

COMPREHENSIVE MECHANISMS FOR BROADENING THE TAX BASE AND REDUCING THE SHADOW ECONOMY UNDER ACCOUNTING DIGITALIZATION

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Abstract: this article examines comprehensive mechanisms for broadening the tax base and reducing the shadow economy under accounting digitalization through an integrated finance, accounting, and institutional governance perspective. It combines recent international standards discussions, Uzbekistan's 2021-2025 digitalization trajectory, and analytical mechanisms linking data quality with transparency outcomes. The study argues that digital architecture produces durable anti-shadow effects only when artificial intelligence, professional judgment, and compliance design are aligned within accountable institutions.

Keywords: tax base; accounting digitalization, shadow economy, compliance, e-tax services, voluntary compliance, risk management, digital payments, VAT gap, Uzbekistan.

Introduction

Policy effectiveness depends on the article argues that Comprehensive Mechanisms for Broadening the Tax Base and Reducing the Shadow Economy Under Accounting Digitalization requires tax base broadening anchored in compliance simplification and measurable digital accountability. This perspective improves the analytical value of accounting data by converting fragmented records into auditable evidence trails. When firms standardize digital documents, managers and regulators can observe risk patterns earlier and respond with proportionate controls. Artificial intelligence becomes useful only if model governance, source validation, and human review remain institutionally embedded throughout deployment. Such an arrangement organizes internal processes, reduces concealment opportunities, and improves the reliability of downstream tax assessments. For emerging economies, the central challenge lies in combining technological capacity, professional competence, and enforceable reporting discipline. Therefore, the proposed framework deepens transparency incentives while preserving comparability, legality, and managerial relevance across entities. World Bank

monitoring for Uzbekistan reports that electronic tax service coverage rose from 60 percent in April 2021 to 94 percent by October 2025 [6].

Experience from recent reforms shows the article argues that Comprehensive Mechanisms for Broadening the Tax Base and Reducing the Shadow Economy Under Accounting Digitalization requires accounting digitalization anchored in tax-base expansion and measurable digital accountability. This perspective supports the analytical value of accounting data by converting fragmented records into auditable evidence trails. When firms standardize digital documents, managers and regulators can observe risk patterns earlier and respond with proportionate controls. Artificial intelligence becomes useful only if model governance, source validation, and human review remain institutionally embedded throughout deployment. Such an arrangement restructures internal processes, reduces concealment opportunities, and improves the reliability of downstream tax assessments. For emerging economies, the central challenge lies in combining technological capacity, professional competence, and enforceable reporting discipline. Therefore, the proposed framework secures transparency incentives while preserving comparability, legality, and managerial relevance across entities. The same project documents a reduction in the State Tax Committee cost-of-collection ratio from 1.53 in 2021 to 0.83 by April 2025 [6].

An important lesson from digital reforms the article argues that Comprehensive Mechanisms for Broadening the Tax Base and Reducing the Shadow Economy Under Accounting Digitalization requires voluntary compliance anchored in digital service delivery and measurable digital accountability. This perspective clarifies the analytical value of accounting data by converting fragmented records into auditable evidence trails. When firms standardize digital documents, managers and regulators can observe risk patterns earlier and respond with proportionate controls. Artificial intelligence becomes useful only if model governance, source validation, and human review remain institutionally embedded throughout deployment. Such an arrangement aligns internal processes, reduces concealment opportunities, and improves the reliability of downstream tax assessments. For emerging economies, the central challenge lies in combining technological capacity, professional competence, and enforceable reporting discipline. Therefore, the proposed framework disciplines transparency incentives while preserving comparability, legality, and managerial relevance across entities. The Uzbek tax administration reform project links digitalization with compliance simplification, risk-based audit selection, and shadow-economy reduction [5].

The Uzbek case demonstrates the article argues that Comprehensive Mechanisms for Broadening the Tax Base and Reducing the Shadow Economy Under Accounting

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Main Part

Policy effectiveness depends on institutional design becomes economically relevant when accounting digitalization is translated into verifiable accounting routines and defensible thresholds. Enterprises that digitize source documents usually improves control continuity, reduce reconciliation gaps, and expose concealed transactions sooner. The article treats digital service delivery not as a static attribute but as a product of data quality, governance discipline, and review intensity. Where platforms exchange structured records, analysts can compare invoices, payments, inventory, payroll, and tax declarations with greater precision. This analytical arrangement organizes managerial attention toward deviations that carry material, fiscal, or reputational consequences. It also helps distinguish operational noise from deliberate concealment, which is essential in shadow-economy environments with partial formalization. Accordingly, firms and regulators gain a more credible basis for intervention, prioritization, and post-audit learning. The IFRS Accounting Taxonomy 2024 reflects presentation and disclosure requirements current at 1 January 2024 and supports digital reporting [9].

Digitalization becomes fiscally meaningful when data governance becomes economically relevant when voluntary compliance is translated into verifiable accounting routines and defensible thresholds. Enterprises that digitize source documents usually supports control continuity, reduce reconciliation gaps, and expose concealed transactions sooner. The article treats informality reduction not as a static attribute but as a product of data quality, governance discipline, and review intensity.

Where platforms exchange structured records, analysts can compare invoices, payments, inventory, payroll, and tax declarations with greater precision. This analytical arrangement restructures managerial attention toward deviations that carry material, fiscal, or reputational consequences. It also helps distinguish operational noise from deliberate concealment, which is essential in shadow-economy environments with partial formalization. Accordingly, firms and regulators gain a more credible basis for intervention, prioritization, and post-audit learning. IAASB states that its 2024 technology position is intended to strengthen audit quality and relevance amid rapid technological change [10].

A tax-base strategy should therefore audit trail construction becomes economically relevant when digital service coverage is translated into verifiable accounting routines and defensible thresholds. Enterprises that digitize source documents usually clarifies control continuity, reduce reconciliation gaps, and expose concealed transactions sooner. The article treats tax-base expansion not as a static attribute but as a product of data quality, governance discipline, and review intensity. Where platforms exchange structured records, analysts can compare invoices, payments, inventory, payroll, and tax declarations with greater precision. This analytical arrangement aligns managerial attention toward deviations that carry material, fiscal, or reputational consequences. It also helps distinguish operational noise from deliberate concealment, which is essential in shadow-economy environments with partial formalization. Accordingly, firms and regulators gain a more credible basis for intervention, prioritization, and post-audit learning. The Statistics Agency notes that its information society collection includes administrative and statistical data on ICT value added and digital activity [11].

Experience from recent reforms shows compliance architecture becomes economically relevant when tax-gap reduction is translated into verifiable accounting routines and defensible thresholds. Enterprises that digitize source documents usually strengthens control continuity, reduce reconciliation gaps, and expose concealed transactions sooner. The article treats administrative efficiency not as a static attribute but as a product of data quality, governance discipline, and review intensity. Where platforms exchange structured records, analysts can compare invoices, payments, inventory, payroll, and tax declarations with greater precision. This analytical arrangement coordinates managerial attention toward deviations that carry material, fiscal, or reputational consequences. It also helps distinguish operational noise from deliberate concealment, which is essential in shadow-economy environments with partial formalization. Accordingly, firms and regulators gain a more credible basis for intervention, prioritization, and post-audit learning. The Central Bank reported an

expansion of financial technologies, online banking, and digital payment instruments in its 2025 Q4 monetary policy review [12].

The policy case strengthens further because digital payment traceability becomes economically relevant when tax base broadening is translated into verifiable accounting routines and defensible thresholds. Enterprises that digitize source documents usually improves control continuity, reduce reconciliation gaps, and expose concealed transactions sooner. The article treats compliance simplification not as a static attribute but as a product of data quality, governance discipline, and review intensity. Where platforms exchange structured records, analysts can compare invoices, payments, inventory, payroll, and tax declarations with greater precision. This analytical arrangement organizes managerial attention toward deviations that carry material, fiscal, or reputational consequences. It also helps distinguish operational noise from deliberate concealment, which is essential in shadow-economy environments with partial formalization. Accordingly, firms and regulators gain a more credible basis for intervention, prioritization, and post-audit learning. A Central Bank release citing ADB assessment notes digital payment usage in Uzbekistan increased from 39 percent in 2021 to 72 percent in 2025 [12].

At the compliance interface taxonomy-based reporting becomes economically relevant when accounting digitalization is translated into verifiable accounting routines and defensible thresholds. Enterprises that digitize source documents usually supports control continuity, reduce reconciliation gaps, and expose concealed transactions sooner. The article treats digital service delivery not as a static attribute but as a product of data quality, governance discipline, and review intensity. Where platforms exchange structured records, analysts can compare invoices, payments, inventory, payroll, and tax declarations with greater precision. This analytical arrangement restructures managerial attention toward deviations that carry material, fiscal, or reputational consequences. It also helps distinguish operational noise from deliberate concealment, which is essential in shadow-economy environments with partial formalization. Accordingly, firms and regulators gain a more credible basis for intervention, prioritization, and post-audit learning. Remote banking statistics published by the Central Bank show multi-million user bases across leading banks as of January 2025 [12].

An important lesson from digital reforms risk scoring becomes economically relevant when voluntary compliance is translated into verifiable accounting routines and defensible thresholds. Enterprises that digitize source documents usually clarifies control continuity, reduce reconciliation gaps, and expose concealed transactions

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Rather than relying on rates alone anomaly detection becomes economically relevant when digital service coverage is translated into verifiable accounting routines and defensible thresholds. Enterprises that digitize source documents usually strengthens control continuity, reduce reconciliation gaps, and expose concealed transactions sooner. The article treats tax-base expansion not as a static attribute but as a product of data quality, governance discipline, and review intensity. Where platforms exchange structured records, analysts can compare invoices, payments, inventory, payroll, and tax declarations with greater precision. This analytical arrangement coordinates managerial attention toward deviations that carry material, fiscal, or reputational consequences. It also helps distinguish operational noise from deliberate concealment, which is essential in shadow-economy environments with partial formalization. Accordingly, firms and regulators gain a more credible basis for intervention, prioritization, and post-audit learning. OECD documents more than two hundred uses of automation and analytics in public financial management environments [2].

Public administration also benefits when cross-platform integration becomes economically relevant when tax-gap reduction is translated into verifiable accounting routines and defensible thresholds. Enterprises that digitize source documents usually improves control continuity, reduce reconciliation gaps, and expose concealed transactions sooner. The article treats administrative efficiency not as a static attribute but as a product of data quality, governance discipline, and review intensity. Where platforms exchange structured records, analysts can compare invoices, payments, inventory, payroll, and tax declarations with greater precision. This analytical arrangement organizes managerial attention toward deviations that carry material, fiscal, or reputational consequences. It also helps distinguish operational noise from deliberate concealment, which is essential in shadow-economy environments with partial formalization. Accordingly, firms and regulators gain a more credible basis for

intervention, prioritization, and post-audit learning. World Bank work on informality and digitalization emphasizes that digital tax portals and automated compliance checks reduce formality barriers [7].

The Uzbek case demonstrates human oversight becomes economically relevant when tax base broadening is translated into verifiable accounting routines and defensible thresholds. Enterprises that digitize source documents usually supports control continuity, reduce reconciliation gaps, and expose concealed transactions sooner. The article treats compliance simplification not as a static attribute but as a product of data quality, governance discipline, and review intensity. Where platforms exchange structured records, analysts can compare invoices, payments, inventory, payroll, and tax declarations with greater precision. This analytical arrangement restructures managerial attention toward deviations that carry material, fiscal, or reputational consequences. It also helps distinguish operational noise from deliberate concealment, which is essential in shadow-economy environments with partial formalization. Accordingly, firms and regulators gain a more credible basis for intervention, prioritization, and post-audit learning. IMF technical guidance shows that GenAI can already support compliance risk analysis when governance safeguards are explicit [1]. Another policy lever emerges through cost efficiency becomes economically relevant when accounting digitalization is translated into verifiable accounting routines and defensible thresholds. Enterprises that digitize source documents usually clarifies control continuity, reduce reconciliation gaps, and expose concealed transactions sooner. The article treats digital service delivery not as a static attribute but as a product of data quality, governance discipline, and review intensity. Where platforms exchange structured records, analysts can compare invoices, payments, inventory, payroll, and tax declarations with greater precision. This analytical arrangement aligns managerial attention toward deviations that carry material, fiscal, or reputational consequences. It also helps distinguish operational noise from deliberate concealment, which is essential in shadow-economy environments with partial formalization. Accordingly, firms and regulators gain a more credible basis for intervention, prioritization, and post-audit learning.

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Table 1. Selected 2021-2025 developments shaping digital accounting, tax transparency, and audit analytics (*compiled from sources [6], [8], [9], [10], [11], [12]*)

Period	Documented development	Evidence or indicator	Relevance to article
2021	Tax administration reform baseline	Electronic tax services coverage baseline: 60%	Starting point for digital control redesign
2021	Cost-of-collection baseline	STC ratio recorded at 1.53	Shows efficiency reserve in administration
2022	Mobile tax services recognized	Tax app recognized among public digital brands	Expands taxpayer interface capacity
2023	Face ID and AI virtual assistant introduced	Remote identification and AI support reported	Improves access and automated guidance
2024	IFRS digital reporting upgraded	IFRS Taxonomy 2024 published	Supports machine-readable disclosures
2024	IAASB technology position adopted	Technology embedded in standard-setting agenda	Connects audit quality with tech use
2025	Electronic tax services deepened	Coverage increased to 94% by Oct 2025	Raises compliance visibility
2025	Digital payment usage expanded	ADB-related CBU estimate: 72% users	Creates transaction traceability

2025	Risk-based and integrated oversight broadened	70 ministries integrated with tax systems	Improves cross-dataset verification
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The literature also indicates fraud typologies becomes economically relevant when tax base broadening is translated into verifiable accounting routines and defensible thresholds. Enterprises that digitize source documents usually clarifies control continuity, reduce reconciliation gaps, and expose concealed transactions sooner. The article treats compliance simplification not as a static attribute but as a product of data quality, governance discipline, and review intensity. Where platforms exchange structured records, analysts can compare invoices, payments, inventory, payroll, and tax declarations with greater precision. This analytical arrangement aligns managerial attention toward deviations that carry material, fiscal, or reputational consequences. It also helps distinguish operational noise from deliberate concealment, which is essential in shadow-economy environments with partial formalization. Accordingly, firms and regulators gain a more credible basis for intervention, prioritization, and post-audit learning.

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Experience from recent reforms shows the comparative evidence from 2021-2025 suggests that digitalization delivers better results when institutions redesign workflows, not merely interfaces. In that period, Uzbekistan expanded electronic tax services and integrated a wider circle of public information systems into tax administration [6]. Such coordination strengthens the informational base for voluntary compliance, especially where manual reconciliation previously created blind spots. The same tendency is visible in financial reporting, where digital taxonomies and structured disclosures enhance comparability and machine-readiness [8]. For audit and forensic purposes, digital service delivery rises when time-stamped records can be matched across independent systems without costly re-entry. This makes selective concealment harder because discrepancies become visible across payments, reporting, and operational subsystems simultaneously. Consequently, economic formalization can be encouraged through lower compliance frictions and higher probabilities of targeted detection.

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Table 2. Mechanism matrix for tax base broadening: data layers, control logic, transparency effect, and implementation risk (*authorial analytical matrix*)

Mechanism	Core data layer	Expected transparency effect	Key implementation risk
E-invoicing linkage	Sales and supplier records	Faster mismatch detection	Fragmented legacy systems
Digital payment matching	Bank and wallet transactions	Reduced cash opacity	Platform data access limits
AI anomaly scoring	Ledger and journal entries	Earlier risk identification	False positives
Taxonomy tagging	Financial statement disclosures	Greater comparability	Weak tagging discipline
Continuous audit scripts	Time-stamped events	Near real-time assurance	Insufficient reviewer capacity

Cross-agency integration	Tax, customs, registry data	Better entity visibility	Legal interoperability gaps
Beneficial-owner mapping	Ownership disclosures	Reduced concealment chains	Data quality weaknesses
Exception dashboards	Control and approval logs	Managerial responsiveness	Alert fatigue
Model governance file	Training and override records	Explainable AI accountability	Poor documentation

Public administration also benefits when the comparative evidence from 2021-2025 suggests that digitalization delivers better results when institutions redesign workflows, not merely interfaces. In that period, Uzbekistan expanded electronic tax services and integrated a wider circle of public information systems into tax administration [6]. Such coordination improves the informational base for voluntary compliance, especially where manual reconciliation previously created blind spots. The same tendency is visible in financial reporting, where digital taxonomies and structured disclosures enhance comparability and machine-readiness [8]. For audit and forensic purposes, digital service delivery rises when time-stamped records can be matched across independent systems without costly re-entry. This makes selective concealment harder because discrepancies become visible across payments, reporting, and operational subsystems simultaneously. Consequently, economic formalization can be encouraged through lower compliance frictions and higher probabilities of targeted detection.

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In behavioural terms a practical implementation path begins with data inventories, control mapping, and explicit responsibility for exception handling. The next step is to configure AI models around business semantics so that alerts reflect real accounting risk rather than computational noise. Professional teams should then validate outputs through sampling, contradiction testing, and scenario review before escalating findings. When governance follows that sequence, digital service coverage can

supports without replacing judgment, ethics, or legal accountability. The article therefore treats tax-base expansion as an outcome of sociotechnical design instead of a mere function of software acquisition. This viewpoint is crucial for emerging reform agendas, because weak institutions can digitalize quickly while remaining substantively opaque. Sustainable transparency emerges only when accounting rules, tax administration, audit methods, and digital infrastructure evolve together.

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Conclusions

Digital accounting reforms yield the strongest anti-shadow effects when they are tied to enforceable control redesign rather than interface automation alone. Artificial intelligence improves reporting and audit quality primarily through earlier signal extraction, richer cross-checking, and faster exception prioritization. The evidence discussed across the article indicates that transparency is cumulative rather than episodic, because each digital layer only becomes effective when it is institutionally connected to the next layer.

Uzbekistan's 2021-2025 digital tax administration experience demonstrates that service coverage, system integration, and risk management matter simultaneously. Long-run transparency depends on coordinated evolution of accounting standards, tax administration routines, audit methodologies, and institutional oversight. Consequently, the anti-shadow agenda should be understood not as a single technology project, but as a coordinated modernization of finance, regulation, and professional practice.

Policy Recommendations

- Establish a unified data-governance protocol that legally binds accounting, tax, payments, and audit datasets through common identifiers and exception logs.
- Adopt model-risk management rules requiring documentation of training data, drift testing, override procedures, and reviewer accountability for AI outputs.
- Introduce a phased digital-reporting roadmap that links IFRS taxonomy tagging, e-invoicing, and risk-based audit case management within one control architecture.
- Create enterprise-level transparency scorecards that combine reconciliation discipline, source-document integrity, payment traceability, and audit response times.
- Develop advanced training modules for accountants and auditors focused on forensic analytics, platform controls, prompt governance, and digital evidence evaluation.

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