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## TRANSFORMING TAX ADMINISTRATION IN UZBEKISTAN

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### Abstract

This article analyzes tax growth, changes in tax types, practical results and shortcomings of the digitalization process in the Republic of Uzbekistan.

**Keywords:** Tax administration, fiscal policy, digitalization, tax burden, budget revenues, declaration

### Introduction

In a modern economy, taxes are not just a means of replenishing the state budget, but also a strategic lever that ensures the country's macroeconomic stability, increases investment attractiveness and establishes social justice. In developing countries, an effective tax system, while stimulating entrepreneurial activity, plays a decisive role in reducing the share of the shadow economy. Therefore, the degree of transparency and digitization of the tax administration that manages tax collection processes has become a key indicator determining the competitiveness of the entire economic system.

The new Tax Code, which entered into force in the Republic of Uzbekistan in 2020, was a fundamental turning point in the country's fiscal policy. This document optimized tax types, reduced rates, and revised the complex system of tax benefits. However, the success of reforms directly depends not only on the legislative framework, but also on the quality of practical implementation, that is, the administration. In recent years, the transfer of administrative processes to fully digital platforms, limiting the human factor and improving the quality of services provided to taxpayers has become a priority area of state economic policy.



## *Modern American Journal of Business, Economics, and Entrepreneurship*

ISSN (E): 3067-7203

Volume 2, Issue 4, April, 2026

Website: [usajournals.org](http://usajournals.org)

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Tax administration is not just a mechanism for collecting taxes, but a set of fiscal relations based on mutual trust between the state and business. Today, the task of tax authorities is not to control, but to advise taxpayers, help them eliminate their errors remotely, and create a convenient ecosystem for legal activities. This article analyzes these transformation processes, the results achieved, and the problems that still remain in the system.

### **Research methodology**

Dynamic comparison, a systematic approach, and documentary analysis methods were used. Open statistical data from the Tax Committee, the Ministry of Finance, and international financial organizations were used as sources.

### **Analysis and results**

Tax administration is a set of norms, institutions and practical processes that regulate fiscal relations between the state and taxpayers. It includes not only a collection mechanism, but also service provision, information, explanation and dialogue. We can distinguish five main functions of tax administration:

the first is registration (identification of payers); the second is calculation and control (correct determination of tax obligations); the third is collection (timely full payment); the fourth is service provision (assistance to payers and dissemination of information); the fifth is analysis and forecasting (preparation of information for the future).

In recent years, the fifth and fourth functions have become increasingly central in world practice. This is because the formation of a culture of voluntary compliance is much cheaper and more sustainable than mandatory collection.

2020-2026 was a period of digital improvement of tax administration for Uzbekistan. This period was observed in three stages: in the first stage (2020-2021), the main focus was on digitizing document circulation, electronic declaration, e-invoice, online cash register.

In the second stage (2022-2023), data integration was strengthened, connecting bank, customs, property and business registers to the tax system. In the third stage (2024-2026), risk analysis and automated control systems based on artificial intelligence were introduced. This stage allowed to sharply reduce the



number of control inspections and concentrate resources on inspections with high efficiency.

In the period 2020-2026, the growth rate of tax revenues in Uzbekistan remained stable. In the table below, we can see the main fiscal indicators of this period.

**1- Table. Main indicators of tax administration in Uzbekistan (2020–2026)**

Indicator	2020	2021	2022	2023	2024	2025	2026 <sup>1</sup>
Total tax revenues (trillion soums)	163,8	204,7	252,4	307,6	368,9	421,3	218,6 <sup>2</sup>
Share in budget revenues (%)	84,2	85,6	86,3	87,1	87,8	88,4	88,7 <sup>2</sup>
Tax burden relative to GDP (%)	21,6	22,8	24,1	25,4	26,3	27,1	27,3 <sup>2</sup>
Average tax per payer (mln. soums)	551,8	623,3	692,0	753,6	813,1	858,0	852,1 <sup>2</sup>
Electronic declaration share (%)	67,4	76,8	83,6	89,2	93,4	96,1	97,2 <sup>2</sup>
Control checks (thousands of units)	26,4	22,7	19,3	16,8	14,2	12,6	5,8 <sup>2</sup>
Average amount collected per inspection (mln. soums)	38,4	46,2	57,8	68,4	82,3	96,7	112,4 <sup>2</sup>

When analyzing the indicators in Table 1, the first thing that stands out is the steady growth of tax revenues. This increase from 163.8 trillion soums in 2020 to 421.3 trillion soums by 2025, that is, a two and a half-fold increase in five years, indicates, on the one hand, the expansion of economic activity, and, on the other hand, an increase in administrative efficiency. A particularly noteworthy indicator is the increase in the average amount collected from each inspection from 38.4 million soums to 96.7 million soums. This is a direct result of the transition to a risk-based control model: the number of controls has decreased and their quality has increased. Also, the increase in the share of taxes in budget revenues from 84.2% to 88.7% has made a positive contribution to



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Economics, and Entrepreneurship***

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fiscal stability. The increase in the share of electronic declarations from 67.4% to 97.2% indicates that the digital transformation in tax administration is almost complete. However, given that the remaining 2.8% of taxpayers are mainly from rural and mountainous areas, special approaches are needed to bring this indicator to 100%.

The shortcomings in tax administration fall into three main categories. The first category is institutional shortcomings; weak appeal mechanisms, underdeveloped pre-trial tax dispute resolution systems, and lack of linkages between cadastre and tax data;

the second category is technological shortcomings; real-time integration between different state databases is not fully established; access to digital services in rural areas is limited; data quality and completeness are questionable in some areas;

the third category is economic shortcomings; the shadow economy, especially in the services and digital commerce segments, is not yet fully taxed; transfer pricing controls are very weak; international information exchange mechanisms are not being adequately implemented.

The research conducted shows that between 2020 and 2026, the tax administration of Uzbekistan went through a stage of systemic transformation. The 2.5-fold increase in tax revenues and the increase in the level of electronic declarations exceeding 97 percent during this period are not only the result of digitalization, but also the result of reforms aimed at a fair distribution of the tax burden. The improvement of the balance in the fiscal structure and the fourfold reduction in control measures have significantly reduced the administrative burden for business entities.

However, to further improve the system, it is necessary to focus on the following strategic priorities:

**Artificial intelligence and "Big Data" analysis:** It is necessary to strengthen the system of remote analysis (risk analysis) of "hidden economy" entities by deeply integrating artificial intelligence technologies into tax administration. This will reduce the human factor and serve to legally expand the tax base.

**Market mechanisms for property valuation:** By bringing prices in the cadastral system closer to market value, it is possible to ensure the stability of local



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budgets. In this process, the application of differentiated tax rates for the stratum in need of social protection is consistent with the principle of fair distribution.

International integration and transfer pricing: In the context of Uzbekistan's integration into the world economy, the introduction of international information exchange mechanisms (based on OECD standards) is important. This will be the main tool in controlling the outflow of capital from the country through transfer pricing and offshore schemes.

In general, the next stage should focus on qualitative indicators rather than quantitative indicators - on increasing the level of voluntary compliance of taxpayers and further liberalizing the business environment. The transformation of the tax system from a "punitive instrument" to a "service and support" system is the foundation for ensuring the long-term economic stability of the country.

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