

**PROSPECTS FOR IMPROVING THE MECHANISM TO REDUCE THE IMPACT
OF THE SHADOW ECONOMY**

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Abstract: *This article provides information on the mechanisms of reducing the influence of the hidden economy, and elaborates scientific proposals and recommendations on the above mechanisms.*

Key words: *state intervention, hidden economy, tax rate, market economy, mechanisms, tax pressure.*

A high level of state intervention during the development of the economy causes the further development of the underground economy. In this case, the activity of state intervention in the economy, many types of hidden economy (tax evasion) mainly refers to the shortcomings of state regulation, that is, the bureaucracy of management, excessive inflation of management, excessively high tax rates, etc. But it should not be forgotten that a good centralized management system can also reduce the scale of the shadow economy. In addition, even when the minimum tax rate is the minimum during the period of economic development, no matter how convenient it is for business, there are still those who evade it, as a result, the hidden economy is preserved even if it is in a small percentage share.

On the other hand, the modern hidden economy not only tends to limit market freedoms, but also causes the formation of market relations with its own characteristics. Thus, long-term public interests are put aside by individuals or certain groups of people for short-term personal interests. As a result of such actions, the moral standards that condemn conflict with the law are relatively weak in society, and such situations are the reason for the emergence of the second or black economy. Reasons and conditions in the process of creating hidden activity in the field of economy play a different role. If under the influence of these reasons, clandestine activities are formed, we believe that there are conditions for such clandestine activities in the selected country.

In addition, the hidden economy exists in low, medium and high levels in any country where the state and economy exist. We will consider the main causes of illegal activities that serve the development of the underground economy in the field of economics at two levels. They include: fundamental reasons related to the important features of a certain type of economic system (market, administrative-command, transition period) and specific reasons related to the implemented socio-economic policy.

It is one of the most important mechanisms of coordination of the market economy and is aimed at the efficient distribution of limited economic resources. There are fatal and inherent dysfunctions in given theories, called flaws, imperfections, or failures.

The failure of the market economy is also known as the specific manifestations of activity that encourage market participants to make economic decisions that are not acceptable or undesirable for society, decisions that do not meet the Pareto-optimality criterion. Under the influence of these

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problems, potential criminals operate with minimal cost and risk to obtain illegal income, avoid legal responsibility, and participate in economic activities at a minimal level.

In most developing countries, we can talk about the parallel coexistence of informal and formal economies. In the course of socio-economic reforms in these countries, the dissolution of old state structures and the emergence of new institutions (state, economy and public administration, formation of market infrastructure, etc.) are taking place at the same time. This process is aggravated by imperfect legislation, underdeveloped accounting and taxation system, corruption of officials and low level of market relations.

In order to minimize the scale of the hidden economy as much as possible, it is necessary to develop a strategy for the safe socio-economic development of the country within the framework of the formation of the national economic model.

To date, most of these threats are still active, some have been neutralized, but new ones are emerging. It is clear that the fight against corruption, organized crime and clandestine activities should occupy a special place in the national economic security strategy. Therefore, one of the main tasks in the national economic security strategy for combating the hidden economy should be to determine the level to which the hidden economy can be reduced, how to determine this level, and how to eliminate the possibility of this.

Currently, a system of legal support for the activities of entities has already been formed in our country. Nevertheless, in order to create and support a favorable legal environment, it is necessary to constantly change the legal conditions for the activity of business entities, to prevent the use of repressive, criminal legal measures. This primarily concerns the tax regime. A true market-based tax system should be created to loosen the monetary policy and increase domestic demand. The effectiveness of the tax system can be assessed by its simplicity, stability and synergistic effect.

In this regard, it is necessary to reduce the tax burden in order to increase the profits used for the renewal and development of production. Due to the gap between a high level of tax pressure and a low level of tax collection, there is an opportunity for law-abiding business entities to reduce this pressure through effective tax collection policies and not harm the budget. The task set by the state to reduce tax pressure should be not only to reduce the share of state expenditures in the gross domestic product, but also to increase the efficiency of state expenditures. One of the ways to increase efficiency is to optimize public spending, reduce the cost of providing public services and improve their quality.

Although a lot of work has been done to simplify and speed up the business registration procedure in order to reduce the transaction costs of businesses, there are still tasks that need to be done before our government. An important direction of the formation of the appropriate legal framework is the adoption of normative legal documents that serve to develop small business entities out of "hidden activity". This requires measures such as ensuring the flow of investments aimed at modernization and replacement of production equipment, strengthening the innovative nature of development, as well as the development of general economic infrastructure and the establishment and maintenance of new ones.

Analyzing the above, we can say that the formation of the legal basis for solving the problem of the hidden economy is possible only through the mutual cooperation of various state, public organizations and economic entities. Most of the tools to fight against the shadow economy are well known to all of us, but they are used without a system.

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Therefore, the main task is not to search for new methods and means of struggle, but to form a set of appropriate tools from the already known ones. Only comprehensive use of these measures can limit the hidden economy and create a healthy economic environment of the country, and increase its competitiveness.

According to the results of the analysis, almost all government agencies have to be connected with the problems of the hidden economy to some extent. The fight against its manifestation is entrusted to at least a number of state bodies (Ministry of Internal Affairs, State Security Service, State Tax Service, etc.). However, although many departments deal with the problems of the hidden economy and it still continues to develop, this in turn creates a paradoxical situation.

Each of the above bodies operates in its own territory and does not cover the entire area of the underground economy. Thus, the absence of the desire and competence of each of the registered bodies to bring the issue to a logical conclusion leads to the "disintegration" of a very integrated event into different parts. Coordinating their activities also does not give positive results, because there is no main body organizing the fight against the underground economy. Often there is a struggle between different law enforcement agencies to obtain additional "punitive functions".

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