

WAYS TO ADVANCE THE INFORMAL ECONOMY IN OUR COUNTRY: PROBLEMS AND SOLUTIONS.

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Abstract: In this thesis, the major reforms aimed at creating beneficial conditions for conducting business activities, improving the investment environment, and further strengthening the trust of business circles in our country in the future were highlighted. At the same time, such areas as secret trade and public catering, automobile transport, housing construction and repair, provision of housing services, foreign experience, scientific and practical application in our country are being studied in the economy. and proposals are being formulated.

Key words: income tax, secret economy, profit transfer, conversion method, official sector, tax rate, international monetary fund.

Introduction. It is worth noting that the share of the informal sector in the industry has decreased from 20 percent to 6 percent over the past 5 years as a result of the liberalization of the foreign exchange market in Uzbekistan, new tax reforms, and a reduction of approximately 100 percent. permits and licenses. In addition, the reduction of the shadow economy is determined by the Decree of the President of the Republic of Uzbekistan "On organizational measures to reduce the shadow economy and improve the efficiency of tax authorities" dated October 30, 2020 No. PF-6098 and the contours of the ways to achieve it are defined. Among them, the main emphasis is on the consistent continuation of tax reforms and the introduction of tax rates that do not stimulate the hidden economy. At the same time, it is planned to create a separate structure that will assist the legal work of entrepreneurs with the involvement of experienced foreign experts. We believe that this structure will develop the necessary proposals for the optimal level of tax rates and, at the same time, will play an important role in the development and implementation of uniform rules of the game for all entrepreneurs after the introduction of these rates. .

It is worth noting that today only 13% of enterprises are equipped with online cash registers. This creates conditions for the circulation of funds outside the banking system. To prevent this, it is proposed to transfer 62 thousand enterprises with a turnover of 5 billion soums to the use of online cash registers. At the same time, the relevant authorities have been instructed to launch a marking system at 10 large enterprises producing alcoholic, brewing and tobacco products. Since 2021, this system has been implemented by all manufacturers of excisable goods.

According to the information service of the Ministry of Economic Development and Poverty Alleviation, the share of the hidden economy is 8.0% in countries around the world, including the United States, 36.5% in Brazil, 21.7% in Spain, 19.5% in Italy, Portugal 18.5%, Korea 18.4%, China 14.5%, Canada 11.0%, Germany 10.2%, Great Britain 9.6%, Australia 9.0%, Singapore 8.6% and Japan. It was 8.1 percent.

That is, in conditions of high taxes (including VAT), the law of diminishing marginal tax revenues applies - as tax rates increase, income growth slows down.

Considering that the secret economy and corruption always go hand in hand, solving the problem of corruption is considered as one of the measures to reduce secrecy. In particular, the Anti-Corruption Agency was recently created. This year, Uzbekistan rose 5 positions in the international anti-corruption rating. However, recently the Bukhara Regional Infectious Diseases Hospital purchased 50 oxygen concentrators for 12 million soums, while the price of their import from abroad was 3.2 million soums, or 4 times less, and the problem of corruption remains an axe at the bottom of the country. reforms indicate that the quality of danger is manifested.

Taking this into account, in order to prevent corruption in the field of public procurement and investment projects, the practice of "anti-corruption expertise" has been introduced before the implementation of each project. Compliance systems have been launched in the ministries of construction, health and higher education, Uzbekneftegaz, Uzkimyosanoat and banks. This practice, in turn, prevents the plundering of state property and creates conditions for the elimination of obstacles that prevent taxpayers from fulfilling their obligations.

Informal economy funds that did not enter the state budget. (trillion soums)

(The tax burden is calculated as 18 percent of GDP)¹

Table 1.

Years	Size of the hidden economy (by money circulation velocity)	Taxes that may fall to the budget	Size of the hidden economy (by cash deposits)	Taxes that may fall to the budget	Budget deficit
2019	277,6	51	266,3	48,9	13,5
2020	307,2	57,3	263,6	49,2	17
2021	311,7	58,4	225,1	42,2	40,7
2022	472,5	85	373,5	67,2	35,3
2023	491,7	90,2	402,6	53,8	41,0

If in 2022 85 trillion, which did not enter the state budget from the secret economy. when half of the amount of sums (42.5 trillion soums) is directed to the development of the social sphere:

- creation of additional 2.1 million student places in schools;
- organization of additional 10,000 beds in hospitals;
- purchase of 50 ambulances;
- it would be possible to pay the monthly salaries of 293,000 doctors for one year.

It is expected that the high birth rate observed in the republic today will put great pressure on social sphere facilities in the near future. For this, additional student places in schools and beds in hospitals are needed. According to forecasts of the expected population, by 2030 it is necessary to increase the number of beds in hospitals by 3,700.

¹ Data from the Institute of Macroeconomic and Territorial Research were used.
https://imrs.uz/publications/articles-and-abstracts/yashirin_iqtisodiyot



Many government agencies still work in the old way. It does not take advantage of digital technologies. As a result, productivity and quality of work are low. Taking this into account, it is planned to introduce digital technologies to strengthen customs control. As a result, by eliminating the "human factor", it is possible to put an end to cases of smuggling and artificial underestimation of the customs value of products. It is planned to integrate the database of imported products with the tax authority system and coordinate post-customs control. In addition, it was proposed to create a continuous chain of delivery of goods to the consumer by linking the import customs declaration to the electronic invoice. It is planned to launch the information system "Customs Audit".

Only 4.9 million out of 13.5 million employed in the economy are income tax payers. The level of informal employment remains high in construction, trade and public catering, transport and other service sectors. This requires improving the analysis of the shadow economy by sectors and industries.

Recently, the self-employment system of the population has been simplified, and the types of activities have been expanded from 24 to 67. This will allow the self-employed population, which makes up a third of the private sector, to come out of the shadows and connect to the pension system in the future. In 2022 alone, 184 thousand citizens transferred their activities to the official sector. Accordingly, it is planned to continue working to further reduce redundant procedures for permitting and licensing entrepreneurial activities.

We believe that the effective implementation of work in the above main areas will reduce the level of confidentiality, create an equal competitive environment for everyone, increase state revenues, as a result of which social facilities and social facilities will lead to an increase in funds allocated to the defense system. The secret (hidden) economy is usually understood as that part of the value created (added) within the country that is not taxed, is not controlled by the state and is not reflected in the country's gross domestic product (official economy).

There are mainly two types of secret economy. One is understatement/concealment of profits by enterprises (for example, failure to reflect transactions with residents and enterprises in accounting reports), the second is understatement of workers' income (for example, payment of wages in an "envelope" method).

According to the UN Development Program, the level of the shadow economy in Uzbekistan is estimated at 33 to 48 percent of GDP. "Developing countries illegally transfer \$100 billion in financial resources to other regions in the form of "profit shifting" per year, causing tax evasion within the national economy."²

In fact, such "surveillance" has both good and bad sides, depending on the circumstances. In the conditions of bureaucratic and corrupt obstacles to doing business and work, a significant part of the income received in the secret part of the economy is still spent in the official part of the economy and creates additional demand for goods and services produced in the official part of the economy. part, which stimulates economic growth. In addition, the shadow economy plays an important role in providing employment to the population. At the same time, "underground workers" are usually not protected, their rights are

² United Nations. A/HRC/31/61.GE.16-00535 (E)020216020216. Final study on illicit financial flows, human rights and the 2030 Agenda for Sustainable Development by the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights



not guaranteed, they are disconnected from the pension system. As a result of low revenues to the state budget, funds are allocated for the construction of public facilities, such as roads, parks and street lighting systems. As a result of the fact that the “burden” of those working in the shadow falls on the shoulders of representatives of the official sector, the competitive environment in the market is disrupted. According to the results of a survey conducted by the World Bank among 1,239 business entities in Uzbekistan in February-September 2019, the second pressing problem was the influence of the shadow sector on healthy competition in business. On average, 15% of entrepreneurs noted this problem as the main obstacle to doing business. It is noted that this problem is more relevant for small and medium businesses (17%) than for large businesses (10%). In the next places, the lack of electricity and problems with transport logistics (8.6 percent) are also partly closely related to the problem of the secret economy. Accordingly, a study of the experience of countries around the world shows that economically developed countries are tacitly in favor of reducing the scale of the economy. In particular, according to the International Monetary Fund, the scale of such an economy is average in high-income countries.

This is 15 percent, 28 percent for people with an average income and 39 percent for people with low incomes. "We need to be 'careful' in combating the hidden economy and not to harm economic activity. Combating the hidden economy does not mean punishing entrepreneurs and workers, hindering their activities. This is especially important during the pandemic,"³ the president's message says.

Low-paid jobs usually make up the bulk of the shadow economy. If they are addressed directly, the poor will suffer and there is a risk of slowing economic growth as a result of lower incomes or demand.

Conclusions and suggestions.

1. The state should create conditions that make it better to work in the formal economy than to be in the "shadow", and better to be in the "shadow" than to cease operations. This means that the speed and extent of reduction of the secret economy have reached the optimal point.

2. Strictness in relation to restricting confidentiality should be implemented only after the introduction of fair legal norms. After all, high taxes can motivate workers to work in the "shadow". Even in this case, if stricter standards are introduced, unemployment will grow and the formal part of the economy will suffer. Moreover, punishing the poor is not politically correct.

3. According to the results of a World Bank study, the majority of entrepreneurs in our country (23 percent) consider high tax rates to be the main factor influencing business development. The relevance of the problem of tax rates among representatives of small and medium-sized businesses (23%) is significantly higher than among large enterprises (19%).

Collection of literature.

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