

УДК 336.221

THE IMPACT OF DIGITAL ECONOMY ON TAXATION

Mirzanov B.J.

Karakalpak state university named after Berdakh

Sabirbaev D.K.

Karakalpak state university named after Berdakh

Abstract: *The main problems of taxation in the digital economy in the republic are revealed. The concept of the digital economy has been clarified. Proposals are proposed to improve the payment system and the efficiency of taxation and tax control in the transition to the digital economy.*

Key words: *digital economy, tax, taxation, e-commerce, e-business.*

The modern business subjects have tendency to perform their business activities not only on traditional commerce, as in the past, but also directly with information and digital technologies that facilitate the provision of services and expand the market. Rapidly developing information and communication technologies (ICTs) have already become an integral part of government policy and companies in addition to people's daily lives. Thus, the tax system has rising demand to develop tax adjustment to new changes and to respond new tax challenges properly.

Global Internet Protocol (IP) traffic, a proxy for data flows, grew from about 100 gigabytes (GB) per day in 1992 to more than 45,000 GB per second in 2017 (figure). And yet the world is only in the early days of the data-driven economy; by 2022 global IP traffic is projected to reach 150,700 GB per second, fuelled by more and more people coming online for the first time and by the expansion of the Internet of Things (IoT). ... Depending on the definition, estimates of the size of the digital economy range from 4.5 to 5.5 per cent of world GDP. [1]

Nowadays, the government is taking measures to transform the national economy into a digital economy in Uzbekistan, and important tasks have been

assigned for the next years to provide many areas with digital technologies and programs.

President Shavkat Mirziyoyev to address the Oliy Majlis have proposed to declare the year 2020 in our country as the Year of Science, Education and Digital Economy. President said that in order to cardinally reform and develop the sectors identified in the name of the year, we have to carry out large-scale work. In 2020, we must take a radical turn in the development of digital economy. First and foremost, it is essential to fully digitalize a number of spheres, including construction and energy industries, agriculture and water management, transport, geology, cadaster, healthcare, education, archiving. In the meantime, the e-government system, the programs and projects implemented within its framework should be critically reviewed, and all organizational and institutional issues be comprehensively addressed. [2]

To date, there is no generally accepted definition of a digital economy in the literature. Measuring the digital economy and related value creation and capture is fraught with difficulties. There is no widely accepted definition of the digital economy. Although several initiatives are under way to improve the situation, they remain insufficient, and are struggling to cope with the rapid pace of evolution of the digital economy.[1]

The professor of the Russian Academy of Sciences, R.V. Meshcheryakov, identifies two approaches. The first approach is class the digital, according to which the digital economy is understood as the economy based on digital technologies (directly, electronic goods and services: telemedicine, sales of media content - that, etc.), and the second - advanced: digital economy - economic production using with digital technology. [3]

The efficiency of achievement in new technologies and their integration in the business activity requires new approach from government in the field of taxation. The evolution of business models in general, and the growth of the digital economy in particular, have resulted in non-resident companies operating

in a market jurisdiction in a fundamentally different manner today than at the time international tax rules were designed. Advances in business practices, coupled with advances in ICT and liberalisation of trade policy, have allowed businesses to centrally manage many functions that previously required local presence, rendering the traditional model of doing business in market economies obsolete. The fact that existing thresholds for taxation rely on physical presence is partly due to the need in many traditional businesses for a local physical presence in order to conduct substantial sales of goods and services into a market jurisdiction formed. It is also due in part to the need to ensure that the source country has the administrative capability of enforcing its taxing rights over a non-resident enterprise. The fact that less physical presence is required in market economies in typical business structures today – an effect that can be amplified in certain types of businesses in the ICT sector – therefore raises challenges for international taxation. [4]

The advent of fast-paced digital technologies creates the pros and cons of taxation. Firstly, we research the relationship between business entities. Financial and commercial operations in the virtual zone may reduce the oversight function of the tax authorities. According to the Civil Code of Uzbekistan, part 790, [5] settlements between legal entities, as well as settlements with the participation of citizens related to their entrepreneurial activities, are made by bank transfer.

Settlements between these persons may also be made in cash, unless otherwise provided by law. Cashless payments are made through the bank and other credit organizations in which those involved in settlements are open, unless otherwise provided by law and is not connected with the form of settlements used. [6] The act means that the financial transfers between sides must move in the first or secondary bank account. This circulation prevent from expanding tax infractions and black economy. Thus, the activities of organizations related to production and services are fully included in the tax

vase, which makes it possible to correctly calculate the amount of tax. The development of the digital economy can lead to the creation of new fund channels that can transfer money illegally and cannot be controlled by tax authorities. In turn, the digital economy challenges the national tax system. It is known that in the past tax offenses were carried out in cash by moving funds without indicating ATMs. In the developed digital economy, various programs and mobile applications are based on financial services that facilitate the movement of funds. Consequently, electronic funds acquire ready-made money with their liquidity, regardless of the differences between business partners. For example, two business entities verbally agree to trade in goods in the millionth amount (sum). The payer sends money to the seller's individual card issued to an individual using a mobile application, in the form of common electronic money or a wallet. Receiving funds without registering in any legal documents, the seller sends the ordered goods without having to complete any accounts. Consequently, a bank account circulates from this fund, which is not economically dependent on a legitimate bank account and tax vase. Every day, such financial transactions for a small amount of money can occur many times between business entities and create obstacles to control by the tax authorities. Electronic money and wallet payments occur frequently, and it is almost impossible to control the reason these funds are sent. In financial relations between consumers and producers, there are serious problems associated with taxation. In the past, tax violations, such as the lack of registration of daily cash income at an ATM, often used to be committed, but today these violations are getting a little older in the digital economy. However, new violations, as in the past, appear step by step. For example, a shirt is bought for 200,000 SWM in a store. the buyer must send the trust fund from his individual plastic card to the seller's plastic card, which is issued to individuals. Therefore, this leads to a decrease in the tax vase. Such situations occur in our modern economy. Thus,

we came to the conclusion that this requires an improvement in our tax system. To solve the matters which are noted above, we propose these measures:

- in the all mobile applications based on financial services To include the legal bank account of all enterprisers in Uzbekistan regardless of resident or non-resident and to create opportunity for consumers to pay without terminals;
- To introduce the additional responsibility in the Civil Code of Uzbekistan which requires people contribute to insert the funds into the legal bank accounts;
- To propaganda the importance of budget funds in the community. Because in the developed countries the people observe incentive to pay tax on time.

We believe that these proposes can improve our tax system and take effect on profitable

References:

1. United Nations Conference on Trade and Development (UNCTAD) “Digital Economy Report 2019” United Nations Publications, 300 East 42nd Street, New York, New York 10017, United States of America
2. President.uz O’zbekiston Respublikasi Prezidenti Shavkat Mirziyoyevning Oliy Majilisga Murojaatnomasi
3. Tsifrovaya ekonomika: kak spetsialisty ponimayut etot termin [*Digital economy: how experts understand this term*], <https://ria.ru/science/20170616/1496663946.html>
4. OECD (2014), “Broader tax challenges raised by the digital economy”, in *Addressing the Tax Challenges of the Digital Economy*, OECD Publishing, Paris.
5. Nrm.uz “O’zbekiston Respublikasi Fuqarolik Kodeksi”
6. Olbert, Marcel; Spengel, Christoph (2019) : Taxation in the digital economy: Recent policy developments and the question of value creation, ZEW Discussion Papers, No.19-010, ZEW - Leibniz-Zentrum für Europäische Wirtschaftsforschung, Mannheim