



# IMPROVING TAX ADMINISTRATION IN THE ENTREPRENEURIAL ENVIRONMENT

Azizbek Khurramov

PhD, Independent researcher,

Research Center "Scientific bases and issues of economic development Uzbekistan" under Tashkent State University of Economics, Uzbekistan

Article history:	Abstract:
<b>Received:</b> 28 <sup>th</sup> December 2025 <b>Accepted:</b> 24 <sup>th</sup> February 2026	This article examines the improvement of tax administration in the entrepreneurial environment from theoretical, institutional, and practical perspectives. In modern economies, tax administration is not limited to the collection of budget revenues; it also functions as an institutional mechanism that influences business activity, voluntary tax compliance, transparency, formalization of economic operations, and the reduction of administrative costs for entrepreneurs.

**Keywords:** tax administration, entrepreneurship, business environment, voluntary compliance, digital tax services, compliance risk management, risk-based control, taxpayer services, Uzbekistan.

## INTRODUCTION

The development of entrepreneurship is one of the key conditions for economic growth, employment creation, innovation, and sustainable public revenue formation. However, the effectiveness of entrepreneurship depends not only on market demand, access to finance, or the level of taxation, but also on the quality of tax administration. Even when tax rates are relatively moderate, complicated reporting procedures, unclear requirements, excessive inspections, weak digital services, and unpredictable interaction with tax authorities may increase the administrative burden on business entities. Therefore, tax administration is an important component of the entrepreneurial environment.

In the contemporary interpretation, tax administration should not be viewed only as a fiscal control mechanism. It is a complex institutional system that includes taxpayer registration, reporting, payment, audit, dispute resolution, taxpayer services, information exchange, compliance monitoring, and the use of digital technologies. The OECD Tax Administration 2024 report, which provides comparative information on advanced and emerging economies, demonstrates that modern tax administrations are increasingly focused on digitalization, compliance management, service delivery, and the use of data for more effective decision-making (OECD, 2024).

For entrepreneurs, the main issue is not simply how much tax must be paid, but how easily, clearly, and predictably tax obligations can be fulfilled. If the tax system requires frequent manual reporting, repeated submission of the same information to different authorities, unclear interpretation of legal norms, and frequent physical contact with tax officials, the cost of

doing business increases. This may reduce formalization incentives and weaken trust between the state and the business community. In contrast, a simplified, digital, transparent, and taxpayer-oriented tax administration system can strengthen voluntary compliance and reduce the need for coercive control.

In Uzbekistan, the issue of improving tax administration is especially relevant because entrepreneurship has become an important driver of economic reforms. The World Bank's Tax Administration Reform Project in Uzbekistan aims to support the development of a modern, technology-ready, taxpayer-centered, and equitable tax administration system, while also promoting voluntary compliance and domestic revenue mobilization (World Bank, 2021). This indicates that tax administration reform is not only a fiscal reform but also a business environment reform.

The entrepreneurial environment is sensitive to institutional uncertainty. A business entity needs to know how tax obligations are calculated, how disputes are resolved, what information must be submitted, and which administrative consequences may arise from errors. When tax administration is predictable, entrepreneurs can include tax compliance in their normal business planning. When it is unpredictable, the tax system becomes a source of additional risk and may discourage investment, expansion, and formalization.

## METHODS

This study uses a qualitative research design based on institutional analysis, comparative analysis, logical generalization, and systematic interpretation of international experience. The research does not rely on primary survey data; instead, it analyzes international policy documents, academic approaches, and practical recommendations related to tax administration and



entrepreneurship. Such a methodological approach is appropriate because the object of research is an institutional and administrative process rather than a single numerical indicator.

The methodological basis of the study is the institutional approach. According to this approach, tax administration is considered not only as a technical process of tax collection, but also as a system of rules, procedures, incentives, and interactions between the state and business entities. This approach makes it possible to evaluate how administrative procedures affect taxpayer behavior, compliance decisions, business costs, and trust in public institutions.

The study also applies comparative analysis. International practices and recommendations from the OECD, IMF, and World Bank are used to identify the main characteristics of modern tax administration. The OECD's vision of digital tax administration emphasizes that new technologies create opportunities to make taxation simpler and less burdensome for taxpayers, with tax processes increasingly integrated into the software and systems used by taxpayers (OECD, 2020).

The IMF's analytical approach to compliance risk management is also used in this study. It explains how data analytics can support compliance planning, risk assessment, intelligence work, and audit case selection in tax administration (Aslett et al., 2024). This is particularly relevant for entrepreneurial activity because risk-based approaches can reduce unnecessary administrative pressure on compliant businesses and focus enforcement resources on genuinely risky behavior.

The analysis is conducted through the following criteria: simplicity of tax compliance procedures; accessibility of digital tax services; transparency of tax control; application of risk-based audit selection; quality of taxpayer services; protection of taxpayer rights; integration of tax data with other government and business systems; and the role of tax administration in reducing informality.

## **RESULTS**

The study shows that tax administration affects the entrepreneurial environment through several interconnected channels. These channels include compliance costs, legal certainty, risk of inspections, access to services, speed of communication with tax authorities, and the level of trust between entrepreneurs and the state. When tax administration is inefficient, entrepreneurs spend more time and resources on fulfilling tax obligations. When it is efficient, digital, and predictable, entrepreneurs can concentrate more on production, services, investment, and business expansion.

The first result is that simplification of tax procedures is a key condition for improving the entrepreneurial environment. Entrepreneurs, especially small and medium-sized enterprises, often do not have extensive accounting departments or legal specialists. Therefore, complex forms, frequent changes in reporting requirements, and unclear instructions may lead to unintentional errors. Simplified procedures, automated reminders, pre-filled declarations, and clear guidance can reduce mistakes and increase voluntary compliance. In this regard, tax administration should support taxpayers before violations occur rather than focusing only on penalties after violations are detected.

The second result is that digitalization significantly improves tax administration when it is implemented as a systemic transformation rather than as a simple electronic copy of paper procedures. Digital tax services can reduce the need for physical visits to tax offices, speed up reporting, improve access to taxpayer accounts, and increase the transparency of tax obligations. The OECD's Tax Administration 3.0 concept describes a future in which tax administration becomes more seamless and less burdensome through the integration of tax rules into natural taxpayer systems (OECD, 2020). This approach is particularly important for entrepreneurs because it reduces the distance between business operations and tax compliance.

The third result is that risk-based tax control is more efficient and business-friendly than universal and frequent inspections. Traditional control models often treat taxpayers similarly, regardless of their compliance history or risk level. This can create unnecessary pressure on compliant businesses. A risk-based model allows tax authorities to focus control resources on high-risk taxpayers, suspicious transactions, inconsistent reporting, and sectors where non-compliance is more likely. At the same time, low-risk taxpayers should benefit from fewer inspections, faster services, and simplified procedures.

The fourth result is that compliance risk management should be based on reliable data and analytical capacity. Modern tax administrations increasingly use data from electronic invoices, online cash registers, customs systems, banks, and third-party sources. However, the effectiveness of these tools depends on data quality, system integration, analytical skills, and transparent risk criteria. The IMF emphasizes that analytics can support compliance risk management by helping tax administrations understand taxpayer behavior, identify risks, select cases, and improve compliance planning (Aslett et al., 2024).

The fifth result is that taxpayer services are essential for voluntary compliance. Entrepreneurs are more likely to comply voluntarily when they clearly



understand their obligations, have access to reliable information, and can solve problems quickly. This means that tax authorities should provide understandable instructions, online consultations, interactive calculators, sector-specific guidance, and fast feedback mechanisms. Tax administration should be perceived not only as a control authority but also as a partner that helps taxpayers comply correctly.

The sixth result is that the improvement of tax administration is directly connected with reducing the informal economy. Complicated procedures, excessive compliance costs, and low trust may encourage informal activity. Conversely, a transparent and convenient tax administration system can make formal activity more attractive. For entrepreneurs, formalization becomes more acceptable when the benefits of legal activity - access to finance, contracts, public procurement, legal protection, and business reputation - are supported by a reasonable and predictable tax administration system.

The seventh result is that the protection of taxpayer rights must accompany digitalization and risk-based control. Automated systems, risk scores, and electronic blocking mechanisms can improve efficiency, but they can also create new risks if entrepreneurs do not understand the basis of administrative decisions or cannot appeal them quickly. Therefore, every digital control mechanism must be balanced by due process, explanation, correction opportunities, and accessible appeal procedures.

The eighth result is that taxpayer segmentation is necessary for a modern entrepreneurial environment. Large enterprises, small businesses, newly established firms, individual entrepreneurs, and high-risk sectors differ in their accounting capacity, transaction complexity, compliance history, and administrative needs. A uniform model of control and service is not equally effective for all groups. Segmentation allows tax authorities to provide more targeted assistance, reduce unnecessary reporting requirements for low-risk taxpayers, and design preventive measures for groups that face higher compliance risks.

The ninth result is that the use of integrated databases improves both fiscal control and taxpayer convenience. If tax authorities receive reliable data from banking, customs, public procurement, company registration, and e-invoicing systems, they can reduce the need to request the same information repeatedly from taxpayers. This reduces administrative duplication and helps businesses avoid unnecessary communication with multiple government bodies. However, such integration must be accompanied by strong data protection standards and clear rules on the use of taxpayer information.

## **DISCUSSION**

The results show that improving tax administration in the entrepreneurial environment requires a shift in administrative philosophy. The traditional approach is often based on detection, punishment, and post-factum control. While control remains necessary, it should not dominate the entire relationship between the state and entrepreneurs. A modern approach should be based on prevention, support, risk differentiation, and voluntary compliance.

For Uzbekistan, this shift is especially important. Entrepreneurship development requires an institutional environment in which businesses can plan their activities without excessive uncertainty. If entrepreneurs are unsure how tax rules will be interpreted, whether electronic systems will work properly, or whether inspections will be predictable, their willingness to invest and expand may decline. Therefore, tax administration reform should be treated as part of broader business environment reform.

One of the most important directions is the development of taxpayer-centered digital services. Digital platforms should be designed from the perspective of the entrepreneur. This means that online tax accounts, electronic invoices, reporting forms, payment systems, and feedback channels should be simple, stable, and logically connected. Entrepreneurs should not be required to submit the same data repeatedly to different state bodies. Data integration between tax authorities, customs, banks, statistics agencies, and business registries can reduce duplication and improve administrative efficiency.

Another important issue is the transparency of risk-based control. Risk-based audit selection is useful only when it is fair and understandable. Of course, tax authorities cannot disclose all risk algorithms because this may lead to manipulation. However, the general logic of risk classification should be understandable to taxpayers. Entrepreneurs should know which types of behavior may increase risk: late reporting, inconsistent invoices, unusual cash turnover, mismatches between purchases and sales, or unexplained changes in profitability. At the same time, they should have an opportunity to correct errors and improve their compliance profile.

The role of small business should be considered separately. Small enterprises usually face higher relative compliance costs than large companies because they have fewer administrative resources. Therefore, tax administration for small businesses should include simplified reporting, automatic reminders, mobile-friendly services, standard templates, and preventive explanations. If small entrepreneurs can comply without



needing expensive external assistance, voluntary compliance will increase.

The development of digital tax services should also be accompanied by tax literacy programs. Many compliance problems arise not from intentional evasion but from misunderstanding, lack of knowledge, or weak accounting practices. Tax authorities, universities, business associations, and professional organizations can cooperate to provide short courses, online learning materials, and practical guides for entrepreneurs. Such measures are especially important for newly registered businesses.

Another important aspect is the ethical and institutional quality of tax administration. Even the best digital systems cannot fully solve problems if taxpayers do not trust the fairness of the administration. Trust depends on equal treatment, professional behavior of tax officials, clear communication, confidentiality of taxpayer data, and quick resolution of disputes. Therefore, staff training, internal accountability, and service standards should be part of tax administration reform.

The interaction between tax administration and entrepreneurial competitiveness should also be emphasized. When businesses spend fewer resources on administrative compliance, they can redirect those resources to innovation, marketing, technology, employee training, and expansion. Therefore, reducing tax compliance costs is not only a matter of convenience; it is also a factor of productivity and competitiveness. This is particularly important for economies seeking to increase the role of the private sector.

A further issue is the need to evaluate tax administration by broader performance indicators. If the success of tax administration is measured only by revenue collection and the number of audits, the system may remain enforcement-oriented. Modern performance assessment should also include taxpayer satisfaction, reduction in compliance time, number of services delivered electronically, speed of dispute resolution, accuracy of risk selection, reduction in repeated data requests, and growth of voluntary compliance.

The following scientific and practical recommendations can be proposed. First, tax administration should gradually move from a control-centered model to a compliance-support model. This does not mean weakening control; rather, it means using control more intelligently and combining it with taxpayer support. Second, digital services should be integrated into the real business processes of entrepreneurs. Reporting, invoicing, payment, and

correction procedures should be simplified and automated as much as possible.

Third, risk-based control should be strengthened, but the rights of taxpayers should be protected through clear explanations, correction periods, and appeal mechanisms. Fourth, taxpayer segmentation should be introduced more deeply. Large taxpayers, small businesses, newly created enterprises, high-risk sectors, and low-risk compliant taxpayers need different administrative approaches. Fifth, tax authorities should expand preventive services. These may include automatic error detection, pre-assessment notifications, online consultations, and explanatory messages before penalties are applied.

Sixth, tax literacy should be improved through cooperation between tax authorities, higher education institutions, professional associations, and chambers of commerce. Seventh, performance indicators of tax administration should include not only revenue collection but also service quality, taxpayer satisfaction, reduction of compliance costs, speed of dispute resolution, and growth of voluntary compliance. These measures would make the tax system more predictable and more supportive of entrepreneurship.

## **CONCLUSION**

Tax administration plays a decisive role in shaping the entrepreneurial environment. It can either support business development by making tax compliance simple and predictable, or it can create obstacles through complexity, uncertainty, and excessive administrative pressure. Therefore, improving tax administration is not only a fiscal task but also an economic development priority.

The study concludes that effective tax administration in the entrepreneurial environment should be based on five principles: simplicity, transparency, digital integration, risk-based control, and taxpayer orientation. These principles reduce compliance costs, strengthen trust, improve voluntary compliance, and support the formalization of economic activity.

For Uzbekistan, the modernization of tax administration should continue through the expansion of digital services, the development of compliance risk management, the simplification of procedures for small businesses, the improvement of taxpayer services, and the protection of taxpayer rights. Such reforms can improve the business climate, increase fiscal stability, and create more favorable conditions for sustainable entrepreneurship.

In general, tax administration should be understood as a bridge between the fiscal interests of the state and the development interests of business. A well-designed tax administration system allows the



state to collect revenues fairly and efficiently, while entrepreneurs receive legal certainty, lower administrative costs, and a more predictable environment for growth. The final objective is not only to increase tax collection, but to create a mutually beneficial institutional environment in which compliance becomes easier than non-compliance and formal entrepreneurship becomes more attractive than informal activity.

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