

ISSUES OF RAISING THE TAX COMPLIANCE CULTURE

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ABSTRACT	KEY WORDS
This research article is devoted to the consideration of the issues of raising the tax compliance culture. By determining the most advanced practices, highlighting the impact of specific legislative changes, as well as making recommendations, this study contributes to ongoing improvements in optimizing tax systems globally. The research findings may be particularly relevant to practitioners seeking to strike a balance between revenue generation objectives and fostering a tax environment that encourages voluntary compliance.	Tax obligations, taxes, levies, tax evasion, taxation.

Introduction

Currently tax compliance is crucial to the economic well-being of any country. It is the responsibility of citizens and businesses to do their fair share to finance essential public services and infrastructure. While tax evasion remains a persistent problem, governments around the world are increasingly recognizing the importance of developing the tax compliance culture. This study investigates efficiency of efforts to promote the tax compliance culture and its impact on fiscal responsibility. Efficiency of tax systems depends not only on legal frameworks and enforcement mechanisms, but also on voluntary compliance by individuals and business entities. In recent years, there has been a growing demand among politicians and scientists for the need to educate the culture of tax compliance - a social ethic that goes beyond simple legal obligations and encourages citizens to willingly fulfill their tax obligations.

The issue of executing tax obligations is multifaceted and includes economic, psychological and sociological aspects. Traditionally, the focus has been on punitive measures and enforcement strategies to combat tax evasion. However, the paradigm shift toward preventive and proactive approaches has accelerated. Fostering a culture in which tax compliance is treated as a civic duty and social norm has emerged as a key strategy in the arsenal of policymakers aiming for sustainable fiscal responsibility.

The significance of this study lies in its ability to address gaps in the existing literature and provide a comprehensive understanding of the factors influencing tax compliance culture. As governments around the world grapple with the challenges of revenue collection and economic sustainability, insights from this research can help shape effective policies and strategies. In addition, the study aims

to contribute to the theoretical foundations of tax compliance behavior by enriching academic debates in economics, psychology, and sociology.

Literature Review

It should be noted that much research is being done in this focus area and the importance of creating a culture for tax compliance is increasing.

Education plays an important role in shaping a person's behavior, values and attitudes. The more taxpayers know about the tax system and the significant role it plays in their daily lives, the more willing they are to support it (A.Cirman et al., 2021).

According to T. Engida and G. Baisa (2014), literate taxpayers may have more information about the ways to avoid paying taxes, but they have a better understanding of the tax system and their level of development helps them to be more comfortable with taxes and to strengthen compliance with tax laws.

In addition, priority should be given to training young people as future tax payers (OECD, 2021). A. Cirman et al. (2021) and OECD (2021) emphasize that education and involvement of young people in various forms of financial activity will foster the "culture of compliance" to support the growth of public financial revenues by understanding the role of taxation, as well as their rights and obligations. According to A.Cirman et al. (2021), education is a way of empowering taxpayers by providing them with the knowledge and tools they need to better understand the tax system and by enhancing their tax morale, resulting in improved tax compliance. Thus, taxpayer education initiatives can be an effective way to build trust and increase public activities.

These initiatives raise people's commitment to the common good, emphasize the social value of taxation and its relation to public spending (OECD/FIIAPP, 2015). New initiatives of the taxpayer education and communication can encourage future taxpayers to be more ethical when paying their taxes, explaining why it's important for everyone to pay their fair share (European Commission, 2017). From the point of view of A.Cirman et al, (2021), educating young people can be a lever that raises the national tax culture and has a constructive effect on the country's tax compliance and tax morale.

Previous studies have shown that, in addition to tax education, knowledge of tax regulations makes a significant impact on taxpayers' compliance behavior. In the opinion of K. Bandara, V. Weerasooriya (2021), people who have more knowledge about tax law, appreciate the importance of taxes and thus increase government revenue from the tax sector. Taxpayer awareness of the significance of filing and paying taxes on time is also essential to ensure tax compliance.

Our overall opinion formulated in reliance upon the literature review is that understanding tax compliance requires a multidisciplinary approach that integrates economic, psychological, and sociological perspectives. Several theories have been developed to explain and predict tax compliance behavior, each providing unique insights into the factors influencing individuals and businesses.

Analysis and Results

Economic sustainability is based on the government's ability to provide a stable and consistent revenue stream. A robust tax compliance system enhances predictability, enabling governments to plan and implement fiscal policy with some degree of certainty. When citizens and businesses meet their tax obligations, governments can avoid budget deficits, reduce reliance on debt financing, and

maintain fiscal discipline. This, in turn, raises an investor confidence, improves economic stability and creates an environment conducive to sustainable growth.

Tax liability is not only an economic obligation, it is a social contract that ensures provision of essential public services and supports the welfare of citizens. Public welfare encompasses a wide spectrum of social needs, including education, health, social welfare and infrastructure development. These services are closely connected with tax revenue.

When citizens and businesses fulfill their tax obligations, governments can allocate resources to social programs that address inequality, expand access to education and health care, as well as provide a safety sphere for the vulnerable layers of the population. Hence, tax compliance directly contributes to creating a fair and inclusive society that shares all the benefits of economic development.

On the contrary, non-fulfillment of tax obligations poses a great threat to economic sustainability and public welfare. This, in turn, may require austerity measures, an increase in public debt, or a reduction in investment in critical sectors, which will make a negative impact on economic sustainability and public welfare.

Furthermore, the burden of non-compliance often falls disproportionately on the most vulnerable members of society. Inadequate financing of social programs can result in the lack of access to quality education, health and social services, which can perpetuate cycles of poverty and inequality.

Actually, tax compliance is a key driver of community development, linking economic sustainability and social welfare. A culture of responsible tax compliance lays the groundwork for a thriving economy that ensures a steady flow of resources to meet the multifaceted needs of the population.

The crucial role of education in shaping social attitudes and behavior extends to the area of tax compliance as well. Theoretical frameworks such as the theory of planned behavior and social learning theory provide an understanding of how educational initiatives affect individual attitudes, subjective norms, and perceived behavioral controls for tax compliance. By eliminating the lacks in knowledge, dispelling misconceptions, as well as promoting a sense of civic duty, education acts as a catalyst for positive tax compliance behavior.

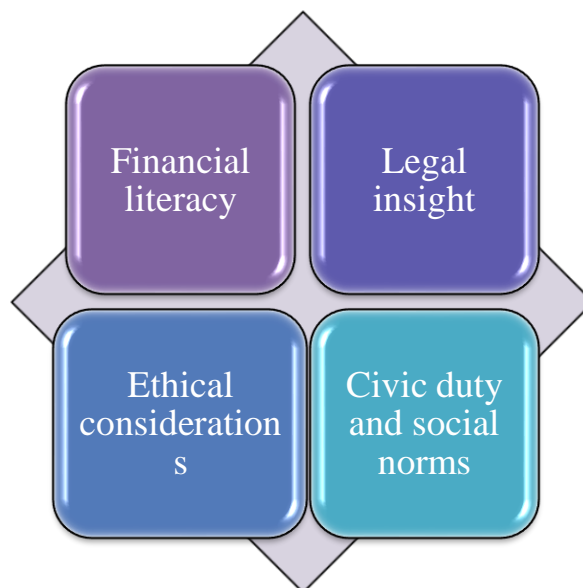


Figure 1. Components of efficient tax education¹

¹ Developed by the author in reliance upon the literature analysis

As illustrated in Figure 1, efficient tax education includes a number of components, including:

- financial literacy – education to empower individuals with financial literacy to understand the impact of taxation at the individual and society level;
- legal insight - clarifying tax laws, regulations and obligations to eliminate confusion and encourage informed decision making;
- ethical considerations - bringing together discussions on the ethical aspects of tax compliance, fostering a sense of responsibility beyond legal authority;
- civic duty and social norms - instilling a sense of civic duty and emphasizing the social benefits derived from tax payments, thus establishing tax compliance as a social norm.

In general, the transformative power of education in developing the tax compliance culture is great. By equipping individuals with knowledge, inculcating ethical reasoning and emphasizing civic responsibility, education emerges as a key factor in collective efforts to promote the tax compliance culture.

Analysis of educational initiatives makes a significant impact on tax law awareness and behavior. Quantitative results demonstrate a statistically significant increase in participants' awareness and positive changes in attitudes toward tax legislation. Qualitative insights emphasized essentiality of promoting financial literacy, explaining legal obligations, and instilling a sense of civic duty through educational programs.

Moreover, transparency of the tax policy has been revealed as a decisive factor influencing compliance with the tax legislation. Providing clear information about tax obligations and the rationale behind tax policies is positively associated with increased voluntary compliance. In addition, technology integration has streamlined processes and reduced inadvertent non-compliance. Research demonstrates that the combination of transparent policies and technological advances enhances perception of fairness and fosters a culture in which individuals and businesses willingly comply with their tax obligations.

On the other hand, enforcement and deterrence mechanisms play a dual role in tax compliance. Although strict enforcement and deterrent penalties are associated with reductions in willful non-compliance, a punitive approach alone may not be an adequate measure. The integration of both enforcement and incentives in a comprehensive framework has emerged as a balanced strategy for developing a strong culture of tax compliance.

Fostering a culture of tax compliance requires a comprehensive approach that combines education, transparency, technology, fairness and effective execution. The society that understands significance of taxes believes in the fairness of the system and sees the benefits of compliance can contribute to the financial stability of its country. As governments continue to refine their strategies to promote a culture of tax compliance, they are paving the way for sustainable economic development and the delivery of essential public services.

Table 1. Strategy to improve the tax compliance culture²

<i>Measures</i>		<i>Outcome</i>
Financial literacy development		Improving tax literacy starts with informing and explaining significance of taxes to the population. It is important that governments invest in education to educate citizens about the benefits of paying taxes and the consequences of tax evasion. Such initiatives contribute to fostering a sense of civic duty and responsibility.
Transparent tax policy		Openness and transparency of tax policies are essential to encourage compliance. When tax laws and regulations are simple and understandable, individuals and businesses can willingly comply. Governments should try to simplify the tax code and communicate the changes effectively, reducing confusion and willful non-compliance.
Technology automation	and	The integration of technology and automation in tax systems can simplify processes and make it easier for taxpayers to fulfill their obligations. Automated systems can reduce errors, improve efficiency, and provide a more convenient user experience. In addition, the technology can be used for data analysis to identify potential tax evasion cases and prevent individuals and businesses from attempting to evade taxes.
Fair taxation		Fairness in taxation is crucial to ensuring compliance with the law. Citizens are more likely to comply with tax laws if they believe that the tax burden is fairly distributed in society. Governments must continually evaluate and adjust tax policies to ensure they are progressive and do not disproportionately burden certain groups. This helps intensify confidence in the tax system and encourages voluntary compliance.
Efficient execution and prevention	and	While developing a culture of tax compliance is important, execution remains a crucial factor. Governments must have effective mechanisms to detect and punish tax evaders. Publicizing successful sanctions or punishment measures can act as a deterrent to tax evasion. Striking a balance between incentives and execution is critical to a comprehensive approach to the tax legislation.
Incentives for compliance	for	Governments can introduce incentives to reward compliant behavior. This may include tax incentives, deductions or other incentives for individuals and businesses that consistently meet their tax obligations. Providing positive reinforcement can contribute to a culture where tax compliance is not only a legal requirement, but a socially approved standard.

Summarizing the research results we can emphasize the important role of educational initiatives in raising awareness and creating positive attitudes towards tax compliance. The combination of transparency in tax policy and technological progress is considered as an essential tool in creating a tax environment characterized by equality and fairness. A well-reasoned integration of enforcement measures and incentives appears to be a rational and coherent strategy that encourages compliance while mitigating excessive burdens on taxpayers.

² Developed by the author

Conclusion

The impact of the established policy resonates with a clarion call for government structures to prioritize tax literacy initiatives, strengthen transparency frameworks, make smart use of technological advancements, as well as undertake proactive steps to strike a harmonious balance between fiscal obligations and incentives. The recommendations outlined here support a synergistic and collaborative paradigm, involving educational institutions, businesses and citizens in collective action to promote a pervasive culture of tax compliance.

Challenges identified include uncovering cultural complexities, ensuring the inclusiveness of initiatives, and ameliorating potential gaps in technological assimilation. However, these challenges present opportunities to create a tax infrastructure that not only achieves fiscal goals, but also enhances economic stability and social welfare.

The research results justify the fact that development of tax compliance ethics goes beyond the scope of government privileges and becomes a society. It will require a symphony of efforts by politicians, educators, businesses and citizens. It requires constant discourse, flexibility, and a collective commitment to the principles of objectivity, transparency, and civic conscience.

At the end of the discussion, it is necessary to emphasize that the fulfillment of tax obligations is not only a legal necessity; rather, it undertakes a collective agreement for the prosperity and well-being of the people of Uzbekistan. This will eliminate tax evasion in the future and result in the economic stability in the future.

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