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## **FUNDAMENTALS OF MODERNIZATION OF THE TAX SYSTEM**

***Abstract:** The article examines the differences between foreign and domestic scientists on improving the tax system. Analysis of content, necessity and significant modernization of the tax system. Additionally, conclusions and recommendations on the modernization of the tax system have been developed.*

***Key words:** tax, modernization, system, tax policy, technology, payment.*

**Introduction.** In the conditions of the market economy, the tax system is one of the state's means of managing the economy. The effectiveness of the tax system is important in ensuring economic development and social stability in the country. Therefore, the need to modernize the tax system and improve its conceptual foundations is increasing. This process is carried out in order to ensure the digital development of the economy, expansion of international cooperation and effective management of state finances.

Modernizing the tax system is an important effort to improve the efficiency, compliance and equity of tax administration. This process is especially relevant in an economic environment affected by technological development and changing needs of society, and a comprehensive approach to tax reform should include simplification of tax structures, application of innovative technologies and creation of strong management systems.

One of the main aspects of the modernization of the tax system is the simplification of tax structures. Simplified tax systems facilitate tax compliance and increase the efficiency of tax collection processes.

The result of the modernization of the tax system largely depends on how the state tax policy meets the requirements of the international financial and credit

institutions financing the project of modernization of the country's tax system, and how these requirements take into account the specific characteristics of the modernization of the tax system and the national economy. The importance of the problem of modernization of the tax system is also shown in the fact that now not only large enterprises, but also small and medium-sized businesses are being integrated into the world market economy.

Tasks of modernization of the tax system: the main goal of modernization of the tax system in Uzbekistan is to create a more favorable environment for economic growth, investments and innovations. By simplifying tax procedures, reducing compliance costs, and increasing tax administration capacity, the government aims to improve the business environment, promote entrepreneurship, and stimulate economic activity. In addition, modernization efforts are aimed at broadening the tax base, enhancing revenue collection, and ensuring long-term fiscal sustainability.

The urgency of modernizing the tax system is that its successful implementation will lead to improved compliance with tax legislation, increased revenues and strengthening of trust in tax authorities.

According to researcher W.H. Normurzaeva: "One of the most important elements of economic policy in ensuring the stability of the economy of our country is the further liberalization of tax policy, simplification of the taxation procedure, reduction of the tax burden, protection of the rights and freedoms of business entities, and an end to interference in their activities."

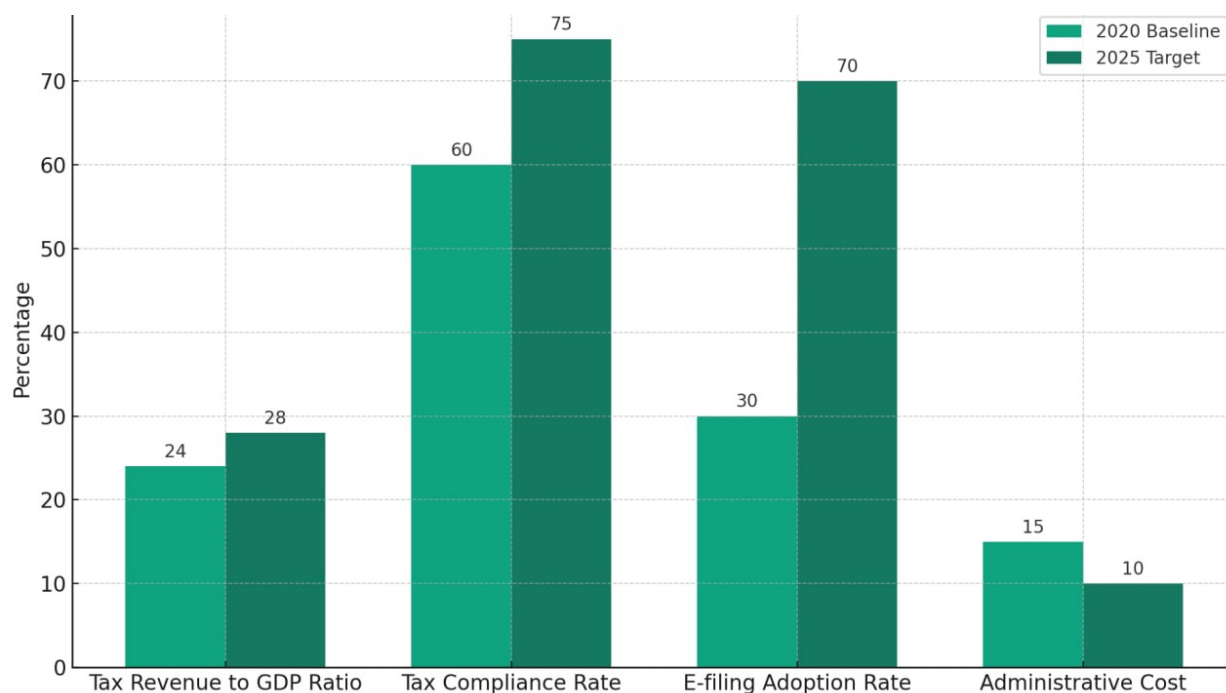
According to Oliver Wendell Holmes, a state's tax administration plays an important role in raising the revenue needed to finance government expenditures. No country can survive without taxes. In today's world, taxes are not limited to revenue collection, they represent a "fiscal contract" between society and the state, i.e. "payment for civilization".

The analyzes carried out on the modernization of the tax system cover, first of all, key aspects such as digitization, optimization of tax rates and increasing

transparency. Digitization of the tax system has increased the possibilities of simplifying and ensuring transparency of interactions between taxpayers and the state. Including, having full and accurate information about the activity and income of tax payers by the tax authorities will greatly contribute to the reduction of tax violations and the hidden economy.

People's willingness to pay taxes is inextricably linked to their sense of citizenship. This internal readiness, that is, tax culture, is strengthened by trust in the state, in particular, trust in the honesty of the tax administration. Therefore, a corruption-free tax administration is the basis for ensuring good governance, creates the basis for the formation of a strong fiscal contract and determines the willingness of the population to pay taxes voluntarily.

The tax system should be transparent to increase trust between the state and citizens. Citizens should be given clear and open information about how tax revenues are used. In this regard, the Tax Committee under the Cabinet of Ministers of the Republic of Uzbekistan, based on the requirements of the decree "On measures to increase the level of transparency of the activities of state bodies and organizations and introduce an evaluation system" [11], has carried out analytical and scientific research for the general public. has been providing transparent and reliable information that ensures consensus and public control. According to the results of 2023, the Tax Committee took the second place in the Republic of Uzbekistan with a value of 82.6 (+12.1) [12] in the transparency index conducted between the committees and inspections operating in the Republic of Uzbekistan. Also, modern tax systems should be based on the principles of digitization and automation. Digital systems ensure faster and more accurate tax collection, tracking and reporting, and strengthen tax discipline.



**Diagram 1. Achievements in the modernization of the tax system.**

This shows that the modernization of Uzbekistan's tax system can significantly increase tax revenue mobilization, compliance with legislation and administrative efficiency by 2025. The key to achieving these results is thorough implementation of reforms aimed at simplification, digitization, broadening the base and strengthening enforcement. Such reforms will not only support fiscal stability, but also provide a more equitable and growth-friendly tax system.

In the context of globalization, it is important that the tax system conforms to international standards. Cross-border tax cooperation helps reduce tax evasion, track international income and broaden the tax base. In addition, the tax system should be flexible to market conditions and economic changes. When new technologies and innovations appear, the tax policy should be able to quickly adapt to them. These principles are important principles for the stable and effective operation of the tax system, which contribute to the economic and social development of the country.

**Conclusions and suggestions.** Based on our analysis, we made the following conclusions and suggestions:

- in addition to simplifying the tax system, the integration of technologies plays a key role in the modernization of the tax system;

- the technologies of the industrial revolution have fundamentally changed traditional industries and require adaptation to them in order to maintain the relevance and effectiveness of tax systems;

- the focus of tax system reforms on technology and information management will significantly increase the capabilities of tax authorities in the future;

- for the successful implementation of the modernization of the tax system, a tendency to continuous improvement and adaptation is required;

- it is important to create monitoring mechanisms and management systems to combat tax reform failures.

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