METHODOLOGY FOR ASSESSING THE HIDDEN ECONOMY AND ITS APPLICATION IN THE TAX SYSTEM

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Abstract: *This article describes the improvement of the administration based on bringing services to business entities to a new level, further increasing the tax administration literacy of the population, supporting entrepreneurship, creating an equal competitive environment and guaranteeing the rights of consumers, and encouraging the active participation of the general public in curbing the underground economy. In recent years, countries around the world have been paying special attention to the implementation of various mechanisms to prevent and reduce tax evasion by taxpayers when developing their short-term and long-term budget-tax policy strategies. At the same time, conducting scientific research aimed at reducing illegal financial flows, analyzing the factors that cause tax evasion by taxpayers, reducing the hidden economy, and focusing on the scientific and theoretical aspects of tax evasion processes remains one of the priorities. At the same time, the fields were studied, foreign experience, scientific-practical conclusions and proposals were formed on its application in our country.*

Key words: *tax revenues, analysis, risks, efficiency, digital platform, methods and tools, advanced information and communication technologies, analysis, optimization, tax benefits, tax rate.*

Introduction. In the uneven movement of financial flows in the world, there are frequent cases of taxpayers seeking various ways to avoid paying

taxes and using them for their own interests. According to estimates by the United Nations Conference on Trade and Development, developing countries illegally transfer financial resources worth 100 billion US dollars per year to other regions in the form of "profit shifting" practices, creating tax evasion within the national economy[1]. Tax revenues lost as a result of various forms of tax evasion, the use of tax minimization schemes in developed and developing countries, and the ineffective use and reinvestment of profits received by taxpayers, also amount to 250-300 billion US dollars per year.

The Uzbek tax system uses a number of methods to assess and identify the hidden economy. In this regard, it is necessary to clarify the differences between certain categories. These include: unobserved economy (types of economic activity that are not fully or partially covered by regular statistical observations, as well as those that are estimated using indirect methods when reflected in statistical indicators); informal economy (production (service) activities carried out by households or individuals without being registered in the established manner); hidden economy (economic activity not prohibited by law, but deliberately hidden from state bodies in order to avoid taxation and compliance with the requirements of legal documents) and illegal economy (economic activities prohibited by law or carried out by unauthorized persons, which are subject to criminal liability).

The unobserved economy is assessed by dividing it into the following groups: informal, hidden and illegal activities. Informal economic activity is the activity of individuals engaged in various entrepreneurial and productive activities without registration. Informal activities of individuals are assessed in terms of their productive purpose and are divided into two groups:

[1] Организация Объединенных Наций. A/HRC/31/61. Окончательное исследование по вопросу о незаконных финансовых потоках, правах человека и Повестке дня в области устойчивого развития на период до 2030 года международных финансовых обязательств государствдля полного осуществления всех прав человека,в частности экономических, социальныхи культурных прав.

- activities of individuals related to the production and sale of goods and the provision of services for the purpose of providing themselves with work and income;

- the activity of households related to the production of goods for their own needs (final use).

The production of goods for sale (market production) by individuals is organized at a low level, has small volumes, and therefore does not allow for the differentiation of labor and capital costs. Labor relations, if they exist, are based not on contracts and formal guarantees, but on verbal agreements, kinship relations, and the absence of a fixed schedule of working hours.

Households' own production (final use) includes the production and sale of agricultural products (farming and animal husbandry) and processing industries, construction of their own homes, as well as conditional services (conditional rent) for living in their own homes.

Hidden economic activity includes the activities of enterprises and organizations (legal entities) that are registered with state administration bodies and fully or partially conceal their activities (income and other indicators) in their reports, as well as the activities of enterprises (individuals) that are not registered with state administration bodies at all and do not submit reports, whose production processes are relatively highly organized and operate on a larger scale.

Illegal economic activity includes the production, sale and storage of goods and services prohibited by law, as well as activities that are illegal when carried out by enterprises that are permitted by law but do not have the appropriate permits. These include arms trafficking, the cultivation and sale of narcotic drugs, prostitution, smuggling, production and service activities carried out without a special permit (production and sale of alcoholic beverages, provision of medical services, poaching), and others.

Typically, the impact of the volume of illegal activity on the level of supply and demand in the economy, as well as on the main macroeconomic indicators - economic growth, employment, inflation, is insignificant. Therefore, based on international experience, it is considered unnecessary to include illegal economic activity in the formation of macroeconomic indicators, and this Methodological Regulation does not provide for a statistical assessment of illegal economic activity in the Republic of Uzbekistan.

Statistical assessment of the unobserved economy can be carried out using direct and indirect methods.

Direct methods are based on the assessment of the activity of the sector using selective observations (household observations, observations of individuals in economic sectors, special observations of the activities of enterprises, observations of trade and service points, etc.) or using administrative information (results of tax and financial audits, information on registration and licensing, administrative registers, etc.).

Indirect methods are based on the analysis of various economic indicators and calculations based on indirect data that describe the activity of the sector being assessed. Indirect methods include the method of employment indicators based on labor costs, the monetary method based on the money supply, the resource-based method based on factors of production, the flow of goods method based on the movement of goods from production to consumption, and others.

When determining the size of the unobserved economy, a certain method is selected based on the specific characteristics of economic sectors, available sources of information, and other influencing factors; however, direct and indirect methods can also be widely used together.

The source of information for calculating the size of the informal economy is data from sample surveys of individuals working in the informal

sector and data from household surveys, which are formed in industry statistics. If necessary, additional special surveys are also conducted to increase the sample coverage. When assessing the informal economic activity in agriculture, the following are taken into account in the personal assistance of farmers and the population in the following farms:

- areas of agricultural crops;
- number of livestock and poultry;
- Special selective observations are conducted to determine the volume of agricultural production in kind (cereal crops, vegetables, potatoes, melons, fruits and berries, etc.), livestock (meat, milk, eggs, etc.), fish and poultry. This includes households that produce agricultural products for full or partial sale, as well as for their own consumption. The number of active farmers' and residents' personal assistance farms (empty set) is used as the basis for forming the sample set. The formation of the empty and sample set on farmers' and residents' personal assistance farms is carried out in two stages.

In the first stage, a list (empty set) is formed by regions, indicating the number of all dekhkon and population self-help farms operating in the Republic of Karakalpakstan, regions

and the city of Tashkent. When determining the number of dekhkon and population self-help farms, data from the state statistical observation form 1-DX “Report on the activities of dekhkon (self-help) farms” as of January 1 of the reporting year are used. Taking into account the differences in the number of farmers' and residents' personal assistance farms in the regions, the selection percentage when forming the sample set is determined based on their number in the relevant region. This ensures that the number of farmers' and residents' personal assistance farms under observation in all regions is close to each other. For example, there are a total of 8,544 units of farmers' and residents' personal assistance farms in the region (empty set), and the selection percentage for

observation in this region is 1.1 percent. Thus, 94 (8,544 / 100 x 1.1 = 94) farms (sample set) are selected for observation throughout the region.

In the second phase, based on the number of farms identified in the first phase, farmers' and residents' personal assistance farms throughout the region are selected and a list of them is compiled. In order to ensure more complete coverage and representativeness of the data, the monitored farmers' and residents' personal assistance farms are selected from several neighborhood citizens' meetings. Surveys and observations are conducted in a manner that fully covers all selected farmers and households, as well as all regions, regardless of whether they are legal entities or not.

The distribution of sample data to the general population is carried out based on the percentage of sampling for each region and each indicator of the survey. For example, the total number of farmers and households in the region is 8544 units, of which 1.1 percent or 94 households were selected for observation. The total grain yield of the 94 farms observed was 60 quintals (q).

The distribution of the sample data on the gross grain yield to the empty set is carried out using the following formula:

$Q=(q*100\ \%)/w$

where:

Q – gross grain yield in the empty set, quintals;

q – grain yield in the sample set, quintals;

w – sample coverage (share in the total), percent.

$Q=(60*100\ \%)/(1.1\ \%)=5454.5$

So, according to the results of the observation, the total yield of grain crops in the total for the region is 5454.5 quintals. Observation data for other indicators of a similar survey are distributed to the total. In the section on types of agricultural products, data in kind are converted into value based on price statistics.

Conclusions and recommendations.

The level of integration of existing databases in the Uzbek tax system is insufficient, which prevents full control of the financial activities of taxpayers. It is necessary to introduce a risk-based analysis system instead of traditional audit approaches to identify suspicious taxpayers. Expand the ability to automatically identify hidden income by introducing analytical models based on artificial intelligence into the activities of tax authorities. Develop a "tax reliability rating" system that assesses the activities of taxpayers, thereby establishing a practice of encouraging and classifying them into risky categories. Strengthen the mechanism for exchanging information with banking, customs and financial supervision authorities for the early detection of suspicious transactions. Train tax authorities on tax risk analysis, working with digital data and using artificial intelligence algorithms through ongoing training programs. The implementation of these proposals will serve to ensure transparency in the tax administration of Uzbekistan, reduce hidden activities, and strengthen tax discipline.

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