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**EXAMINE THE PROCESS AND OUTCOMES OF FORMALLY ACKNOWLEDGING
AND REGULATING THE INFORMAL ECONOMY IN VARIOUS NATIONS**

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Introduction. In order to diminish the informal economy, it is essential to institute explicit regulations and laws while overseeing legal processes, alongside the formal registration of activities. Tackling the shadow economy requires enhancements in labor market standards and a thorough analysis of macroeconomic indicators. Nevertheless, there is presently a scarcity of research utilizing digital financial technologies.

The subsequent phase involves scrutinizing the practices of certain nations. For instance, in Japan, a versatile identification number known as 'My Number' has been operational since 2015, contributing to better government interactions and social equity. The National Tax Agency is responsible for gathering and evaluating this information, thereby enhancing the effectiveness of the fiscal system.

Literature Review. The shadow economy encompasses activities primarily aimed at evading taxes, driven not only by tax evasion but also influenced by factors such as government control and corruption. Allingham and Sandmo highlight that the decision to engage in tax evasion is contingent on the anticipated costs and benefits.

There is a limited body of research on the interplay between the shadow economy and digital financial technologies, with varying definitions arising from different aspects identified in current studies. Medina and Schneider characterize it as a blend of official, legislative, and institutional objectives related to state financial management.

Georgia encountered taxation challenges starting in 2003, and subsequent reforms significantly reduced the types and rates of taxes, resulting in a remarkable 450% increase in tax revenues by 2008.

Australia's Taxation Office (ATO) has improved its mobile app since 2013, providing tools such as calendar reminders and tax calculators to assist

individuals, small businesses, and sole traders. The mydeductions feature allows users to record tax deductions on the go, simplifying documentation.

In Singapore, the IRAS utilizes vehicle movement data to determine a company's activity and verify its status.

VAT fraud includes the carousel scheme, where goods are resold across countries, enabling traders to reclaim VAT without an initial payment. MTIC fraud involves purchasing goods outside the EU and selling them inside, deferring VAT payment for later resale.

Global e-commerce platforms facilitate the rapid movement of non-governmental goods, creating opportunities for smuggling. Illicit goods, ranging from raw materials to consumer products, inundate wholesale and retail markets.

Fictitious VAT operations take various forms. In one scenario, goods traverse multiple countries before VAT refund to an uninvolved entity. Fictitious MTIC schemes entail VAT being paid and then refunded without any actual payment.

The "carousel scheme" operates within a consortium, evading VAT by engaging in successive sales among corporations in different EU countries, capitalizing on VAT discrepancies.

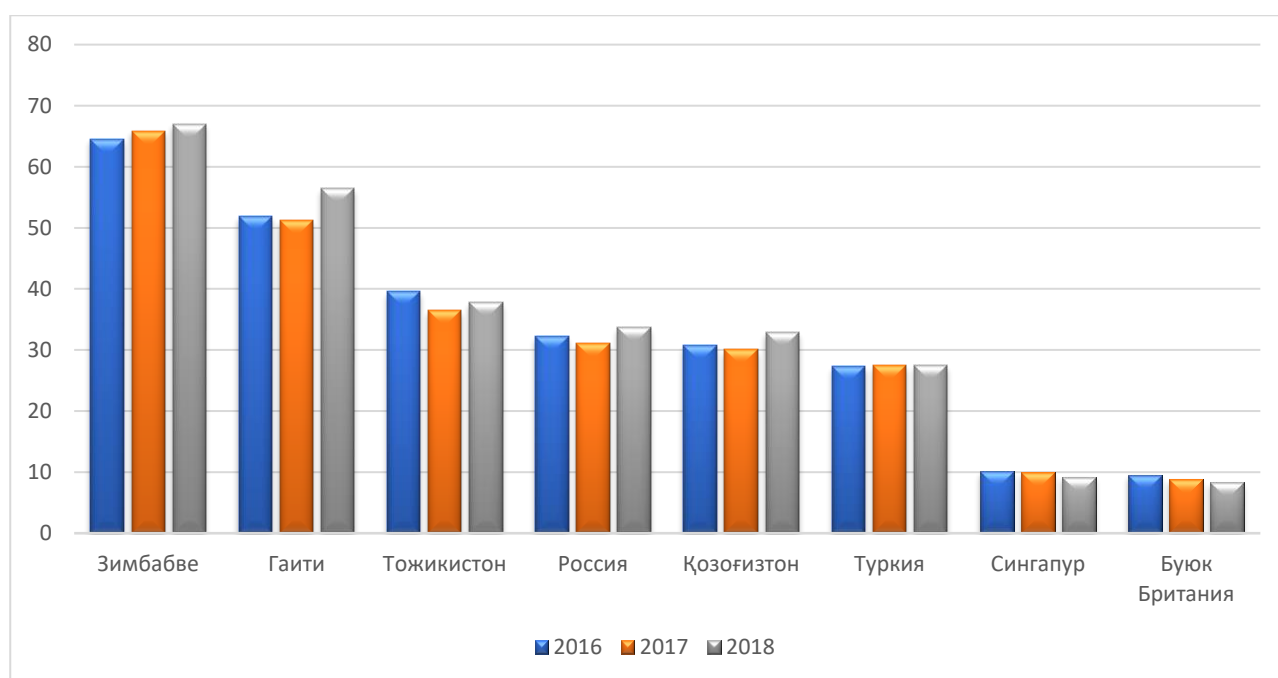


Figure 1. Dynamics of the informal economy level in various countries over several years

Starting from January 1, 2017, Italian taxi proprietors are mandated to disclose their profits and expenses through the "Exchange System" (SdI) as a measure to mitigate unfair competition.

Prominent trends in the informal economy arise from globalization, technological advancements, international collaboration, and the expansion of the legal market, posing challenges to existing tax systems. This dissertation thoroughly examines changes in cash utilization, emerging business models, and

methods specific to various sectors. The incorporation of automation guarantees the reliability and seamless continuity of data.

The index measuring the development of the informal economy in countries, as indicated by data from the initial graph, tends to rise in nations where the level of the shadow economy is notably high. Zimbabwe stands out with the highest indicator, reflecting an informal economy level of approximately 70%. Similarly, neighboring countries to Uzbekistan exhibit a substantial indicator, exceeding 30%. In contrast, developed nations like Singapore and the United Kingdom show a much lower indicator, less than 10%.

The adoption of technology, particularly the Internet and mobile banking applications, contactless cards, and mobile apps, significantly influences the decline in cash usage for transactions. Many countries have witnessed a notable decrease in cash transactions, albeit with varying rates of change. For instance, in Sweden, cash transactions constituted almost 2% of the total value of all payments in 2015. In the British Isles, the number of cash payments dropped by 15% from 2015 to 2016, while changes in Germany and Austria occurred at a more gradual pace. Although electronic payment methods pose challenges to managing physical cash amounts and large sums, cash continues to play a vital role in the global economy, particularly for major payments.

Conclusion. The informal economy serves as a reflection of economic and social challenges, highlighting inefficiencies within financial systems. Evaluating the ratio of cash circulation to deposits stands out as a crucial method in this assessment. Various research studies provide differing definitions of the shadow economy, emphasizing its diverse nature. Implementing fiscal and monetary measures is essential for its reduction, while technological advancements, despite their benefits, may inadvertently contribute to the expansion of the shadow economy. By 2004, Georgia had successfully implemented low tax rates as part of its economic strategy.

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