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## **THE ROLE AND IMPORTANCE OF EXCISE TAX IN THE REVENUES OF THE STATE BUDGET OF UZBEKISTAN**

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### **Abstract**

The article analyzes the current state of excise taxation in Uzbekistan, absolute values, growth rates, and shares of tax revenues, indirect taxes, and excise tax in the state budget of Uzbekistan. It was determined that a significant portion of the revenues of the State Budget of Uzbekistan is formed through excise tax revenues, and the share of excise tax revenues for the analyzed period has a decreasing trend.

**Key words:** State budget, absolute value, growth rate, share, excise tax, indirect tax.

### **1. INTRODUCTION**

Excise taxes are a type of indirect or additional tax on goods or services, included in the price or tariff. Excise taxes are imposed to capture excess profits from the production of highly profitable products and to create a more equal economic environment for all businesses.

By means of excise taxes, a portion of the cost (price) of a product is withdrawn into the state budget, which is not determined by the efficiency of its production or consumer properties, but is a consequence of the special conditions of its production and sale. If this part of the price were not withdrawn into the budget, then the enterprises producing these products would receive undeservedly high



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profits and would be placed in unequal, preferential conditions compared to other enterprises.

Excise taxes are typically imposed on highly profitable goods to capture excess profits earned by producers and transfer them to the state. Excise taxes are also imposed on imported goods to protect the domestic consumer market.

Excise tax, in its broad sense, is a universal indirect tax that shares characteristics with value-added tax. Excise taxes are set as a percentage of the selling price of goods sold by manufacturing companies.

In 2024, an excise tax of 500 soums per liter will be introduced on carbonated drinks containing sugar, and 2,000 soums per liter on energy drinks, starting April 1.

From January 1, 2025, the 10% ad valorem excise tax on filter cigarettes was abolished and the rate for the domestic market was increased by 19.7% to 300 thousand soums (previously 250.7 thousand soums), for imported cigarettes - 330 thousand soums (+1.5%, previously 325 thousand soums).

Starting July 1, excise tax rates on cigarettes will be unified at 340,000 soums per 1,000 pieces for both domestic and imported products.

As of January 1, excise taxes on other tobacco products have also increased: on nicotine-containing liquid (for vapes) by almost 3 times - to 2,000 soums per 1 ml (instead of 670 soums), cigars - 20,000 soums per piece (instead of 6,400 soums), heated tobacco - 450,000 soums per 1 kg (instead of 382,000), smoking tobacco - 600,000 soums per 1 kg (instead of 382,000).

## **2. LITERATURE REVIEWS**

Excise taxes are one of the oldest forms of taxation, the first mention of which dates back to the era of Ancient Rome, and thus, in the 7th century BC, a tax on salt was introduced in China [1]. In the 18th century, an excise tax on salt was introduced in France. From there, the concept of excise tax spread to Holland, then England, and other European countries. Excise taxes were primarily levied on alcoholic beverages and tobacco products, but they often extended to a wide range of consumer goods [2]. The widespread use of excise taxes in the tax systems of various countries is explained, first and foremost, by their fiscal potential. This is due to the fact that excise taxes act as a kind of "limit" on the



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consumption of socially harmful and dangerous goods, such as tobacco and alcohol products [3]. Excise taxes belong to the group of indirect taxes, which are characterized by the priority of the fiscal function, because they, along with other taxes, duties and charges, are used as a source of state revenue, that is, they contribute to the creation of material conditions for its functioning [4]. Excise taxation has a social focus and should ensure the solution of social and environmental problems, eliminating the negative consequences resulting from the consumption of excisable products [5]. The changes should not place additional burdens on businesses and the population, should not have serious consequences for the country's economy, and, as a result, should generate additional revenue for the budget system. Such changes in the area of excise taxation should focus on certain types of goods consumed by citizens with above-average incomes and on reducing excise tax rates on derivatives of natural resources that affect the economic development of the country [6]. Many scholars view excise tax as a form of value-added tax. However, it is noted that there is a significant difference between excise tax and VAT: "VAT is assessed on a disproportionately wide range of goods and services, while excise tax is levied on a specific range of goods" [7].

### **3. RESEARCH MATERIALS AND METHODOLOGY**

The following methodology was used to analyze the role and significance of excise tax in the formation of state budget revenues: collection and initial processing of information; grouping and processing of data; generalization of statistical materials and processing of analysis results; development of conclusions and recommendations; identification of trends in changes in absolute and relative amounts representing excise tax revenues. The growth rates of excise tax revenues are determined using the chain-like method. Dynamic indicators are expressed in percentages.

### **4. ANALYSIS AND RESULTS**

Excise tax was introduced into the tax system of the Republic of Uzbekistan in 1992. Over the past period, our Government has implemented numerous reforms



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to improve the excise tax mechanism. The implemented reforms have contributed to the effective functioning of the excise tax mechanism.

Payers of excise tax are recognized as persons:

- producing goods subject to excise tax in the territory of the Republic of Uzbekistan;
- selling natural gas to consumers;
- selling gasoline and diesel fuel to end consumers, including through gas stations, as well as gas through CNG filling stations and CNG filling points;
- a trustee - a participant in a simple partnership, who is entrusted with managing the affairs of the simple partnership;
- moving excisable goods across the customs border of the Republic of Uzbekistan [8].

The following are subject to excise tax:

- the sale of excisable goods;
- the transfer of ownership of the goods;
- the transfer of pledged excisable goods by the pledgor in the event of default on the obligation secured by the pledge;
- the gratuitous transfer of excisable goods;
- transfer of excisable goods (services) as payment of wages to individuals or as dividends;
- transfer of excisable goods as a contribution to the authorized capital of a legal entity;
- transfer of excisable goods to a shareholder upon the issuer's repurchase of shares issued by the issuer from a shareholder, or to a shareholder or participant upon the liquidation of a legal entity;
- transfer of excisable goods for processing on a tolling basis;
- use of excisable goods for own needs;
- import of excisable goods into the customs territory of the Republic of Uzbekistan;
- provision of excisable services[8].

The tax base is determined separately for each type of excisable goods (services) depending on the established tax rates.

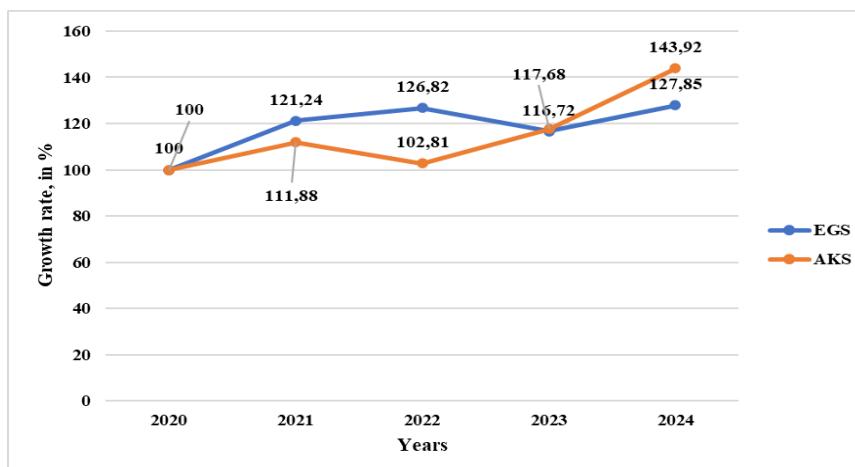
For excisable goods (services) for which tax rates are set as an absolute amount (fixed), the tax base is determined based on the volume of excisable goods (services) in physical terms.

For excisable goods (services) produced, for which tax rates are set as a percentage (ad valorem), the tax base is the cost of the excisable goods (services) sold, but not less than their actual cost.

**Table 1 Total revenues of the state budget of the Republic of Uzbekistan,  
tax revenues, indirect taxes and excise tax revenues**

Years	BJD	BJSD	EGS	AKS
2020	132,94	112,89	46,43	11,70
2021	164,68	138,26	56,29	13,09
2022	201,86	159,75	71,39	13,46
2023	231,72	184,51	83,33	15,83
2024	335,23	264,53	106,53	22,79

In 2024, the total tax revenues of the state budget amounted to 335.23 trillion soums, or an increase of +202.29 trillion soums compared to 2020, tax revenues amounted to 264.53 trillion soums, or an increase of +151.63 trillion soums compared to 2020, indirect tax revenues amounted to 106.53 trillion soums, or an increase of +60.11 trillion soums compared to 2020, excise tax revenues amounted to 22.79 trillion soums, or an increase of +11.09 trillion soums compared to 2020. Table 1.



**Figure 1. Dynamic change of the growth rate of excise tax revenue of the state budget of Uzbekistan (determined by the chain method) [9]**

The growth rate of indirect tax revenues was 127.85% in 2024, 116.72% in 2023, 126.82% in 2022, and 121.24% in 2021. The growth rate of excise tax revenue was 143.92% in 2024, 117.68% in 2023, 102.81% in 2022, and 111.88% in 2021. Figure 1.

**Table 2 The share of total budget revenues, tax revenues, indirect tax and excise tax revenues in the total revenues of the state budget of the Republic of Uzbekistan**

Tax revenue	2020	2021	2022	2023	2024
BJD	100,00	100,00	100,00	100,00	100,00
BJSD	84,92	83,95	79,14	79,63	78,91
EGS	34,92	34,18	35,37	35,96	31,78
AKS	8,80	7,95	6,67	6,83	6,80

In 2024, the share of total tax revenues of the state budget amounted to 78.91% of total state budget revenues, or compared to 2020, the share of total tax revenues in total state budget revenues decreased by -6.01%. Table 2

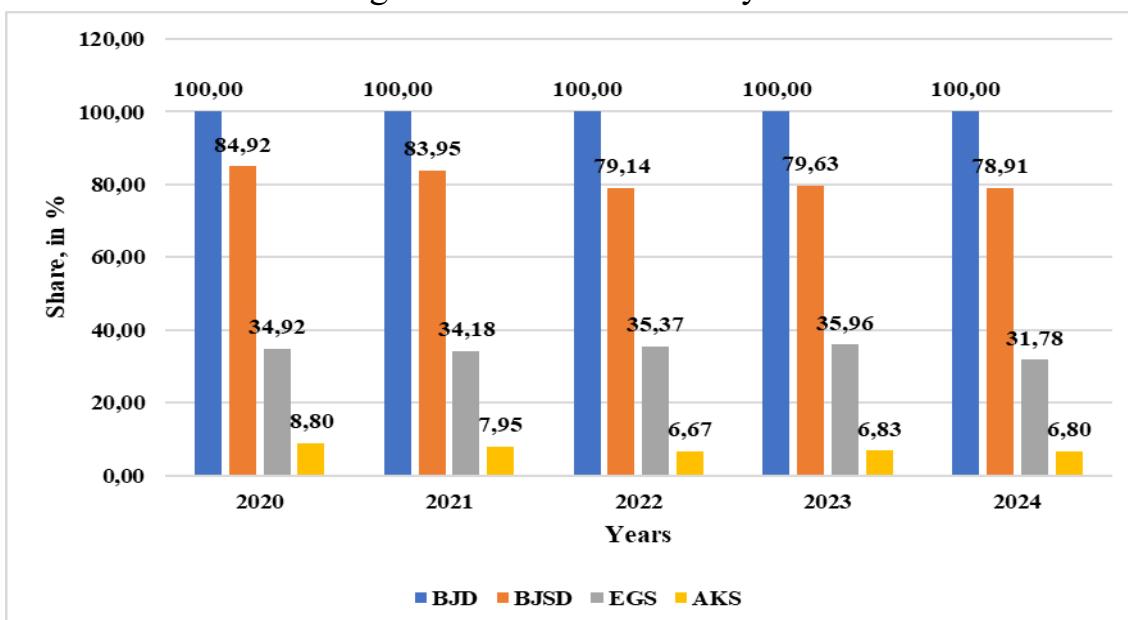


Figure 2. Graphs of changes in the shares of total budget revenues, tax revenues, indirect tax and excise tax revenues in the total revenues of the state budget of the Republic of Uzbekistan



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In 2024, the share of indirect tax revenues amounted to 31.78% of the total state budget revenues, or compared to 2020, the share of indirect tax revenues in the total state budget revenues decreased by -3.15%. Figure 2.

In 2024, the share of excise tax revenues in total state budget revenues amounted to 6.80%, or compared to 2020, the share of excise tax revenues in total state budget revenues decreased by -2.00%.

## **5. CONCLUSION AND RECOMMENDATIONS**

As a result of the study, the following conclusions were drawn:

1. Excise tax plays a key role in Uzbekistan's economy. It actively contributes to the formation of tax revenues for the state budget. Its share in the tax revenues of the State Budget of Uzbekistan is significant.
2. During 2020–2024 years, the absolute volume of excise tax revenues grew steadily (the absolute volume of excise tax revenues increased by +11.09 trillion soums in 2024 compared to 2020), but the rate of its growth was unstable.
3. The economic policy implemented in Uzbekistan in 2020–2024, the reform of the tax system, and the improvement of tax policy led to a decrease in the share of excise tax in the state budget by -2%.
4. There are internal and external sources for increasing excise tax collection and potential. We believe it would be appropriate to increase excise tax revenues to the state budget through internal and external sources.

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