



THE SOCIO-ECONOMIC ESSENCE AND SIGNIFICANCE OF TAX ADMINISTRATION IN TAX POLICY

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ABSTRACT

This article analyzes the socio-economic essence and significance of tax administration in tax policy. It also discusses the advanced experiences of foreign countries, their shortcomings and achievements in improving the tax system. The article primarily focuses on enhancing tax administration and includes analysis based on the opinions and views of economists in this field.

KEY WORDS

Tax administration, taxpayers, tax policy, tax burden, tax consultants, property taxes.

Introduction

In international practice, the budget systems of countries are shaped by the organizational structure of statehood. In unitary states, the budget system consists of two levels (central and local budgets), while in federal states, it consists of three levels (federal, regional, and local budgets). In confederations, however, regional autonomy in the budget system is extremely high, the central budget is almost non-existent or very limited, and the main financial resources of the state are controlled by the regions.

Taxes are distributed among the state (federal), regional (state), and local (municipal) budgets. In economically developed countries, taxes collected from land, property, and real estate constitute the main portion of state budget revenues. In the 38 member countries of the Organisation for Economic Co-operation and Development (OECD), these taxes account for 0.9–1% of GDP and comprise 2.5–10% of total tax revenues.

Property taxes are implemented in more than 130 countries around the world and are considered a crucial factor in forming local budget revenues. To ensure efficient use of property by owners, various impactful measures are being implemented to increase the share of property tax revenues within local budgets. For example, property taxes constitute 40% of local budget revenues in Canada, 30% in the United Kingdom, and 20% in France.

In countries like France, Sweden, and the United States, property taxes serve as a primary source of income for local budgets, with a particular emphasis on taxing real estate. Meanwhile, countries such as Germany, Canada, the Netherlands, and Denmark prioritize the effective taxation of land.

One of the main objectives of the tax system is to ensure that all taxpayers with tax obligations pay their taxes and other mandatory payments to the state budget in full and on time. Fulfilling this objective is largely dependent on the tax administration system in place and its effectiveness.

Before discussing tax administration in detail, it is essential to first examine tax theory and principles of taxation, as tax administration is an integral part of tax policy and is shaped based on those theoretical foundations and principles.

Taxes are an objective necessity for the formation and functioning of any state. This necessity defines their essence. There are both universal and specific views on the nature of taxes among scholars worldwide, including those in our country. As society continues to evolve, so too do these perspectives. In essence, taxes are obligatory payments set at defined rates that are collected without granting direct individual benefits to the payer. They serve as a financial means to support the functioning of state and local governments and to fulfill their responsibilities.

The viability of tax policy lies in its stability, effectiveness, and efficiency. In turn, this viability is closely tied to the tax system and the fundamental principles of taxation. Therefore, it is appropriate to begin by reviewing these basic principles before delving deeper into the topic.

The renowned English economist Adam Smith, who made a significant contribution to the theory of taxation, elaborated on four fundamental rules that must be observed in tax collection. These rules, widely referenced in economic literature, are known as Adam Smith's principles of taxation:

Equity Principle – All citizens of a state should contribute to government expenses in proportion to their ability to pay, i.e., in line with the income they earn under the protection of the state. Observing or neglecting this principle leads to either fairness or inequality in tax distribution.

Certainty Principle – The tax which each individual is bound to pay ought to be certain, not arbitrary. The time, manner, and amount of payment should be clear and predetermined for both the taxpayer and any external parties.

Convenience Principle – Every tax should be collected at a time and in a manner that is most convenient for the taxpayer. For instance, if the tax is collected when the rent or income from land is received, the taxpayer is more likely to have the funds to pay it.

Economy Principle – Every tax should be levied in such a way that the costs of collection, from the taxpayer to the treasury, are minimized.

The tax system, which forms the foundation of a state's tax policy, is made up of taxes, duties, and other mandatory payments necessary for the formation, operation, and sustainability of the state. When introducing these measures, the state relies directly on the above-mentioned principles.

Tax administration, in turn, is the primary tool that regulates the relationship between the state and taxpayers. In other words, it ensures the implementation of tax policy and reflects its main directions. Through tax administration, the state coordinates the functioning of the tax system and the activities of tax authorities. This function becomes especially significant in the context of a market economy.

Foreign literature offers various definitions of tax administration. Some researchers view it as the daily operations of tax authorities, others see it as the control function of the tax service to ensure budget revenues, while another group of scholars interprets it as a set of relationships connected to tax governance.

In several countries, tax administration is considered an integral element of the public administration system governing tax relations.

In many countries, tax administration is considered a core function of the Ministry of Finance, with the tax authority retaining certain autonomous responsibilities. For instance, in the United States and United Kingdom, the agencies are known as the Internal Revenue Service (IRS); in France, it is referred

to as the General Directorate of Public Finances; while in Germany, tax administration is carried out by the Federal Tax Office and specialized land tax authorities.

In Russia, the term tax administration and the theory and methodology of tax relations emerged with the transition to a market economy, particularly after the dissolution of the Soviet Union. One of the first to address this topic was economist M.T. Ospanov, who in his 1997 work *"Tax Reforms and Harmonization of Tax Relations"*, defined tax administration as "the management of taxes carried out by the state based on the authority and official duties established in tax legislation."

Russian economist V.A. Krasnetsky, supporting Ospanov's view, expanded the scope of tax administration, noting that it should also include forecasting tax revenues, developing new taxation concepts, and establishing a tax policy framework to support protectionist strategies in foreign economic activities.

Economists I.A. Perenko and V.A. Krasnetsky further emphasize that tax administration should be understood as the system through which the state governs all tax relations, including functions such as forecasting tax revenues, approving the budget, optimizing tax rates, allocating tax shares, and evaluating the tax potential of regions.

Meanwhile, G.Ya. Chukhrina defines tax administration in a narrower sense, focusing on the efficient organization and execution of tax audits and control functions.

An analysis of Russian scholars' perspectives reveals a lack of consensus on the definition of tax administration. Most view it primarily as the activity of tax authorities in ensuring compliance with tax legislation by legal and natural persons, which often aligns with the concept of tax control.

Historically, tax administration was interpreted narrowly as "tax control." However, today it is understood more broadly as an organizational and managerial system for implementing tax relations, utilizing methods and structures aimed at ensuring tax revenue inflows into the national budget system. Currently, researchers consider tax administration to include elements such as tax planning, regulation, consultancy, accounting, and analytical work performed by tax authorities. Some economists define it as a complex of coordinated actions aimed at ensuring the full and timely collection of all taxes with minimal administrative costs.

For example, L.I. Goncharenko regards tax administration as a broader concept than tax control but still sees it as a limited managerial component of the tax system, focusing on the responsibility of tax bodies and officials to ensure timely tax and fee payments.

According to O. Ifueko, a unique aspect of tax administration is the multi-stakeholder involvement, including:

- the taxable party (the taxpayer),
- the collector (tax authorities),
- the user of the taxes (government ministries and agencies),
- the lawmakers who create tax laws, and ultimately,
- the citizens on whose behalf and for whose benefit the taxes are collected.

Economists D. Abdulov and O. Abdurakhmanov describe tax administration as the responsible service that ensures timely tax revenue inflows into the budget. Notably, the amount of tax revenue is determined annually during the planning of the state budget, and this process depends heavily on the accuracy of financial forecasting and planning.

Economist Kh. Jamalov defines tax administration as a component of tax management that ensures the full and timely collection of tax revenues into the state budget, and it is expressed through the set of functions and tasks performed by authorized bodies aimed at achieving this goal.

According to U. Berdieva, tax administration is one of the key quality indicators in organizing the tax system and executing tax revenue collection in line with modern requirements.

Economist A. Giyasov believes that the effectiveness of tax administration depends largely on establishing legal norms that regulate the relationship between tax authorities and taxpayers. Tax administration should ensure taxpayers understand the system, establish fairness, and secure a proper place for taxpayers within the tax relationship framework.

According to Pogorletsky and Keshner, “the integration of digitalization and information technologies into tax administration should reduce the workload of tax authorities and help decrease tax and insurance arrears.”

Economist T.A. Slesareva explains that tax administration is “a managerial process among participants in tax relations, which arises during the collection and control of taxes by tax authorities in the execution of obligations between various levels of the budget system.” She suggests clarifying the definition of tax administration in both broad and narrow terms:

- In the broad sense, tax administration is viewed as a tax management system within the administrative governance structures at various levels, where a central body enforces strict administrative measures in federal and regional tax relations. This includes using international experience in tax planning, regulation of tax collection and control, and managing taxation processes with socio-economic and fiscal functions in mind.

- In the narrow sense, tax administration is the direct activity of tax authorities ensuring compliance with tax legislation by all participants in tax relations.

In their 2005 textbook *"Tax Administration"*, O.A. Mironova and F.F. Khanafiev define tax administration as “a dynamically developing system for managing tax relations that coordinates the activities of tax authorities in a market economy.” They emphasize two key aspects:

- Tax administration functions primarily as a coordination system for tax authority activities.
- It also serves as a governance system for tax relations.

In our view, while expressions like “in a market economy” and “dynamically developing” used by Mironova and Khanafiev are somewhat useful in explaining the essence of tax administration, they are not decisive criteria in defining its full scope.

However, it should be acknowledged that their definitions stand out for being concise and relatively precise — a strength worth noting. At the same time, we believe that their definitions do not fully capture the entire essence and substance of tax administration, primarily because not all relevant aspects have been considered.

Therefore, these definitions may not suffice to be regarded as comprehensive representations of the essence of tax administration.

A number of Uzbek economists have also contributed to the academic understanding of tax administration. For instance, economist F. Mirzayev, in his study guide *"Modern Methods of Tax Administration"*, states that:

“Tax administration is the system of managing tax relations by coordinating the activities of tax authorities in the implementation of tax policy, based on the rules of tax law.”

In our view, the definition of tax administration discussed above more fully expresses its conceptual essence by emphasizing two critical aspects: (1) its foundation on the principles of tax law and (2) its role in the implementation of tax policy. However, even this interpretation does not offer a universally comprehensive and fully developed framework of tax administration that aligns with all functional and institutional criteria.

A holistic understanding of tax administration requires consideration of several key factors, primarily drawn from the fundamental functions taxes serve in a state's governance system. Tax administration should be regarded as a system that ensures the stable development of tax relations between the state and taxpayers. It is, therefore, an objective necessity for the distribution and redistribution of national income.

When treated as a system, tax administration must incorporate the following elements:

- A strategic purpose that governs and continuously improves the system,
- A clear structure involving economic components such as subjects, objects, and core instruments of management.

From this systemic perspective, we argue that the primary goal of tax administration is to achieve an optimal balance between the fiscal and redistributive functions of taxation, with minimal economic cost, thereby supporting the sustainable development of the national economy.

At the macro level, this entails the following tasks:

- Analyzing macroeconomic taxation processes and developing forecasting models,
- Evaluating deviations between projected and actual fiscal indicators,
- Developing a conceptually and scientifically sound model of tax administration.

At the micro level, tax administration must ensure effective control over revenue collection by minimizing compliance costs for both taxpayers and the state, in full accordance with tax legislation.

Key responsibilities include:

- Implementing the legal framework of tax legislation into practice,
- Mobilizing tax and fee collection in day-to-day operations,
- Designing and executing organizational measures to improve institutional efficiency.

As in any governance system, tax administration involves two main components:

- The subject – administrative bodies empowered with specific legal rights and responsibilities,
- The object – taxpayers legally obligated to calculate and remit taxes.

The object of tax administration is thus the web of tax relations between these two components. Tax administration, as a governance mechanism, integrates several key functions:

- Tax planning
- Accounting and reporting
- Tax audits and control
- Regulation of tax processes

These collectively form the functional structure of the broader tax mechanism- an essential economic instrument for managing fiscal relations.

Among these, tax planning is essential for determining revenue targets and optimizing the tax burden.

The accounting and reporting functions enable authorities to:

- Assess the tax potential of regions,
- Gather and process taxpayer data,
- Monitor compliance and ensure timely payments,

- Generate analytical reports to inform fiscal decisions.

The accuracy of tax accounting serves both administrative and policy interests and underpins the operation of all components within the tax administration system.

Tax control is a crucial function aimed at minimizing tax evasion and ensuring stable budgetary inflows. Through effective oversight, authorities can guarantee timely and full tax payments by both individuals and legal entities. As noted by M. Kiazolu, property tax is recognized as a stable and hard-to-evade source of revenue. Property tax systems typically consist of two components: the tax base and the tax rate.

Entities involved in tax control include taxpayers, tax and customs authorities, and other state bodies responsible for tax collection and enforcement.

The regulatory function of tax administration aims to balance the interests of various stakeholders-communities, corporations, and individuals-by ensuring adequate budgetary resources while maintaining economic stability, particularly in the production sector.

In summary, the core responsibilities of a tax administration system include:

- Designing and forecasting long-term tax policy,
- Improving conditions for compliance and equitable taxation,
- Optimizing the tax structure and reporting mechanisms,
- Ensuring accuracy in tax assessments and collection,
- Coordinating legal compliance and protecting stakeholder rights,
- Managing revenue distribution across different budget levels,
- Developing proposals to improve tax administration performance.

Hence, in a broad sense, tax administration should be seen as a comprehensive system of actions carried out by authorized state institutions, aimed at defining, implementing, and continuously improving tax policy. This includes establishing a robust legal framework, fine-tuning operational mechanisms, and improving the efficiency of tax collection.

Core operational areas of tax administration include:

- Taxpayer registration and database management,
- Monitoring tax filing and reporting compliance,
- Tracking and recording tax revenues,
- Enforcing tax payment obligations,
- Organizing audits and inspections,
- Applying sanctions in case of legal violations,
- Providing tax education and advisory services,
- Preparing proposals to reform tax legislation.

These domains reflect the multifaceted relationship between the state and taxpayers-a theme that will be further elaborated upon in the subsequent chapters of this research.

Conclusion and Recommendations

The effectiveness of socio-economic reforms implemented within the framework of a market economy is directly linked to the efficient use of state budget resources. The optimal structure and proper execution of the budget serve as a foundation for the country's macroeconomic stability and economic growth.

As taxes represent the primary source of revenue for the state budget, the proper determination and administration of taxes have consistently been a matter of concern -not only in the present day, but historically, since the formation of statehood itself. During the course of this research, the works of economists and experts in the field have been analyzed to understand various theoretical approaches to tax policy.

Just as each stage of economic development has its own characteristics, the modern market economy also necessitates a tax system that is appropriately adapted to current realities. An effectively designed tax system is one of the critical factors for national development and the well-being of the population. Otherwise, mismanagement in the state budget and instability in economic development may arise, ultimately affecting the public's standard of living.

In this context, stabilizing the revenues of local budgets through the revision of procedures for calculating and collecting property and land taxes paid by taxpayers holds significant importance.

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