



№ 1(1), yanvar-mart, 2021 yil

ISSUES OF REGULATION OF BLOCKCHAINS IN THE DIGITAL ECONOMY AND WORLD EXPERIENCE IN REDUCING , PREVENTING THE "HIDDEN ECONOMY"

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**Abstract:** This article describes the circulation of cryptocurrencies, its characteristics, international regulatory practices, as well as the attitude of Central Banks to cryptocurrencies. In our country proposals for regulating the circulation of cryptocurrencies have been developed. Ensuring regional economic security is an important aspect of regional policy. The main goal in this regard is to increase the competitiveness of the country and its regions. This article analyzes the main factors influencing the "hidden economy", its formation and development, as well as the ways to effectively combat the "shadow economy" and the world experience.

**Key words:** Digital money, private money, virtual currency, cryptocurrency, bitcoin, blockchain, distributed registry, electronic wallet, "shadow economy", penalties and other legal measures, cash payments, liability, preventive measures.

**Introduction**

Although e-money and its impact on the economy became the focus of discussion

in the early 1990s, e-money the introduction of products has not developed rapidly

enough. However, since 2009, innovations related to bitcoin and the blockchain technologies that underlie it have become more common than cryptocurrencies. Nowadays, new digital technologies startup allows companies to attract huge investment funds in the form of cryptocurrencies or tokens. For example, as shown in the section above, the experience of a number of countries clearly shows that the initial placement of digital money - ICO (initial coin offering) allows you to save tens of millions of dollars for investment. But, of course, there is a possibility of negative consequences of this work. New to the startup market as it attracts investment through ICOs a financial bubble may appear. This will allow investors to get a high level of profit at no cost to the issuers. In the traditional method of raising capital, the company must have gained the trust of the population for many years to raise the necessary capital. Placement of primary shares of securities of the operation of accumulation of investment capital in digital currency. The main difference from the traditional method of selling (exchanges) is that the company issues tokens (digital tokens) for sale, not shares. To do this, investors pay through cryptocurrency (for example, bitcoin or lightcoin). According to experts, ICO issuers take great risks in doing so.

This is especially true when the cryptocurrency market is under government control very strong.

To set up an ICO, the issuing company uses a special web platform, such as issuing cryptoverversions of securities through Waves or Ethereum. To do this, the blockchain is added with transactions, their description, number and unique ID. After the

issue, any number of tokens can be exchanged for cryptocurrency in any wallet in the blockchain. Some companies sell their tokens in gold or provide the company's products. For example, the Ethereum-based startup DigixDAO tied its tokens to the gold standard in 2016, while the American startup StabL, which is creating a blockchain platform that trades derivatives based on Ethereum, tied its tokens to financial products with a value in ordinary currency. ydi. The issuing company that issues tokens and investors who want to buy them are smart conclude a contract and on the basis of this automatic blockchain-chain become participants. These blockchain-chain agreements are not counterproductive. The process of buying and selling token-cryptocurrency is as follows: The company uses the program to request the wallet of the investor and the wallet to which the token is sent to the investor. Once the company receives the required amount from the investor, the transaction is considered completed and the smart contract is activated and the tokens are delivered to the buyer. Founded by the ICO the company sells the tokens directly to the project participants, not to a bank or venture investor. This means that project participants will be more involved in the company's work, will be encouraged to use the company's products and services, and will understand the benefits of offering these products to other people. Because the better the company, the more investors will benefit. The first company to place cryptocurrencies was Mastercoin, which raised \$ 500,000 in 2013 through an ICO. With the development of blockchain technology, this fundraising technology has become more widely used. According to TechCrunch, 64

ICOs totaling \$ 103 million were launched in 2016. In recent years, several dozen companies have announced the creation of an ICO, including Russia's SONM, which has raised \$ 42 million in cryptocurrency. A turning point in the history of ICOs is the project of Canadian programmer Vitalik Buterin called DAO. Under this project, the company was able to attract a sudden investment of \$ 152 million (often referred to as crowdfunding). The DAO project is a decentralized venture fund that is managed automatically through software. Following this event, the process of establishing ICOs worldwide much accelerated. On May 30, 2017, Brendan Ike, who developed the JavaScript language and Mozilla browser, raised \$ 35 million through the ICO mechanism to develop a new Brave browser. To do this, Brendan created a token called a BAT or Basic Attention Token.

For example, the price of Stratis (STRAT) has increased 600-fold since the ICO was formed in July 2016, while the price of bitcoin has increased 30-fold in the same period. The price of SpectroCoin (cryptocurrency exchange) has increased 400 times since January 2017. According to experts, 2018 as well will be a crisis for cryptocurrencies similar to the previous year. At the beginning of 2019, the capitalization of bitcoin reached \$ 306.5 billion. There are several reasons for such a large increase. For example, the CME and CBOE are trading cryptocurrency futures and options on the Chicago Board of Trade. In many countries, cryptocurrencies are recognized and used as a means of payment, while in other countries a legal framework for the world of cryptocurrencies is being developed. Another reason is that it is releasing a digital

analogue of the dollar. Tether Ltd is investing in bitcoins by issuing unsecured digital dollars in agreement with Bitfinex, a major cryptocurrency exchange. oday in our country under the initiative and under the direct leadership of the head of our state Sh. Mirziyoyev active development of economy and investments

Extensive work is being done to attract and ensure the rule of law. In particular, the share of the "hidden economy" in the state program for the implementation of the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2021-2027 in the "Year of Science, Enlightenment and the Digital Economy Development" approved by Presidential Decree No. PD5953 of March 2, 2020. It is planned to implement a number of reduction measures.

**Achieving this goal will focus on:**

- ✚ socio-economic development of the country and its regions by ensuring the integration of the country and its regions with international markets, the rational location of the country's productive forces in the regions and territories, ensuring their interconnectedness, specialization and cooperation;
- ✚ accelerating, achieving sustainable and balanced economic growth;
- ✚ development of regional infrastructure;
- ✚ increasing the competitiveness of industries in the regions;
- ✚ narrowing the gaps in regional development;

**In the process of developing a program to ensure the economic security of the region, the following will be done:**

1. The main macroeconomic indica-

tors in the national economy and regional economy are analyzed.

2. The role of each region in the classification of levels of socio-economic development of the country's regions is determined.

3. The socio-economic situation in the region is analyzed.

4. The main economic interests of the region are identified.

5. A classification of threats to the economic security of the region will be developed.

6. Real and potential threats to the economic security of the region will be identified.

7. Indicators and methods of assessing the economic security of the region are determined.

8. The situation of stagnation and crisis in the spheres of life in the regions is assessed.

9. The goals of economic security of the region are set.

10. Priorities of a regional policy aimed at ensuring economic security will be developed.

11. Socio-economic development programs of the region will be developed.

12. A set of measures to ensure the economic security of the region will be developed and established.

13. Tasks and powers of local authorities and administrations to ensure economic security are defined.

14. A system of measures to monitor the state of economic security in the region will be developed.

To ensure the economic security of the region and increase its competitiveness, the region (territory) identifies locomotive

and base areas in the country

will need to get.

### Literature review

It is known that the origin of the first cryptocurrency - bitcoin - is associated with the name of Satoshi Nakamoto. However, it has not yet been proven who is hiding under this pseudonym. For example, he is an Australian programmer, originally from Japan who is an American, Japanese mathematician, and Finnish sociologist living in Los Angeles. Another hypothesis is that a whole group of people is hidden under this name (Steadman, 2016).

The terms digital currency, virtual currency, electronic money, and cryptocurrency perform to some extent all the functions of traditional money, but they are only available in electronic form and are mostly used on the Internet. For example, digital money serves as a medium of exchange, a unit of account, a means of storing (saving) value, which, unlike traditional money, exists only in digital form (Dodgson et al., 2015).

The European Central Bank is a decentralized virtual that converts bitcoin classified as a currency (ECB, 2012). According to the German Ministry of Finance, bitcoin is not classified as a foreign currency or electronic money, but as "private money" (Clinch, Matt, 2013). The U.S. Treasury is a centralized virtual currency that converts bitcoin classifies as (Calvery, 2014). Swedish Financial Supervisory Authority bitcoin and publicly announced other digital currencies as a means of payment (Financial Mirror, 2014). Cryptocurrencies are linked to national payment units (US dollars, euros, soums) not set. The exchange rate of Bitcoin is formed on the basis of supply and de-

mand for it in virtual currency exchanges. The issuance of cryptocurrencies ("mining") is decentralized and not controlled by any state. Areas of circulation of cryptocurrencies are various bitcoin shops, bitcoin exchanges. To date, bitcoin ATMs have appeared in some foreign countries. First of all, it should be noted that there is no single internationally recognized tariff for the "hidden economy" and no clear way to determine its scale [19]. The term "hidden economy" is also used in the literature to refer to "informal economy", "hidden economy", "shadow economy" and various other terms.

Hidden economic activity is mainly latent, ie has a hidden nature, the methods of its implementation are characterized by constant variability, complexity, being carried out through different schemes. This is to identify and expose them means that it is difficult to reach.

Corruption and the shadow economy, according to research on the subject are the main forces threatening economic security, and there is a close link between corruption and the shadow economy, which have common roots consisting of administrative barriers [20].

The high level of "shadow economy" in the country leads to a high level of corruption [21]. In low-income countries, the level of corruption has also increased with the growth of the "shadow economy" [22].

There is also a positive correlation between the "shadow economy" and inflation, and a negative correlation with the tax burden. With the "hidden economy" Informal employment analysis shows that the number of informally employed citizens in developing countries is greater than the num-

ber of citizens engaged in formal employment [24]. With the expansion of the scope of informal economic activity, the involvement of honest economic entities in their domain [25] is considered a threat to security [26].

### **Research methodology**

The article uses methods of research such as analysis of selected literature, synthesis, comparison, grouping. Analysis and discussion of results. Until recently, there were two approaches to restricting the use of cryptocurrencies: restrictions on the nature of the introduction and regulation of taxes on transactions with cryptocurrencies. This is one of them a negative impact on effective and beneficial use. In the fall of 2015, the European Court ruled not to apply value-added tax (VAT) on transactions with cryptocurrencies. After that, the situation with the regulation of cryptocurrencies changed radically. Currently, regulation is the only way to control the use of cryptocurrencies in EC countries. However, instead of tightening the regulation of cryptocurrencies in Europe, there is an introduction of a "soft" regulatory regime. There is no specific law in the European Union regulating the circulation and use of digital currencies. In October 2012, the European Central Bank prepared a report on digital currency schemes and it covered the bitcoin system, an analysis of the legal status of such a system under current European law. The issue of including digital currencies in the scope of the concept of "electronic money" established by the Directive on Electronic Money (2009/110 / EC) and their regulation in the framework of this document was also considered. According to the report, the term bitcoin is one way or another meets



certain criteria for equating an object to electronic money. But the most important thing is the criterion for securing the money issued in bitcoin does not respond.

There are also comments that bitcoin will fall under the scope of the Payment Services Directive (2007/64 / EC). However, the report notes that the provisions of this normative document do not apply to bitcoin-related activities and transactions. By December 2018, Chicago options and commodity exchanges in the U.S. had begun trading bitcoin futures. At the legislative level, the German Government has recognized bitcoin as a financial unit of account and a means of mutual settlements.

Because bitcoin as a currency by local suppliers of goods and services despite the fact that legal regulations have not been introduced, they have not paid income tax at the rate of 25 per cent. After the relevant law was passed, all transactions related to bitcoin began to be taxed. Following the bankruptcy of the cryptocurrency exchange Mt.Gox in Japan, the Government issued a statement on the importance of taxing and regulating bitcoin. However, virtually no measures have been taken to regulate bitcoin. However, as of April 1, 2017, the Government of Japan has passed legislation that gives bitcoin the status of an official payment instrument. A number of normative documents allowing the integration of cryptocurrency into the local banking system have been approved. The Swiss government has converted bitcoin to foreign currency. Today, Switzerland, Gibraltar and Malta are recognized as the most successful jurisdictions for companies operating in the field of blockchain and cryptocurrencies. Taxes on bitcoin turnover have been re-

tained in Australia and Singapore. The decree does not impose any restrictions or special requirements on the creation, exchange, storage, placement, purchase of tokens and the operation of cryptocurrencies and cryptocurrency platforms. According to the high-tech park, "May activities carried out by individuals, the sale, exchange and placement of tokens is not considered business activity and tokens are not declared. May's activities, creation, sale and purchase of tokens will not be taxed until 2023. " However, this work will significantly increase the demand for electricity in Belarus, as May requires a lot of electricity. That is why it is an atom that allows the country to produce relatively cheap electricity. Power plants are being built and new ones are planned (this is being done by Russia's Atomstroyexport. As a result, by 2019-2020, only two power units will provide the country with 2GW of cheap nuclear power. produces). The Russian president also instructed to develop a law on cryptocurrency circulation and ICO by July 1, 2018. This is because the number of employees in the cryptocurrency market in Russia is growing [3].

In early December 2017, Venezuelan President Nicolas Maduro also ordered the issuance of 100 million ElPetro cryptocurrencies in the country. This cryptocurrency is supplied by the oil produced in the country - that is, 1 ElPetro is equal to the price of 1 barrel of oil. The president said ElPetro should ensure Venezuela's "monetary sovereignty" and increase cash flow and investment. Unlike all other cryptocurrencies, this cryptocurrency is supplied with 5 billion barrels of oil from the Ayakucho oil field in Venezuela.

If the cryptocurrency project fails,

each cryptocurrency owner will own one barrel (or barrel) of oil. At current prices, that means \$ 60. According to social media, the cryptocurrency, which went on sale on February 20, 2018, sold \$ 735 million on its first day, and within a week, that amount had reached \$ 1 billion. Inspired by success, the designers are now PetroGold are planning to issue a cryptocurrency that will be backed by gold. If the project is successful, Petro's capitalization could reach 6 billion euros. According to Philipp Sandner, a professor at the Frankfurt School of Finance and Management, this cryptocurrency in the virtual market is more stable than bitcoin because of its material wealth.

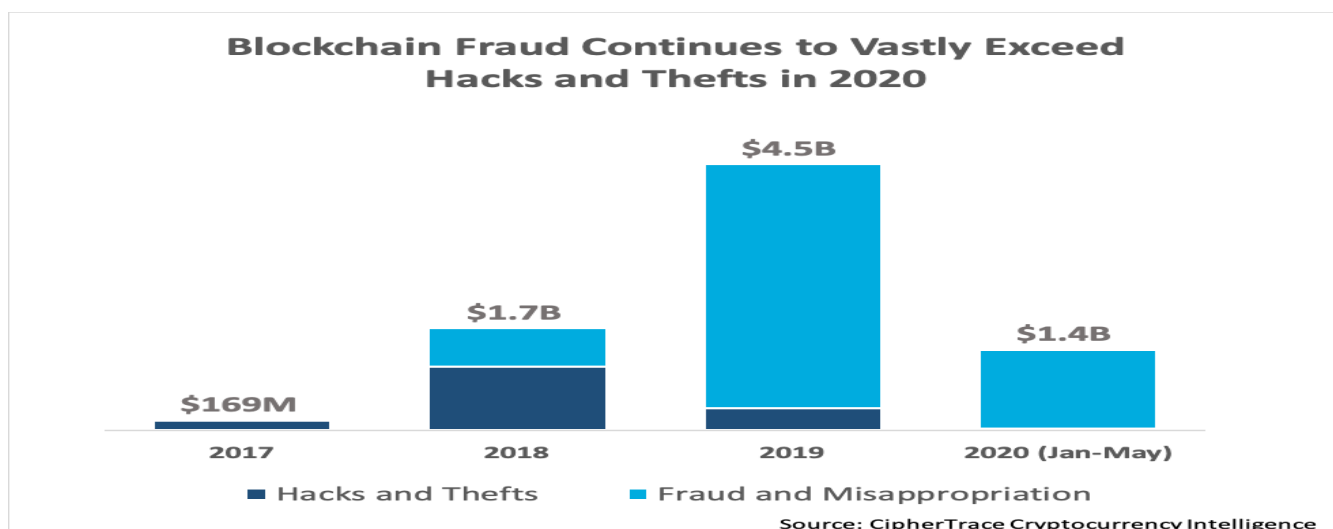
Officials in Caracas believe that their own independent cryptocurrencies will allow them to interact more closely with international currency markets and attract funding from abroad. In any case, the issuance of ElPetro cryptocurrency can be considered as an experience in the virtual

world.

If this approach proves effective, other countries will be able to use this experience to develop their economies [4]. Similar processes are underway in Europe, for example, the United Kingdom is planning to issue its own cryptocurrency. The cryptocurrency is linked to the British pound sterling, which the central bank says will replace the banks.

Such a British national cryptocurrency will be issued in late 2018, The Telegraph reported, citing a Central Bank official. The problem of how to do this is currently being studied. This cryptocurrency is an analogue of bitcoin and is a transaction technology. According to the central bank, the cryptocurrency will allow the British to abandon banking services and keep their money in digital assets. Cryptocurrency makes it possible to make large transactions (for example, it is easier to buy real estate).

**Fig 1. The volume of hacking attacks on Blockchain technologies in 2020 (\$ billion).**



At the end of December 2017, the state of Israel also announced the release of its own cryptocurrency called the Electronic Shake. With this, Israeli economists want to solve two problems: reducing the amount of

cash in the economy and fighting the black market more effectively. This cryptocurrency will not be an analogue of bitcoin. It is equivalent to the Israeli national currency.

This platform allows electronic ex-



change of information between market participants and identification in blockchains designed to do. This system can gradually ensure that as the experience of working with cryptocurrencies increases, a number of government interactive services will be transferred to the next blockchain. Based on the above, the conversion of the Uzbek national currency - the soum - into a cryptocurrency in part or in some limited optimal proportions, and the soum into a related blockchain will successfully solve a number of financial problems in our country. would allow. Including:

- ✚ Increasing the transparency and efficiency of current banking operations;

- ✚ Improving the efficiency of the public sector and its speed;

- ✚ Eliminate or control the secondary and clandestine banking sector;

- ✚ Overcoming bureaucracy and anti-corruption in the state apparatus effective struggle;

- ✚ Effective fight against tax evasion by improving the tax payment process;

- ✚ New innovation in small business and entrepreneurship development capacity building;

- ✚ Large-scale involvement of international monetary resources in the economy of Uzbekistan through cryptocurrencies and ICO mechanisms;

- ✚ Pressure of the dollar and other currencies on the economy reduce and on this basis increase the competitiveness of the soum;

- ✚ Launch of new, convenient and effective credit mechanisms for enterprises, organizations, private entrepreneurs and individuals;

- ✚ Further improvement of financial institutions;

- ✚ Ensuring mobility in the use of internal financial resources, etc.

- ✚ For the successful development of such behavior in our country today can be proposed four different directions:

- ✚ In the first scenario, a bit sum can be issued. The transition of the Uzbek national currency to blockchain and digital format can give it a number of advantages, but in this case a number of problems will need to be addressed in accordance with the law. For example, who runs this blockchain and the state to it status or whether it has corporate status. The question of how the som is used in the domestic and foreign markets and who controls it is necessary to find concrete, reliable and clear answers with the involvement of experts in the field of banking, finance and credit.

- ✚ The second direction is the establishment of a sovereign state blockchain system of Uzbekistan, which will include the functions of various financial institutions. Such institutions include banks, depositories, pension funds, tax authorities and others. This will make the process of paying taxes and transferring funds relatively easy and fully automate the process.

- ✚ The third option is to use cryptocurrency in separate organizations or this work will be carried out at the national level (for example, in open economic zones in the Republic of Uzbekistan or in innovative joint ventures with foreign specialists), after gaining sufficient practical experience in this area.

- ✚ The last and fourth option is to launch a pilot project (masterchain project) in which the Central Bank will work with

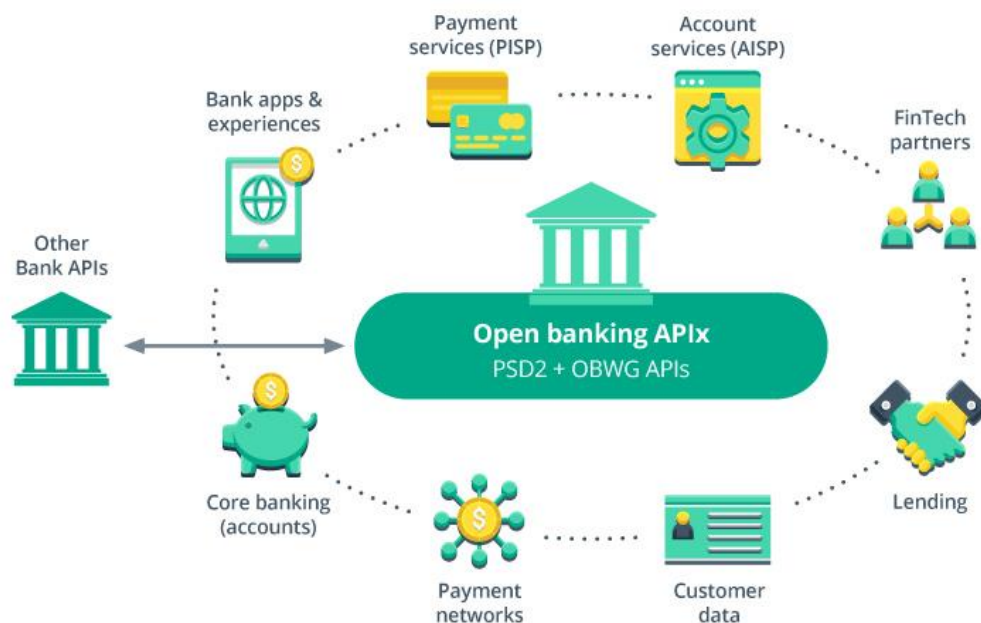


digital cryptocurrencies, as in the Russian Federation.

Given the very small number of qualified specialists in cryptocurrency in the country and the lack of experience in this field, it remains a modern requirement to train qualified specialists in this area (this proposal was submitted to the Ministry of Higher and Secondary Special Education, University of Economics and financial institution and banking and finance academy). But the introduction of blockchain technologies and the issuance of Uzbek cryptocurrency the step-by-step implementation of an

cause most developed countries in the world are implementing their own national or corporate cryptocurrency projects, and they will later own all the digital cryptocurrencies and they try to squeeze countries out of the process.

As one of the most important actions in the government's monetary policy is to control the issuance of money, cryptocurrencies are expected to be launched globally in the near future abandonment of the system can significantly limit and derail the financial and credit system of the country and its relations with the global financial credit



innovative idea is a vital requirement that needs to be addressed from now on. Be-

**Fig 2. New revenue streams for banks**

It would be expedient to legalize and introduce the ICO (Initial Coin Offering) mechanism for the rapid development of the innovative economy in the country and the financing of various innovative projects.

It is provided with products and services made in Uzbekistan issuing tokens and selling them in the domestic and foreign markets, and the funds raised were

system.

used to finance related projects.

Upon completion of the project, the owners of cryptocurrencies in the form of tokens will be provided with products equal to the amount of their tokens. Touch services are performed for. For example, each UzCotton cryptocurrency issued through the ICO can be equivalent to one kilogram or one ton of cotton. This means that those

who buy it will be given cotton or fiber equal to the amount of their tokens after the harvest.

One of the UzGold cryptocurrencies is equivalent to one gram of gold, which means that the project will be implemented. In exchange for such tokens, the holders of tokens will be issued gold coins or currency minted in the Republic of Uzbekistan at world market prices.

If the innovative project is to build a solar or wind power plant (farm), one cryptocurrency UzEnergO will be equal to one kilowatt of energy, and therefore once a money-built solar power plant is up and running, individuals or organizations that purchase cryptocurrency will be able to use electricity that matches their tokens at previously lower prices. If, for example, each of the tokens called UzKvartira is issued as one square meter of living space, then the owners of tokens will be able to own a living space equal to the amount of these tokens after the project.

That is, a house is built on the money raised from them (money collected from the sale of cryptocurrencies), and then the apartments in the house are given to the owners of cryptocurrencies. This means that most people buy cryptocurrencies from a house-building company without raising any loans instead of taking a high-interest mortgage from banks to buy a home, and after a while, they become homeowners. If they don't need a house, cryptocurrencies can also be sold on the secondary market to people who don't have enough space to buy a home. We can call this a speculative way of using cryptocurrencies.

The implementation of the ideas described above would create a unique scien-

tific and technological revolution in our society in the field of digital economy, and as a result, our country could quickly move to the path of innovative development and take a worthy place among developed countries.

The article analyzes the research conducted in this area and comparatively analyzes the experience of foreign countries. The study also used empirical-analytical, statistical, national legislation analysis, and other research methods. Analysis and results. According to experts, the share of the shadow economy in Uzbekistan's GDP is more than 50% [11]. In 2018, these figures will be 22.5% worldwide, 66.12% in Azerbaijan, 46.12% in Ukraine, 39.29% in Russia, 24.95% in Turkey, 16.55% in India, 10.17% in China and 7.69% in the United States. At the same time, globally, these figures are projected to decline to 21 per cent by 2025. [12] The formation and development of the "informal economy" are influenced by economic, social, organizational, legal and a number of other factors in the country. Examples of economic factors include cash settlements, high tax rates, the economic crisis, and unhealthy competition among businesses.

High unemployment in the country, low incomes are among the social factors. As legal factors, the presence of various administrative and bureaucratic barriers to doing business in the country or gaps in the legislation allow the development of the informal sector. The organization of public administration and oversight functions, administrative procedures and corruption have an indirect impact on the formation of the "shadow economy".

According to leading researchers in

this field, the 10 main factors influencing the "hidden economy" are the tax burden, good governance and corruption, regulations, public services, taxpayer behaviour, preventive measures, the level of development of the formal economy, self-employment, factors such as unemployment and the share of the agricultural sector in the economy are listed [13]. In general, there are several ways to reduce the "shadow economy", transfer it to the formal sector and effectively combat it. If the country's economic development leads to a reduction in the "shadow economy" [14], the share of the "shadow economy" in countries where electronic payments predominate will be small [15], while the digital economy can solve the problem of the "shadow economy" [16]. Another study noted that combating corruption was the most effective way to combat the "shadow economy" [17]. The Organization for Economic Co-operation and Development (OECD) has identified three key areas for reducing the share of the shadow economy - training taxpayers and simplifying law enforcement, with clandestine activities. It is recommended to reduce the opportunities for engagement and increase the opportunities for disclosure, strengthening social norms [18].

With this in mind, this article focuses on some organizational and legal aspects of reducing and eliminating the "hidden economy" is passed.

The first line is related to cash payments, which is one of the biggest risks. According to the Central Bank, as of January 1, 2020, the money supply in the national currency amounted to 62,785.8 billion soums. Sum of which 24 246.0 bln. soums or 38.62% of circulating cash (excluding cash in the

national currency at the cash desks of the Central Bank and commercial banks) [19]. A large amount of cash turnover in our country has a significant impact on the further development of the clandestine economic activity. Especially large denomination banknotes, including foreign currency banknotes, can be used as a convenient tool for money laundering or smuggling of assets out of the country. The advent of modern technology, the exchange of new and decentralized goods and services through new cryptocurrencies, blockchain technologies and sharing economy platforms, further increases this risk.

To reduce such risks, the Russian Federation has introduced mandatory online registration of cash payments since 2017, which can be made through a QR-code payment check issued by the person who made the payment in cash has the ability to verify the legitimacy of an increased transaction. In Denmark, all of which have exceeded 10,000 Danish kroner (\$ 1,445) since 2013 payments are required to be made electronically, and companies are not required to accept or pay cash in excess of 50,000 Danish kroner (\$ 7,228) [20]. In France, in 2015, a restriction was imposed on payments in excess of 1,000 EUR in cash between citizens and entrepreneurs, as well as between entrepreneurs and each other. In Austria, the construction sector exceeded 500 EURO cash expenses (including wages) are not deductible for tax purposes. It is also prohibited to pay monthly salaries in cash in the construction industry (except for excuses). As a result of the practical measures taken, it should be noted that in Sweden in 2015, only 2% of the total value of all payment transactions were made in cash [21].

The second line is national for some economic practices our legislation does not provide for direct, that is, direct criminal liability, and there are risks associated with it. Accounting and refund of overpaid and overcharged taxes in accordance with the new edition of the Tax Code, introduced from this year, as well as mechanisms for paying interest on overpaid taxes are being introduced. This can lead to tax fraud by individuals abusing this mechanism. Therefore, in most foreign countries (Slovenia, France, Germany) criminal liability has been established for frauds related to illegal tax overpayments or levies. Also USA, Germany, Canada, Singapore, Japan, Philippines, Thailand and confiscation of illicit proceeds from all illegal activities (bribery, fraud, financial pyramids, etc.) in many other countries. In addition, they are subject to additional administrative or criminal liability for non-payment of taxes or evasion of taxes. There are no legal restrictions on the introduction of this practice in Uzbekistan. In particular, from individuals in Section 13 of the Tax Code. In determining the taxable income base, the taxpayer is required to dispose of the income or income received by the taxpayer, both in cash and in-kind income, as well as income in the form of material benefits, and tax on the income of an individual at the appropriate tax rate is filled. In this case, the income of an individual is taxed on the basis of the declaration, if the tax agent is not taxed. Accordingly, the courts and law enforcement agencies as a result of illegal actions (bribery, fraud, financial pyramid, etc.) not limited to the confiscation of illicit income received, in addition to which they are taxed and must be standards of the FATF (Recommendation) it

prosecuted for tax evasion or tax evasion. Liability for illegal financial transactions (remittances, loans, credits, leases, etc.) without registration in foreign countries is established. In particular, it is illegal in Turkey for profit there is criminal liability for lending. Therefore, it is proposed to establish liability for the illegal provision of financial services (loans, credits, leases, remittances) for profit. With the current risk management system providing favourable conditions, benefits and privileges for honest business entities, simplification of operations and procedures related to them, some criminals may use the names, identification numbers of honest entrepreneurs and carry out various operations for malicious purposes.

This is their illegal activity theft (use) of another person's personal information or "Identity theft". The risk of clandestine economic activity on a global scale was high certain acts related to foreign economic activity, in particular, criminal concealment in Finland for concealment, transfer, sale of these goods if it is known to the person that they were illegally imported. However, there is no direct responsibility for such an offence in our country. It should be noted that the introduction of criminal liability for some of the above acts is not only a requirement of the times but also one of the obligations of the state under international agreements to which Uzbekistan is a party.

In particular, in accordance with UN Security Council Resolution 1617 (2005), the FATF recommendations are international standards that are binding on UN member states. All with the concept of the crime of money laundering according to the was emphasized that serious crimes, includ-

ing a wide range of predicate crimes, should be covered [22].

The third direction is the question of the effectiveness of sanctions and other legal measures to combat clandestine economic activity. The fact that a person commits an offence depending on the probability of detection of the offence, the insignificance of the amount of the penalty, and therefore it is important not to strengthen the sanctions, but to ensure the inevitability of the person to be prosecuted for the offence identified [23]. This can be seen in the example of the effective application of a wide range of sanctions for economic offences in foreign countries. In particular, criminal liability of legal entities, differentiation (stratification) in the prosecution, confiscation of property as a punishment, the definition of legal sanctions against individuals through the media will increase the effectiveness of the fight against the clandestine economic activity. In Ireland, the system of liability for economic offences is aimed at the voluntary elimination of the offence by the individual. Sanctions for the same offence are differentiated according to the degree of cooperation with regulatory or law enforcement agencies, the voluntary elimination of the consequences of the offence, and the recurrence of the offence [24]. Therefore, it is necessary to differentiate and further liberalize liability measures depending on the level of individual participation (cooperation) in the and the identity of the applicants is not disclosed [25].

### **Conclusions And Suggestions**

The acceleration of digital transformation processes, the widespread introduction of digital technologies in business process management, the increase in the types

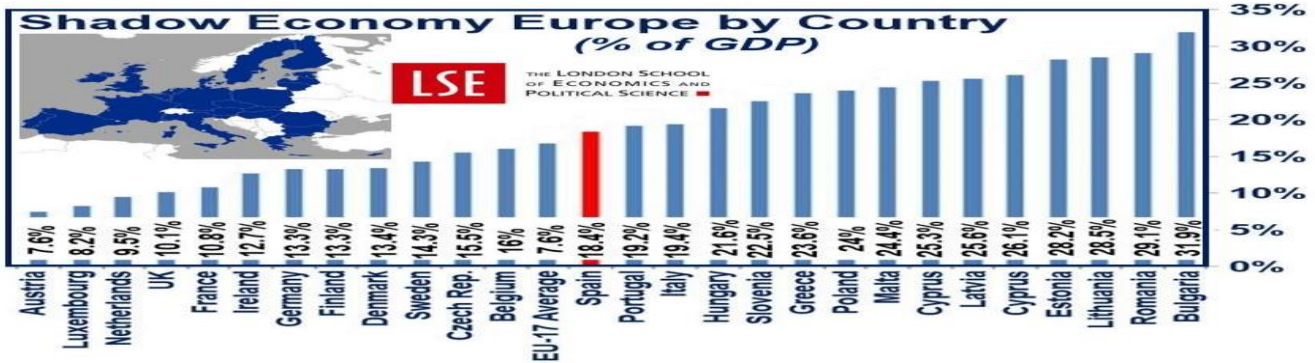
detection and elimination of economic offences. This is the legal basis for establishing mutual respect, trust and effective communication between the two parties creates. As a punitive measure in Singapore and Ireland, a list of tax evaders or tax evaders is published quarterly, as well as restrictions on the departure of non-taxpayers from Singapore, and the abolition of the passports of individuals with significant tax arrears (above \$ 51,000).

The fourth direction is the effective use of public control mechanisms in the fight against and prevention of clandestine economic activity requires the use of. Research has shown that strengthening control and increasing the number of inspections in the fight against and prevention of clandestine economic activity requires the mobilization of financial costs and resources (human, time, technological, etc.), mobilization of all resources to detect economic offences recognizes the impossibility of achieving and the ineffectiveness of strengthening control. In Ireland, in particular, it is noteworthy that in the fight against the shadow economy, regulators rely on public oversight mechanisms and the help of honest taxpayers. This is tax evasion and unhealthy citizens, entrepreneurs, public associations, trade unions are given the opportunity to report cases of competition through various means, including electronically, orally or in writing, anonymously, and scale of digital assets will eventually lead to an increase in demand for digital currencies. In addition, the use of digital currencies contributes to the efficient functioning of the digital economy ecosystem by providing new opportunities that fiat money cannot provide. That's it, therefore, the



liberalization of the cryptocurrency regulation of the scope of use of crypto-assets while ensuring cryptocurrency security will become a trend not only in developed but also in developing countries in the near fu-

tory system, the definition and expansion of the scope of use of crypto-assets while ensuring cryptocurrency security will become a trend not only in developed but also in developing countries in the near future. **In our opinion, in the formation of the system of regulation of cryptocurrencies in our country, it is advisable to do the following:**



**Fig 3. The impact of the shadow economy on European countries and the decline in GDP**

1. The legal framework for transactions with cryptocurrencies should be strengthened by the relevant law and the areas of use of cryptocurrencies in our country should be strictly defined.

2. The central bank should assess the impact of the use of cryptocurrencies on the demand for money in the country, taking into account changes in the volume of investments in cryptocurrencies in the management of the money supply.

3. Based on the requirements of the digital economy, the Central Bank should develop a strategy for the issuance of digital currencies. At the same time, the areas of application of the digital currency of the Central Bank are investment assets

quality, the scope of participants authorized to use it, and, if necessary, restrictions.

4. In line with the growing share of the digital economy, based on the profitability of cryptocurrencies, it should take measures to include leading cryptocurrencies in the structure of official international

foreign exchange reserves.

5. The Central Bank should establish mechanisms for participation in the cryptocurrency market and influence on market liquidity, in particular, swap transactions with cryptocurrencies. Also, the futures market of cryptocurrencies, transactions with derivative financial instruments whose underlying asset is cryptocurrencies development should also be considered.

According to the results of the analysis carried out in the framework of this article, the following conclusions and recommendations for improving some organizational and legal aspects of the reduction and elimination of the "shadow economy" reported:

**First**, in cooperation with the relevant ministries and agencies, take measures to reduce cash payments and expand and encourage the implementation of electronic or remote payments. It is advisable to increase.

**Second**, the Criminal Code proposes to introduce direct criminal liability for certain economic acts (tax, fraud related to for-

eign economic activity, illegal financial services, theft of another person's personal information ("Identity theft").

**Third**, it is proposed to introduce types of penalties and other legal measures aimed at preventing this type of crime for economic offences. It is proposed to establish criminal liability for legal entities, including confiscation as a measure of criminal influence. Also, in order to discredit some offenders or dishonest business entities, publish their list (print) is proposed.

**Fourth**, corruption, economic offences, and undercover activities may be reported anonymously or electronically, orally, or in writing by various means, ensuring the applicant's privacy. Effective use of public control mechanisms by expanding the opportunities to apply in the form, including the participation of non-governmental organizations, citizens and businesses encouragement is needed.

These measures include further improving accountability and enforcement for economic offences, supporting honest entrepreneurs, and encouraging cooperation and public scrutiny serves to reduce and prevent the shadow economy.

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