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Ways to Improve the Mechanism of Taxing Electronic Commerce

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Abstract: This article analyzes the theoretical and practical aspects of the system for taxing e-commerce activities in the context of the development of the digital economy. The increasing share of e-commerce in the economy requires new approaches to the formation of state budget revenues. During the study, the current mechanisms of the e-commerce taxation system, their effectiveness, and international experience were studied. Also, directions for improving the taxation mechanism through the control of transactions carried out through electronic trading platforms, expansion of the tax base, and the introduction of digital monitoring systems were developed. According to the results of the study, digital identification of e-commerce entities, the widespread introduction of online cash register systems, and the creation of a system for automatic transmission of tax information through electronic platforms can significantly increase the efficiency of taxation.

Keywords: e-commerce, digital economy, tax system, value added tax, tax administration, online trade, tax base, fiscal policy, digital monitoring, electronic platforms, electronic payment systems, digital tax administration, online trade, tax control, digital business model.

1. Introduction

In recent years, as a result of the rapid development of digital technologies in the global economy, new forms of economic activity, in particular e-commerce, have become widespread. Trade transactions carried out via the Internet have simplified relations between producers and consumers, expanded market boundaries, and accelerated the globalization of economic processes. E-commerce allows not only to speed up trade processes, but also to reduce the costs of doing business, improve the quality of customer service, and form new market segments. As a result, e-commerce is becoming an important component of the modern economy [1].

International experience shows that the growth of digital trade has a significant impact on the state financial system, in particular, on tax policy. The sharp increase in the number of transactions carried out through e-commerce, while creating new opportunities for expanding the tax base, also creates a number of complications in the process of tax administration. In particular, the issues of identifying online trading entities, accounting for their income, taxation of international electronic trading transactions, and control over trading activities carried out through digital platforms are becoming increasingly important [2].

Today, many countries are implementing comprehensive reforms to improve the mechanism of taxation of e-commerce. In particular, mechanisms such as the application

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of value added tax to electronic trading transactions, the involvement of digital platforms as tax agents, the introduction of online cash register systems, and automatic monitoring of transactions carried out through electronic payment systems are widely used [3].

In the Republic of Uzbekistan, as a result of the development of the digital economy, the e-commerce market is also expanding significantly. Electronic payment systems, online trading platforms, and trading services through mobile applications are rapidly developing in the country. The state is implementing a number of measures to develop e-commerce and improve its legal and regulatory framework within the framework of strategic programs aimed at developing the digital economy, including the "Digital Uzbekistan – 2030" strategy. At the same time, the creation of an effective taxation system for e-commerce activities remains one of the pressing issues [4].

The specific features of e-commerce activities, in particular the implementation of trade operations in a virtual environment, the geographical location of trading entities and the large number of transactions carried out through electronic payment systems, complicate tax control. Therefore, the introduction of modern digital technologies into the e-commerce taxation system, the automation of the tax administration process, and the strengthening of information exchange between tax authorities and electronic platforms are of great importance [5].

The main purpose of this article is to study the theoretical and practical aspects of the e-commerce taxation mechanism and develop scientifically based proposals and recommendations to improve the taxation system by analyzing the existing problems in this area. The research will examine international experience in taxing e-commerce, trends in tax policy changes in the digital economy, and prospects for developing this system in Uzbekistan [6].

2. Literature Riview

The issue of e-commerce taxation is one of the scientific areas that has been widely studied in economic literature in recent years. The increasing volume of e-commerce as a result of the rapid development of the digital economy requires the modernization of the tax system and the development of new fiscal mechanisms. Therefore, the issues of e-commerce taxation occupy an important place in the research conducted by international organizations, economists and government agencies [7].

In the international scientific literature, the problems of e-commerce taxation are mainly studied in connection with the issues of determining the tax base in the digital economy, taxation of cross-border trade transactions and improving tax administration processes. Studies conducted by the OECD indicate that the main problems in the taxation of e-commerce are determining the tax residency of digital companies, determining the source of income and reducing the risk of tax evasion. According to OECD experts, the taxation system in the digital economy requires new approaches, different from traditional economic activities [8].

Studies conducted by the World Bank and the International Monetary Fund (IMF) emphasize the importance of using modern information technologies in the process of taxing e-commerce. These organizations note the need to introduce digital monitoring systems to control e-commerce transactions, integrate transactions carried out through electronic payment systems with tax authorities, and develop an automated tax reporting system [9].

Many foreign economists have also studied the theoretical foundations of e-commerce taxation. For example, economists such as J. Stiglitz and P. Krugman emphasize that new directions in fiscal policy are being formed in the digital economy. In their opinion, the expansion of e-commerce platforms sets the task for states to expand the tax base and reduce the share of hidden transactions in the economy.

Local economists have also studied the issues of e-commerce and its impact on the tax system. Uzbek researchers emphasize the need to improve tax administration in the digital economy, integrate e-commerce platforms with the state tax system, and widely introduce online cash register systems. In their opinion, improving information exchange mechanisms between tax authorities and e-platforms is of great importance for effective taxation of e-commerce activities.

In addition, the scientific literature emphasizes the role of value added tax (VAT) in the process of taxing e-commerce. Many countries have introduced a system of taxation of e-commerce transactions through VAT, which serves as an important source of increasing budget revenues. In particular, a single VAT system has been introduced in the European Union countries for electronic services and digital products, which allows for effective control of cross-border trade [10].

At the same time, an analysis of the scientific literature shows that the use of digital technologies, electronic identification systems, and monitoring systems based on artificial intelligence are important in improving the system of taxation of e-commerce. In modern tax systems, the practice of analyzing e-commerce transactions and identifying tax risks using Big Data technologies is widely used [11].

An analysis of the scientific literature shows that the issue of e-commerce taxation is a pressing issue for the global economy. At the same time, existing studies confirm the need to improve the system of taxation of e-commerce activities, increase the efficiency of tax administration, and modernize fiscal policy in the context of the digital economy. These scientific developments serve as an important theoretical basis for developing new approaches to improving the mechanism of taxation of e-commerce [12].

3. Research Methodology

In this study, various scientific research methods were used in a comprehensive manner to study the mechanism of taxation of e-commerce and identify ways to improve it. The research process was organized to include the stages of theoretical and practical analysis. Taking into account the fact that the e-commerce sector is a complex and multifaceted economic process, the research methodology was formed on the basis of several scientific approaches.

The theoretical basis of the study is scientific research conducted in the fields of economics, tax policy and digital economy. The methods of economic analysis, comparative analysis, statistical analysis, systematic approach and logical generalization were used in the study of the mechanism of taxation of e-commerce. Through these methods, the role of e-commerce transactions in the economy, their impact on the tax system and fiscal efficiency were assessed [13].

The methods of analysis and synthesis gained importance in the research process. Using the analytical method, the development trends of e-commerce, its economic indicators and its relationship with the tax system were studied. The scientific results obtained through the synthesis method were summarized and scientific conclusions were formed on improving the e-commerce taxation system.

Also, the experience of e-commerce taxation in various countries was studied through the comparative analysis method. In particular, the mechanisms for taxing e-commerce transactions in developed countries, European Union countries, and Asian countries were analyzed. As a result of this analysis, effective fiscal mechanisms used in international experience were identified and the possibilities of their application in the conditions of Uzbekistan were assessed.

The dynamics of the development of the e-commerce market, the growth rates of online sales, and the volume of transactions carried out through electronic payment systems were studied through the statistical analysis method. Official statistical data, reports of government bodies, and data from international organizations were used in the

research process. Based on statistical data, the share of e-commerce in the economy and its impact on tax revenues were assessed.

A systematic approach also played an important role in the research methodology. This approach made it possible to consider the e-commerce taxation system as a single economic mechanism. Using a systematic analysis, the relationship between e-commerce platforms, payment systems, tax authorities and state fiscal policy was studied [14].

In addition, scientifically sound proposals and recommendations for improving the e-commerce taxation system were developed based on the theoretical and practical materials studied using the scientific generalization method. This methodological approach, while ensuring the scientific validity of the research results, made it possible to formulate conclusions of practical importance for the development of the e-commerce taxation system.

4. Analysis and Result

As a result of the rapid development of the digital economy in recent years, e-commerce has become one of the fastest growing segments of the global economy. The widespread use of Internet technologies, the increase in the number of mobile devices, and the development of electronic payment systems are leading to a sharp increase in the volume of online sales. According to statistics, the volume of the global e-commerce market in 2020 was approximately 4.2 trillion US dollars, and by 2024 this figure will exceed 6 trillion US dollars. According to forecasts, by 2027, the volume of global e-commerce is expected to exceed 8 trillion US dollars.

Such rapid development of e-commerce creates new opportunities for the formation of state budget revenues. At the same time, a number of problems arise in the process of taxation of e-commerce transactions. In particular, the issues of identifying e-commerce entities, accounting for their income, and taxation of cross-border trade transactions are complex processes for tax administrations.

The e-commerce market in the Republic of Uzbekistan has also been developing rapidly in recent years. The number of trading platforms operating on the basis of digital technologies is increasing. Statistical data also confirms that the volume of transactions carried out through e-commerce is increasing every year. For example, in 2020, the volume of e-commerce in the country amounted to approximately 3 trillion soums, while in 2021 it amounted to 5 trillion soums, in 2022 to 8 trillion soums, in 2023 to 12 trillion soums, and by 2024 it exceeded 18 trillion soums. This indicates that the volume of e-commerce has increased almost 6 times over 5 years. Along with the expansion of e-commerce, the volume of transactions carried out through online payment systems is also increasing significantly. In particular, the number of transactions carried out through mobile payment applications and internet banking systems is increasing every year. This creates additional opportunities for monitoring e-commerce transactions and implementing tax control [15].

There are several key problems in the process of taxing e-commerce. First, some entrepreneurs engaged in e-commerce activities operate without official registration. As a result, their income is not fully accounted for by tax authorities. This leads to a reduction in the tax base and a decrease in state budget revenues.

Second, some e-commerce transactions are carried out through social networks or informal platforms. In this case, it becomes more difficult to identify and control trade transactions. As a result, a certain part of e-commerce activities remains within the shadow economy.

Third, taxation of cross-border e-commerce transactions is also a complex issue. Many foreign e-platforms serve Uzbek consumers, but these platforms may not be officially registered in the country. This makes it difficult to account for tax revenues from their activities.

The results of the study show that a number of institutional and technological measures are needed to effectively tax e-commerce. First of all, it is important to integrate e-commerce platforms with the state tax system. Through this, information about online sales transactions can be automatically transmitted to tax authorities.

Also, one of the important measures is the mandatory registration of entities engaged in e-commerce activities. By identifying sellers operating on e-commerce platforms, it is possible to improve the accounting and taxation system for their income.

In addition, it is important to develop a tax monitoring system based on digital technologies. With the help of Big Data, artificial intelligence and automated analysis systems, e-commerce transactions can be monitored in real time. This will allow identifying cases of tax evasion and increasing the effectiveness of fiscal control.

In general, the results of the study show that by improving the mechanism for taxing e-commerce, it is possible to increase state budget revenues, reduce the share of hidden transactions in the economy, and ensure the sustainable development of the digital economy. Effective control of e-commerce activities and the introduction of modern tax administration mechanisms will contribute to the further development of this sector in the future.

5. Discussion

The rapid development of e-commerce, along with new opportunities in the economic system, creates new challenges for fiscal policy and the tax system. Unlike traditional forms of trade, e-commerce activities are often carried out in a virtual environment, which complicates the process of identifying and controlling sources of income for tax authorities. Therefore, the issue of improving the mechanism for taxing e-commerce requires not only economic, but also institutional and technological approaches.

One of the most important factors for effective taxation of e-commerce activities is the digitalization of tax administration. The introduction of digital monitoring systems, the integration of electronic payment systems and trading platforms with tax authorities will create the opportunity to control trade transactions in real time. This will increase tax revenues and reduce the share of hidden transactions in the economy.

International experiences in taxing e-commerce will also play an important role in the discussion. In developed countries, special digital tax platforms have been introduced to control e-commerce transactions, through which information obtained from e-commerce platforms is automatically transmitted to tax authorities. In some countries, e-commerce platforms also act as tax agents and play an important role in the process of fulfilling sellers' tax obligations.

In the conditions of Uzbekistan, it is also important to study and adapt international experience in improving the e-commerce taxation system. Although reforms aimed at developing the digital economy are being implemented in the country, the system for taxing e-commerce transactions has not yet been fully formed. Therefore, it is necessary to integrate e-commerce platforms with the state tax system, introduce electronic identification systems, and expand online cash register systems.

In addition, creating favorable tax regimes for e-commerce entities is also an important factor. If the tax system is too complicated, small entrepreneurs may avoid official activities. Therefore, the introduction of simplified tax regimes for small business entities engaged in e-commerce activities will help legalize their economic activities.

At the same time, the issue of taxation of cross-border e-commerce transactions also requires special attention. Since the activities of global e-commerce platforms cover many countries, taxation of their income requires international cooperation. In this regard, the introduction of international tax standards and tax rules for the digital economy developed by the OECD can serve to increase the efficiency of e-commerce taxation.

Improving the e-commerce taxation system is important not only for increasing state budget revenues, but also for ensuring the transparency of economic processes. E-commerce activities can be effectively regulated by introducing modern digital technologies into the tax system, monitoring e-commerce transactions, and automating tax administration.

6. Conclusion

This study analyzed the theoretical and practical aspects of the e-commerce taxation mechanism and studied important areas for improving this system in the digital economy. The results of the study showed that e-commerce is one of the fastest growing sectors of the global economy, its volume and share in the economy are increasing every year. This process also has a significant impact on the state financial policy and tax system, requiring the development of new fiscal mechanisms.

The analysis revealed that there are a number of problems in the process of taxing e-commerce. In particular, the complexity of identifying online trading entities, incomplete accounting of e-commerce transactions, difficulties in controlling trading activities carried out through social networks, and institutional problems in taxing cross-border e-commerce transactions negatively affect the efficiency of the tax system. These problems can lead to a reduction in the tax base and insufficient formation of state budget revenues.

Based on the results of the study, a number of scientifically based conclusions and proposals were developed to improve the mechanism for taxing e-commerce. First of all, it is important to integrate e-commerce platforms with the state tax system. Through this, information on e-commerce transactions can be automatically transmitted to tax authorities. It is also necessary to improve the system of mandatory identification of e-commerce entities and their official registration.

In addition, the digitalization of tax administration is also one of the important factors for effective taxation of e-commerce. Modern information technologies, including Big Data, artificial intelligence and digital monitoring systems, create the opportunity to analyze and control e-commerce transactions in real time. This will help identify cases of tax evasion and increase the effectiveness of fiscal control.

At the same time, it is also important to introduce simplified tax regimes for small businesses engaged in e-commerce. This will help attract small businesses to formal economic activities and ensure the sustainable development of the e-commerce sector.

Improving the mechanism for taxing e-commerce is important for increasing state budget revenues, reducing the share of hidden transactions in the economy, and ensuring the sustainable development of the digital economy. Effective regulation of e-commerce activities and the introduction of modern tax administration mechanisms will contribute to the further development of this sector in the future.

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