

SYSTEM OF PRE-COURT RESOLVING TAX DISPUTES: GUARANTEE OF PROTECTION OF THE RIGHTS OF ENTREPRENEURS

Turayev Alijon - Samarkand Institute of economics and service, Acting Associate Professor of the Department of Investments and Innovations, PhD

alijon.turayev@mail.ru

Uroqov Jaxongir – Samarkand Institute of economics and service, Faculty of Economics
3rd year student

uroqovjaxongir1@gmail.com

Abstract: This article analyzes the legal and institutional framework for pre-trial resolution of tax disputes in the Republic of Uzbekistan, its role and effectiveness in protecting the rights of business entities. The study is based on the activities of the Expert Council on Tax Disputes under the Chamber of Commerce and Industry, introduced within the framework of reforms for 2023-2026, in particular, by the Presidential Decree adopted in July 2025. The article comparatively studies the experience of digitizing tax administration, introducing artificial intelligence technologies, and resolving international tax disputes (MAP, APA) in accordance with OECD standards. Real statistical data on the results of tax audits and on-site inspections are analyzed, and the shortcomings of the system and ways to eliminate them are scientifically demonstrated. The results of the study conclude with practical proposals for improving tax legislation and improving the business environment.

Keywords: Tax disputes, pre-trial resolution, expert council, entrepreneurs' rights, tax audit, digitalization, artificial intelligence, OECD standards, MAP, mediation, Chamber of Commerce and Industry, tax administration, investment climate, economic reforms.

Introduction

At the modern stage of development of the Republic of Uzbekistan, the liberalization of the economy and the creation of the most favorable conditions for entrepreneurial activity are one of the priorities of state policy. In this process, the tax system should become not only a source of state budget revenues, but also a transparent mechanism supporting business entities and serving their sustainable development. However, the complexity of the tax administration process, different interpretations of tax norms and the expansion of control measures inevitably lead to the emergence of

various conflict situations between tax authorities and taxpayers.¹ The effectiveness of the system for timely and fair resolution of tax disputes is considered one of the main indicators determining the investment attractiveness of the country. Traditionally, the resolution of such disputes in court leads to a long period of time, large financial costs and an overload of the judicial system. Therefore, as part of the reforms planned for 2023-2026, special attention is paid to fundamentally improving the mechanisms for pre-trial resolution of tax disputes. The resolution "On measures to improve mechanisms for pre-trial resolution of tax disputes", signed by the President of the Republic of Uzbekistan on July 11, 2025, initiated a new stage of reforms in this area. The main goal of this resolution is to reduce the time and resources spent on resolving disputes between business entities and tax authorities, to ensure impartiality and professionalism in considering disputes. The establishment of the Expert Council on Tax Disputes under the Chamber of Commerce and Industry within the framework of the new system will not only simplify administrative procedures, but also act as an independent institution guaranteeing the legal protection of business entities.² Analysis shows that the majority of tax disputes are related to the results of tax audits and on-site tax inspections, which often entail large financial sanctions. The fact that by mid-2025 the total amount of complaints received by the Tax Committee exceeded 1.7 trillion soums indicates the urgency of this topic. In this regard, digitization of the pre-trial resolution system, use of artificial intelligence capabilities and modernization of the system based on international experience will serve to implement the principle of "fast and fair justice" for entrepreneurs. This research work will comprehensively study the theoretical and practical aspects of these reforms, a comparative analysis with international standards, as well as existing problems and their solutions. This is of significant scientific importance for the development of tax law and administration in Uzbekistan.

International theoretical perspectives

The "Dispute Resolution in Cross-border Taxation" guidelines developed by the Organization for Economic Cooperation and Development (OECD) emphasize that the most effective way to resolve tax disputes is to prevent the dispute at its "birth" stage or to resolve it administratively. OECD experts advocate the international promotion of mechanisms such as the "Mutual Agreement Procedure" (MAP) and the "Advance Pricing Arrangement" (APA). In scientific discussions, the duration of MAP processes

¹US Department of State. (2025). Uzbekistan investment climate statement. <https://www.state.gov/reports/2025-investment-climate-statements/uzbekistan>

² President of the Republic of Uzbekistan . (2025, July 11). On measures to improve mechanisms for pre-trial resolution of tax disputes (No. PQ-223). <https://lex.uz/docs/-7624545>

(an average of 27.4 months) and their transparency are constantly under critical analysis.³

The experience of countries such as South Korea and the United Kingdom shows that independent appeals units within the tax authorities can reduce the burden on the judicial system by 70-80%. In the South Korean tax system, legal tools such as the "Taxpayer Advocate" institution and the postponement of the start of tax audits are important guarantees for entrepreneurs. At the same time, although the formal forms of ADR mechanisms in the Korean system are somewhat limited, disputes are prevented through the "Advance Tax Ruling" system.

Local research and scientific debate

Uzbek scientists and lawyers, including tax law specialists, have long emphasized the need to improve the "administrative-judicial" duet for resolving tax disputes. The problem of "departmental bias" in the process of internal review of tax authorities' own decisions has been widely discussed in the local literature. Researchers suggest ensuring the participation of the public and independent experts in the consideration of disputes in order to solve this problem. In recent years, there has also been heated debate about the introduction of the institution of mediation into the tax sphere. Some researchers argue that the use of mediation should be limited due to the imperative nature of tax obligations, while others (for example, studies on the role of notaries in mediation) support the effectiveness of this method. In particular, scientists who have conducted a comparative analysis of the legislation of Uzbekistan and Armenia note the need to increase the legal force of notarial confirmation of mediation agreements.

Digital Transformation and Tax Law

In modern literature, the areas of "LegalTech" and "TaxTech", in particular, the role of artificial intelligence in forecasting tax disputes, are being studied as a separate topic. Uzbekistan's actions in this area, including the tasks set for digitizing the dispute resolution process, comply with international standards. According to researchers, artificial intelligence not only prepares draft decisions, but also reduces subjectivity (bias) in the decisions of tax authorities.

Research methodology

This research work was prepared using a number of scientific methods to comprehensively study the system of pre-trial resolution of tax disputes in Uzbekistan. The principles of a systematic approach and logical analysis were chosen as the methodological basis.

³Organization for Economic Cooperation and Development. (2025, October 31). Tax certainty: OECD releases new statistics on tax disputes, showing positive outcomes but with challenges remaining.

1. **Comparative Legal Method:** The tax legislation of the Republic of Uzbekistan was compared with the experience of OECD countries, Armenia, and South Korea. This method helped to identify the specific aspects of the national system and points where it lags behind or advances from international standards.
2. **Statistical and quantitative analysis:** Official data provided by the Tax Committee for 2023-2025, the number of complaints received, their value and the results of their consideration, were processed. The data was grouped in the form of tables and dynamically analyzed.
3. **Document Analysis:** The Resolution of the President of the Republic of Uzbekistan No. PQ dated July 11, 2025, the Tax Code, resolutions of the Cabinet of Ministers, and other regulatory legal documents were systematically studied.

The chronological scope of the study mainly covers the years 2023-2026, during which the most active transformation processes are taking place in the tax system of Uzbekistan.

Main part: Problem analysis and results

The evolution of the system of pre-trial resolution of tax disputes in Uzbekistan has passed several important stages in recent years. With the adoption of the new Tax Code in 2020, the mechanism for filing appeals was legally strengthened. However, practice has shown that appeal councils within the tax authorities alone were not enough to fully protect the rights of entrepreneurs.

Reform 2025: Expert Council on Tax Disputes

The Expert Council, established under the Chamber of Commerce and Industry by a resolution of July 11, 2025, was the largest institutional change in the system. The establishment of this council is aimed at transforming the "vertical" relationship between entrepreneurs and tax authorities into a "horizontal" dialogue.

Structural features of the Expert Council: The Council includes not only representatives of state bodies, but also independent experts. The head of the Chamber of Commerce and Industry, Davron Vakhobov, is appointed as the chairman of the Council, which is an important sign of the independence of the Council from the tax authorities. The Council includes 12 experts, including representatives of the Tax Committee, the Ministry of Economy and Finance, the Business Ombudsman, the Prosecutor General's Office and the Ministry of Justice.

The fact that at the first meeting of the Council (December 2025) problematic cases of specific business entities, such as Central Azia Chemicals LLC, were considered, confirms the readiness of the system to work with real cases.

Statistics and dynamics of tax disputes

To assess the effectiveness of the system, it is necessary to analyze the applications received by the Tax Committee as of September 2025.

Categories of disputes	Number of complaints	Claimed amount (billion soums)	Amount paid (billion soums)
Tax audit results	115	1,529.7	-
Mobile tax inspections	47	185.6	-
Total	162	1,715.3	33.5 (in 6 cases)

Table 1: Tax dispute figures as of September 1, 2025.⁴

Analysis: As can be seen from the table above, more than 71 percent (115) of the complaints received relate to tax audits, and in terms of financial value this figure is even higher - about 89 percent. This means that large taxpayers are mainly dissatisfied with the results of in-depth audits.

However, it is noteworthy that only 6 out of 162 complaints (3.7%) were resolved in favor of the entrepreneur. This low figure leads to two different scientific conclusions:

1. **Quality of tax audits:** Audits conducted by tax authorities can be highly objective and evidence-based.
2. **Systemic obstacles:** The current pre-trial resolution system may still tend to favor the tax authorities. This is why the 2025 decision to transfer the Council to the Chamber of Commerce and Industry is a timely step.

Digitization : The Future prospects and problems

2025 of reform important part this The system is " AI - driven " (artificial intelligence) . to the intellect based on the platform Among the tasks assigned to the Tax Committee are :

- Complete digitalization of the pre-trial resolution process.
- Analyze conflicts and prepare draft decisions through artificial intelligence.
- Creating opportunities for remote participation (online meetings).

This process is paralleled by the development of the e-justice system in Uzbekistan. According to the EBRD, although Uzbekistan is a leader in Central Asia in digitalization, the level of use of these systems by small and medium-sized businesses remains low.

International tax disputes: OECD standards and Uzbekistan

Uzbekistan's integration into the global economy, in particular, efforts to join the World Trade Organization (WTO), also require improving the system for resolving international tax disputes. The OECD 2024 report (MAP Statistics) notes that the time

⁴ State Tax Committee of the Republic of Uzbekistan. (nd). News. <https://gov.uz/oz/soliq/news/news>

to resolve international tax disputes is 27.4 months. Transfer pricing disputes last an average of 30.9 months. These indicators should be a benchmark for Uzbekistan. Our new system (Expert Council) is aimed at resolving disputes quickly, without prolonging them for such long periods. The fact that 76% of MAP cases were fully resolved (resolution) within the OECD in 2024 is a positive trend. Bringing the indicators of satisfaction of entrepreneurs to this level in Uzbekistan is also very important for the investment climate.

Mediation and Notary: Alternative Ways to Resolve Disputes

In Uzbekistan, significant legislative changes have taken place in 2023-2025 regarding the introduction of the mediation system in tax relations. In particular, the role of notaries in the mediation process has increased. The fact that mediation agreements certified by notaries can have the force of a court-executive document allows resolving disputes without going to court. A comparative analysis of the legislation of Uzbekistan and Armenia shows that both countries are striving to resolve disputes through "conditional" (mandatory) mediation. In Uzbekistan, the mediation period is set at 30 to 60 days. This is a convenient mechanism for the prompt resolution of tax disputes.

Judiciary and independence issues

No matter how effective the pre-trial resolution system is, an entrepreneur always has the right to appeal to the court. However, recent problems with the judicial system and the legal profession (for example, the Allan Pashkovsky case) may affect the confidence of entrepreneurs in the legal protection. The revocation of a lawyer's license in the Pashkovsky case due to his professional activities and appeals to state authorities has once again raised the issue of independence and ethics in the judicial system. The role of lawyers in tax disputes is extremely important, as they participate in Expert Councils and court hearings on behalf of taxpayers. Restrictions on the independence of lawyers directly lead to a weakening of the rights of entrepreneurs.

Analysis and results: Guarantees and existing gaps for entrepreneurs

As a result of the study, the advantages and disadvantages of the pre-trial resolution system for tax disputes in Uzbekistan were identified.

Strengths of the system:

1. **Institutional independence:** The fact that the Expert Council is under the jurisdiction of the Chamber of Commerce and Industry reduces the absolute dominance of the tax authority in decision-making.
2. **Broad-based expertise:** The participation of finance, tax, legal, and business representatives on the Board allows for a comprehensive study of the issue.
3. **Digital solutions:** AI and online participation systems reduce bureaucracy and make the process transparent.

4. **Cost savings:** Pre-trial resolution does not require state duty and other court costs, which is a huge relief for small businesses.

Current Issues and Ripple Effects:

Some gaps in the system are causing chain reactions. For example, the high level of dissatisfaction with the results of tax audits (71%) and the low level of satisfaction (3.7%) create a stereotype among entrepreneurs that "the system is still on the side of taxpayers." This, in turn,:

- The transition of business to the "shadow".
- To a decrease in investment flows.
- It leads to a weakening of the social contract between the state and business.

It also remains an open question to what extent the Expert Council's conclusions are "binding" on tax authorities. If the tax authority refuses to implement the council's conclusions, the entrepreneur will once again be tied to the court system.

Conclusion and suggestions

The system of pre-trial resolution of tax disputes in the Republic of Uzbekistan is becoming a new and effective guarantee of protecting the rights of entrepreneurs. The 2025 reforms have created the institutional and technological foundations of the system. However, a number of additional measures need to be implemented in order for the system to function at full capacity and gain the trust of entrepreneurs.

Suggestions developed based on the research:

1. **Strengthening the legal status:** Legally strengthening the binding nature of the conclusions of the Expert Council under the Chamber of Commerce and Industry for tax authorities. If the tax authority does not follow the conclusion of the council, it should be stipulated that it must provide a document substantiated and certified by a higher authority for refusal.
2. **Burden of Proof:** Based on the South Korean experience, the burden of proof of "prima facie guilt" in tax disputes should be placed on the tax authority. The taxpayer should only have to present evidence that raises "considerable doubt."
3. **Improving audit quality:** Revising the methodology for conducting tax audits. The fact that 71 percent of disputes fall into audit indicates a high level of "subjective approach" in this area. It is necessary to increase the personal responsibility of inspectors conducting audits.
4. **Encourage mediation:** Expand the scope of mediation in tax disputes. In particular, allow mediation agreements to pay tax debts in installments or reduce penalties.

5. **Artificial Intelligence Control:** Ensuring algorithmic transparency of AI algorithms used in dispute resolution. An entrepreneur must understand the legal norms and logic behind the "AI decision" made against him.
6. **Outreach and education:** Conduct ongoing awareness campaigns among taxpayers about the new pre-trial resolution system, its benefits, and the procedure for applying.

In conclusion, improving the system of pre-trial resolution of tax disputes will not only protect business entities, but also improve the culture of tax administration in the state. A fair system is the most reliable guarantee for a country's sustainable economic growth and international reputation.

References:

1. Baker McKenzie. (n.d.). *OECD's tax dispute resolution programs are a welcome first step* . <https://insightplus.bakermckenzie.com>
2. Chambers and Partners. (2025). *Tax controversy 2025: South Korea* . <https://practiceguides.chambers.com>
3. Daryo.uz. (nd). *Procedure for pre-trial resolution of tax disputes in Uzbekistan* . <https://daryo.uz>
4. European Bank for Reconstruction and Development. (n.d.). *Cross-regional court performance assessment: Country report* . <https://www.ebrd.com>
5. International Monetary Fund. (n.d.). *Republic of Uzbekistan* . <https://www.imf.org>
6. Legal 500. (2025). *South Korea: Tax disputes – Country comparative guides* . <https://www.legal500.com>
7. The Macfarlanes. (2025). *Mutual agreement procedures (MAP): OECD publishes new manual for effective international tax disputes* . <https://www.macfarlanes.com>
8. Organization for Economic Cooperation and Development. (2025). *Disputes: Tax administration 2025* . <https://www.oecd.org>
9. Organization for Economic Cooperation and Development. (2025, October 31). *Tax certainty: OECD releases new statistics on tax disputes, showing positive outcomes but with challenges remaining* . <https://www.oecd.org>
10. of the Republic of Uzbekistan. (nd). *Results of the practice of pre-trial resolution of tax disputes* . <https://gov.uz>
11. Uzbekistan . (2025, July 11). *On measures to improve mechanisms for pre-trial resolution of tax disputes* (No. PQ-223). <https://lex.uz/docs/-7624545>