**

- all countries have clear regulation of tax control procedures and strict enforcement measures;
- high level of development of information automation of tax administration and access of tax services to extensive information resources;
- tax services have extensive information resources, including data on property, income and expenses of taxpayers, which allows monitoring without conducting control procedures within the taxpayer's premises;
- The following promising areas of information services for tax authorities and taxpayers are typical: provision of declarations in electronic form; introduction of technologies for paying taxes electronically; providing online access to information about the status of settlements with the budget, and tax registration without contact with the future taxpayer. If any questions arise, correspondence is carried out with him.

Priority areas for the 2023-2024 period are digitalization in the field of administration of payroll taxes, as well as improvement of the already created unified information environment of tax and customs authorities. The latter should completely switch to electronic document management of invoices and all reporting, including taxpayers applying special tax regimes.

Summarizing the above, we can say that the tax systems and structures of all the countries considered continue to actively develop and modernize. World experience shows that the tax mechanism contains enormous opportunities to influence the development of entrepreneurial activity, the dynamics and structure of social production, and its location. It is necessary to understand that the mentality and various economic factors in the republic and the listed countries are fundamentally different, therefore the introduction and use of both some taxes practised abroad and tax administration structures is impossible at this stage of development of the domestic system.

For Uzbekistan, in order to improve the tax administration system, the experience of applying some of the measures used in the countries we selected for analysis may be useful, because the Scandinavian countries have always maintained the highest share of tax revenues in the EU. Of course, the tax system of Uzbekistan has something to learn from other countries, namely: clarity in the organization of tax policy; smooth functioning of tax authorities; flexibility and efficiency of tax policy; and clarity and transparency of laws in the field of taxation. The taxes of the countries we are considering can be divided into four subcategories, which are presented in Table 2.

**Table 2**

**Taxation in Nordic countries, USA and Asia, % of GDP**

	Denmark	Norway	Sweden	Germany	France	USA	Japan	South Korea
Personal income tax	52.2	25.4	29.0	26.6	21.1	42.1	18.7	20.4
Property tax	4.0	2.9	2.3	3.1	8.5	11.4	8.1	15.2
Consumption tax	29.7	25.7	28.2	26.6	27.1	16.6	20.9	23.1
Social Security/Insurance Tax	0.1	22.9	21.2	37.7	32.8	23.8	40.4	26.2
Corporate income tax	8.0	23.0	7.1	5.9	5.6	6.0	11.7	12.8
Total taxes	94.0	99.9	87.8	99.9	95.1	99.9	99.8	97.7

	Denmark	Norway	Sweden	Germany	France	USA	Japan	South Korea
Other	6.0	0.1	12.2	0.1	4.9	0.1	0.2	2.3
Tax burden on the economy, in % of GDP (tax revenues in % of GDP)	44.9	39.0	44.0	38.2	46.1	24.0	n/a	28.4

Source: according to "The Tax Foundation" the leading independent 501(c)(3) tax policy organization, 2022, <https://www.oecd.org/tax/tax-policy/revenue-statistics-tax-structures.htm>

Overall, the countries represented in the table above rely more on tax revenues from personal income taxes (on average 29.4%), social security taxes (25.6%) and consumption taxes (24.7%) than on corporate income taxes (10%) and property taxes (6.9%).

In foreign practice historically, the efficiency of tax authorities was assessed by quantitative indicators, such as the number of tax audits conducted, the number of tax returns completed by taxpayers and other similar indicators. With the development of communication and information technologies, qualitative indicators began to be used to assess the efficiency of tax authorities. Such qualitative indicators include the level of quality of government services provided by tax authorities to taxpayers, the degree of satisfaction of taxpayers with the activities of tax authorities, compliance with the needs of taxpayers, and others. In developed countries, a result-oriented system of strategic planning and management of tax authorities has been introduced.

Thus, in foreign countries, there is no uniform approach to organizing the work of tax authorities. In many ways, the structure and hierarchy of tax authorities depend on historical development, national traditions, as well as the tax administration priorities chosen by each country<sup>3</sup>.

In general, the analysis of international tax administration systems allows us to conclude that approaches to the implementation of methods and forms of tax administration are diverse and are built exclusively taking into account the mentality of the population and the peculiarities of the development of the national economy and financial structure. The experience of different countries shows that the most frequently used tax interaction options are:

- contactless method of tax registration;
- registration of taxpayers through websites, etc.

Based on the above analysis of tax administration in the foreign countries we have considered, we will consider what tax administration measures may be acceptable in our republic. Uzbekistan continues to modernize its tax administration system<sup>4</sup>, to improve the operational efficiency and performance of the State Tax Committee and provide better services to local taxpayers<sup>5</sup>.

Although the tax systems of Uzbekistan and Scandinavia may differ, some Scandinavian tax administration measures may be applied in Uzbekistan. For example,

<sup>3</sup>Khafizova A.R. Institutional development and efficiency of tax authorities in the Russian Federation. PhD thesis in economic sciences: 08.00.10. St. Petersburg, 2018//<http://dlib/rsl/ru>.

<sup>4</sup>with the support of the World Bank

<sup>5</sup><https://www.worldbank.org/en/news/press-release/2021/06/16/uzbekistan-continues-to-modernize-its-tax-administration-system-with-world-bank-support>

introducing more efficient tax administrations to improve tax collection and combat tax evasion. In addition, the introduction of a consumption tax could help diversify and expand sources of government revenue in Uzbekistan.<sup>6</sup>

Also, Germany has a well-developed tax administration system, which Uzbekistan could adopt. According to the OECD Tax Administration 2022 report, Germany has implemented several effective measures, such as using technology to improve services to taxpayers, reducing the administrative burden on taxpayers, and increasing transparency and cooperation between tax authorities. In addition, Uzbekistan could create a tax information centre similar to the German Steuerliches Info-Center (SIC), which provides tax information and related services to German and foreign individuals and companies.<sup>7</sup>

South Korean tax administration measures that may be acceptable to Uzbekistan South Korea is implementing tax reforms such as reducing tax rates for foreign engineers, as well as reporting on overseas real estate. However, it is worth noting that each country's tax system is unique, and what works in South Korea will not necessarily work in Uzbekistan. It is important to consider local factors such as economic and social development when making tax policy decisions. Japan and Uzbekistan have different economic, social and cultural characteristics, therefore not all Japanese tax administration measures may be applicable in Uzbekistan. However, some tax administration measures used in Japan may be useful for Uzbekistan.

One such measure may be the use of electronic tax administration systems. Japan has reduced the number of tax breaks and introduced stricter tax rules, which has helped increase government revenues.

Thus, before applying Japan's measures in Uzbekistan, it is necessary to take into account the differences in economic, social and cultural conditions, as well as the peculiarities of the tax system of each country. Before implementing measures, proper research and analysis must be carried out to ensure their applicability and effectiveness.

In the functioning of tax administration, an important requirement and measure of activity should be a comparison of the levels of expenses for the fulfilment of tax obligations, taking into account the tasks of minimizing them with the resulting effects. The most important principle of tax control in the new conditions of functioning of tax administration should be compliance with the guarantees and rights of the taxpayer.

It is necessary to develop the serious potential of such a legal tool as preliminary agreements on business taxation concluded between tax authorities and taxpayers. Foreign experience indicates the high efficiency of this means of regulating tax relations, however, in the Republic of Uzbekistan they are just beginning to be used (the scope of the practical application of this legal means should not be limited only to the area of transfer pricing - it is necessary to actively apply it in other areas of taxation).

Attention should be paid to increasing the functional role of tax consultants in the tax system of the Republic of Uzbekistan. The recently adopted Law of the Republic of Uzbekistan “On tax consulting activities” dated 04.08.2022 No. ZRU-787, Article 9. “Tax consulting services” spells out the main services provided by consultants, including: “preparation of tax reporting (declaration)” etc. Thus, the latter has real intermediaries

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<sup>6</sup><https://www.oecd.org/ctp/administration/tax-administration-23077727.htm>; <https://taxfoundation.org/scandinavian-countries-taxes-2021/>  
<sup>7</sup><https://www.germany.info/us-en/service/09-Taxes/taxes/910342>

between taxpayers and tax authorities, an important link in the built system of partnerships. This allows tax relations to be transferred to a qualitatively higher level and will create the necessary conditions for effective interaction between tax authorities and taxpayers.

Summarizing the above, it is important to note that the current practice of tax administration in foreign countries can be used in the practice of the Republic of Uzbekistan to increase the efficiency of tax regulation.

Thus, the introduction of digital technologies into tax administration processes makes it possible to process large amounts of data, spend less time on it, and quickly obtain the necessary up-to-date information on a particular taxpayer. In addition, working on software products gives “transparency” to ongoing business processes in the country's economy. All these factors have an impact on increasing the efficiency of tax administration in general.

### **Conclusions and offers**

- it should be noted that the concepts of “tax system” and “tax system” are not identical, the first includes the second concept, which characterizes the purposeful legislative, executive and administrative activities of the state, and the second concept is manifested by the totality of the types of taxes and fees in force in the country;

- tax administration usually refers to the management of tax relations by government bodies vested with powers and responsibilities in the field of taxation and tax collection to ensure the implementation of tax policy in accordance with tax legislation. Tax administration is a higher-level concept, and tax control is only part of it. Of course, the practical implementation of tax administration is more obvious through tax control, but this is only a component of tax administration;

- “effective tax administration”, which can be understood as a set of organizational actions of authorized state bodies for tax administration. relations in the formation of a service-oriented tax environment, ensuring not only the satisfaction of the state's needs for sustainable and sufficient filling of the budget system, tax revenues to the State Budget of the Republic of Uzbekistan;

- the near future of effective tax administration should be based on improving the procedures for organizing tax collection, preventing the risks of tax offences on the part of taxpayers and creating conditions that encourage legal entities and individuals to voluntarily (consciously) fulfil their tax obligations, which are considered one of the ways to ensure an increase in tax collection into the country's budget system;

- the institutional structure of tax administration in foreign countries depends on the influence of the following factors: features of historical development, national traditions, the priority of tax administration chosen by each country, etc.;

- an important reserve in improving the quality of public services in the activities of tax authorities of various countries is their positive experience in increasing the volume of services provided to taxpayers, the availability and quality of information to taxpayers, taking into account modern requirements for the digitalization of services to taxpayers.

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