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**Abstract:** This article comprehensively analyzes the causes of tax fraud in the Republic of Uzbekistan in the context of corruption and the level of legal awareness. The study is based on empirical data collected during 2022–2024, reports of international organizations (Transparency International, World Bank, IMF), national statistics and information from state tax authorities. The article identifies institutional, psychological, economic and social factors that cause tax evasion and tax fraud, and their interrelation is scientifically substantiated. The study was conducted based on the Allingham-Sandmo theoretical model, Tax Culture Theory and Social Norm Theory. The results of the analysis show that there is a statistically significant positive correlation between the corruption index and the level of tax evasion, and a low level of legal awareness can increase tax fraud by 37–45%. The article develops practical proposals and recommendations for increasing the efficiency of tax administration, improving mechanisms for combating corruption, and raising tax culture. The results of the study are of great importance in the formation of state tax policy.

**Keywords:** Tax offense, tax evasion, corruption, legal awareness, tax culture, tax administration, fiscal policy, Allingham-Sandmo model, digitalization.

## INTRODUCTION

The tax system forms the financial basis of any state, plays an important role in financing state expenditures and ensuring socio-economic stability. <sup>1</sup>In the Republic of

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<sup>1</sup>Tax Code of the Republic of Uzbekistan. December 25, 2007. – Tashkent: Adolat, 2023. – 512 p.

Uzbekistan, tax reforms have also been implemented at a rapid pace in recent years: within the framework of the Development Strategy for 2022–2026, tax administration is being improved and digital services are being expanded.

However, global practice and national statistics show that tax fraud remains a serious problem globally.<sup>2</sup> According to a 2023 report by the International Monetary Fund, developing countries lose 2–4 percent of their GDP annually to tax evasion.

According to Transparency International's Corruption Perceptions Index (CPI) for 2023, Uzbekistan ranks 121st among 180 countries, with a score of 33 on a 100-point scale. This indicator indicates the need to study the relationship between the level of corruption in the country and tax violations. The relevance of the topic is determined by the following aspects: **firstly**, the material damage caused to the state budget by tax violations is increasing every year; **secondly**, the cause-and-effect relationships between corruption and tax violations have not been sufficiently studied; **thirdly**, the low level of legal awareness negatively affects tax culture. This study was conducted to fill this gap.

**The purpose of the study:** to scientifically analyze the corruption and legal awareness factors affecting the occurrence of tax offenses in Uzbekistan, to identify their dimensional relationships, and to develop practical recommendations.

**Research objectives:** (1) to study the theoretical foundations of tax violations; (2) to empirically determine the relationship between corruption and legal awareness indicators and tax violations; (3) to conduct a quantitative analysis on the example of Uzbekistan; (4) to develop effective recommendations.

## LITERATURE ANALYSIS ON THE TOPIC

### Theoretical approaches

The fundamental theoretical framework for explaining tax evasion and tax fraud is the brilliant model of Allingham and Sandmo (1972).<sup>3</sup> According to this model, the taxpayer is considered a rational decision-maker who determines his behavior by comparing the probability of tax evasion, the amount of punishment and the benefits.

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<sup>2</sup>Decree of the President of the Republic of Uzbekistan No. PF-60 dated January 28, 2022 'On a new development strategy for the development of the Republic of Uzbekistan for 2022-2026'. – Tashkent, 2022.

<sup>3</sup>Allingham, MG, & Sandmo, A. (1972). Income tax evasion: A theoretical analysis. *Journal of Public Economics*, 1(3–4), 323–338.

The main drawback of the model is the lack of consideration of psychological and social factors. In his fundamental study, Slemrod (2019) identifies three main factors that determine tax compliance: economic incentives, information asymmetry and normative factors.<sup>4</sup> This approach allows us to study the impact of corruption on tax relations from a new angle. According to the 'Slippery Slope Framework' (SSF) developed by Kirchler (2007), tax compliance is ensured through two main mechanisms: power and trust.<sup>5</sup> If trust in state institutions is low, voluntary compliance also decreases; In this case, enforcement mechanisms need to be strengthened.

## **The relationship between corruption and the tax system**

Fjeldstad and Tungodden (2003) studied the impact of fiscal corruption on tax revenues in Tanzania and found that a 1% increase in corruption levels reduces budget revenues by 0.5–0.8%.<sup>6</sup> This correlation is particularly relevant for developing countries.

Torgler and Schneider (2009) study examined the relationship between tax morale and institutional quality across more than 50 countries and found that tax evasion is significantly higher in countries with lower institutional quality.<sup>7</sup>

## **Legal awareness and tax culture**

Alm and Torgler (2011) studied the relationship between taxpayers' moral values ('tax morale') and their compliance with tax laws, showing that voluntary compliance rates are 20–35% higher in societies with high levels of legal awareness.<sup>8</sup>

Although the work of Uzbek researchers Karimov (2022) and Yusupov and Toshmatov (2023) has examined the impact of tax burden and corruption on tax behavior in the local context, they are methodologically limited and do not include data beyond 2022. This study aims to fill this gap.

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<sup>4</sup>Slemrod, J. (2019). Tax compliance and enforcement. *Journal of Economic Literature*, 57(4), 904–954.

<sup>5</sup>Kirchler, E. (2007). *The Economic Psychology of Tax Behavior*. - Cambridge: Cambridge University Press, 2007. - 264 p.

<sup>6</sup>Fjeldstad, OH., & Tungodden, B. (2003). Fiscal corruption: A vice or a virtue? *World Development*, 31(8), 1459–1467.

<sup>7</sup>Torgler, B., & Schneider, F. (2009). The impact of tax morale and institutional quality on the shadow economy. *Journal of Economic Psychology*, 30(2), 228–245.

<sup>8</sup>Alm, J., & Torgler, B. (2011). Do ethics matter? Tax compliance and morality. *Journal of Business Ethics*, 101(4), 635–651.

**RESEARCH METHODOLOGY**

The study used a mixed-method approach, which combines quantitative and qualitative analyses.

**Data source:** (1) Reports of the State Tax Committee of Uzbekistan for 2022–2024;<sup>9</sup> (2) Transparency International CPI Index (2022–2024); (3) World Bank Worldwide Governance Indicators (WGI) 2023; (4) IMF fiscal monitoring data; (5) Analytical report of the State Anti-Corruption Agency for 2023; (6) Crime statistics of the Prosecutor General's Office of Uzbekistan.

**Quantitative analysis methods:** correlation analysis (Pearson and Spearman coefficients), regression analysis (OLS model), comparative statistics. Qualitative analysis: document analysis, institutional analysis, comparative legal method.

**Research limitations:** The analysis is mainly limited to the period 2022–2024 and is based on general data for Uzbekistan. Regional differences require separate research.

**MAIN PART: PROBLEM ANALYSIS AND RESULTS****General situation of tax offenses**

According to the 2024 report of the State Tax Committee of Uzbekistan, violations were detected in 28.4% of total tax inspections in 2023.<sup>10</sup> The total number of detected violations increased by 19.3% compared to 2021, with the majority of them occurring in small and medium-sized businesses (SMEs).

*Table 1. Dynamics of tax violations in Uzbekistan (2021–2024)*

Indicator	2021	2022	2023	2024 months) (9
Total number of inspections	12,450	14,230	16,890	11,200
Inspections where violations were detected (%)	24.1%	25.8%	28.4%	29.7%

<sup>9</sup>Report of the State Tax Committee of the Republic of Uzbekistan for 2023. – Tashkent: DSQ, 2024. – 96 p.

Indicator	2021	2022	2023	2024 (9 months)
Tax evasion cases (thousand soums)	987,400	1,243,600	1,578,900	1,102,300
Corruption-related crimes (in the tax sector)	143	189	234	198
Voluntary payment rate (%)	68.2%	67.4%	65.8%	66.3%

Source: State Tax Committee of the Republic of Uzbekistan, 2024; Prosecutor General's Office of the Republic of Uzbekistan, 2024.

**Table 1 Analysis:** The table data shows that the percentage of violations detected during inspections increased from 24.1% in 2021 to 29.7% for the first 9 months of 2024. This is an increase of 5.6 percentage points. It is especially noteworthy that the number of corruption-related crimes in the tax sector increased by 63.6% in 2021–2023: from 143 to 234. <sup>11</sup>The decrease in the voluntary payment rate (from 68.2% to 65.8%) indicates that the tax culture has not yet been formed to the necessary extent.

## The impact of the corruption factor

The results of the correlation analysis showed a statistically significant inverse relationship between the Corruption Perceptions Index (CPI) and the level of tax evasion: Pearson  $r = -0.73$ ,  $p < 0.01$ . <sup>12</sup>That is, countries with high levels of corruption also have high levels of tax evasion. Uzbekistan is no exception to this global trend.

## Table 2. Correlation between Corruption Perceptions Index (CPI) and Tax Performance (2022–2023)

<sup>11</sup>Prosecutor General's Office of the Republic of Uzbekistan. (2024). Statistical data on tax crime for 2023. – Tashkent: Prosecutor General's Office, 2024.

Country	CPI 2022	CPI 2023	Tax burden (% GDP)	Voluntary payment (%)
Uzbekistan	31	33	13.8%	65.8%
Kazakhstan	36	37	17.2%	71.4%
Georgia	56	53	20.1%	82.3%
Estonia	74	76	34.6%	91.7%
Germany	79	78	38.4%	94.2%

Source: Transparency International CPI 2022, 2023; World Bank WGI 2023; OECD Tax Administration 2022.

**Table 2 Analysis:** The comparative analysis clearly shows that in countries with high CPI scores (Germany – 78, Estonia – 76) the voluntary tax payment rate is also significantly higher (94.2% and 91.7%). On the contrary, in Uzbekistan (CPI=33) and Kazakhstan (CPI=37) the voluntary payment rate is low (65.8% and 71.4%).<sup>13</sup>It is predicted based on international experience that by reducing corruption the voluntary payment rate can be increased by 10–15 percentage points.

### The influence of the legal awareness factor

Legal consciousness is a category that expresses the attitude of citizens to the law and legal norms, the level of their awareness of their rights and obligations. In the field of taxation, legal consciousness is measured by the following components: the level of knowledge of tax legislation, recognition of the obligation to pay taxes, trust in tax authorities, and perception of tax justice.

### Theoretical debates and scientific discussions

The results of the study shed light on a number of theoretical debates. **First**, the rational choice theory of the Allingham-Sandmo model is partially confirmed by the Uzbek data: as the probability of a fine increases (intensity of control), HB decreases ( $\beta_4 = -0.187$ ). However, this effect is weaker than the effects of the CPI and legal awareness, which suggests that the mechanism of punishment alone cannot be relied

<sup>13</sup>World Bank. (2023). Worldwide Governance Indicators 2023. Washington, DC: World Bank.

on. **Second**, there is consistency with Kirchler's SSF model: a strong positive relationship is found between trust in tax authorities (a component of the legal awareness index) and voluntary compliance. <sup>14</sup>This finding confirms the work of Alm and Torgler (2011) in the Uzbek context.

**Third**, as the OECD Tax Administration Report 2022 shows, <sup>15</sup>digitalization plays a key role in improving the efficiency of tax administration. Uzbekistan is taking positive steps in this direction through E-Tax, MyID and other digital platforms. <sup>16</sup>However, it is not enough for digitalization to increase in quantity, not quality - the quality of services and user-friendliness must also be improved.

## CONCLUSION AND SUGGESTIONS

### Main conclusions

As a result of this study, the following main conclusions were reached:

1. There is a statistically significant, inverse relationship between corruption and tax violations ( $r = -0.73$ ,  $p < 0.01$ ). In Uzbekistan, a 10-point increase in the CPI could reduce the level of tax fraud by about 4.1%.
2. The rate of tax delinquency in the group with low legal awareness is 2.3 times higher than in the group with high awareness (44.4% vs. 18.8%). This justifies the need to strengthen legal education.
3. Low levels of trust in tax authorities and perception of tax fairness (4.3–4.8/10) indicate the need for institutional reforms.
4. Based on the regression model ( $R^2=0.684$ ), it can be said that corruption and legal awareness together explain more than 68% of tax HB, confirming that they are factors that need to be addressed as a priority.

### Practical recommendations

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<sup>15</sup>OECD. (2022). Tax Administration 2022: Comparative Information on OECD and Other Advanced and Emerging Economies. OECD Publishing, Paris.

## Anti-corruption direction:

- Strengthening mechanisms for civilian oversight that independently monitor the activities of officials in tax authorities (strengthening the institution of the ombudsman);
- Minimize direct communication between taxpayers and tax inspectors and expand digital communication channels – reducing the risk of corruption;
- Reform the income and reward system of tax auditors, and introduce transparent evaluation criteria.

## Direction of raising legal awareness:

- Introducing special tax culture courses in schools and higher education institutions;
- Regular preparation of popular explanatory materials on tax legislation through the media;
- Expanding free consultation services for taxpayers – reducing violations resulting from lack of legal knowledge;
- Improving the usability of the E-tax and My.Tax.uz platforms, enriching them with guides and video tutorials.

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