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# **TAX REFORMS IN UZBEKISTAN'S TAX SYSTEM AND THEIR EFFECTIVENESS**

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### **Abstract**

This scientific work analyzes the recent innovations and reforms in Uzbekistan's tax system and their effectiveness in the national economy. The study examines measures being implemented to improve the tax system, support economic growth and development, and enhance its competitiveness across various sectors. Furthermore, consistent efforts are being made to increase tax revenues and strengthen the stability of the state budget. In recent years, numerous reforms and their innovative solutions have produced clear, positive outcomes and significant changes in the country's financial landscape.

**Keywords:** Tax reforms, state budget, tax revenues, budget stability, digitalization, taxpayers, economic efficiency, statistical analysis, tax burden, tax policy, Uzbekistan's economy, economic activity.

### **Introduction**

In every country, effective management of the tax system plays a crucial role in achieving economic stability. Taxes make up a significant portion of the state budget. Therefore, tax reforms are one of the government's top priorities and are closely linked to economic growth and public well-being. One of the main goals today is to implement systematic reforms to take our country to a new stage of development.



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In this process, reforms in the tax system—one of the key pillars of the economy—should ensure equality and convenience for all. As President Shavkat Mirziyoyev stated: "Our goal is to make the tax system transparent, digitalized, and to create new opportunities for entrepreneurs."

Five years ago, there were 13 types of taxes; now only 9 remain. The current tax burden is 28%, and there are plans to reduce it to 25%. These reforms, initiated by the President, have laid out a strategy aimed at achieving these goals. As a result of the new reforms in the tax system, special attention is being paid to creating a favorable tax environment for entrepreneurs and all other taxpayers. These reforms have led to an increase in tax revenues to the state budget, ensuring budget stability and promoting economic activity. Moreover, the digitalization of the tax system—updating and modernizing the data processing base step-by-step, simplifying taxpayer registration, and improving communication between taxpayers and the state—has allowed individuals to track their tax obligations and reports through their personal accounts. The ongoing reforms in the system have proven to be effective, as tax revenues have been increasing year after year.

### **LITERATURE REVIEW**

Taxation has a long historical background. Taxes, as a part of national income, are mandatory and non-refundable levies imposed by the state on individuals and legal entities to cover public expenses. According to economists, "Taxes represent the economic expression of the state's existence." During the eras of slavery and feudalism, taxes were collected in kind (food, fodder for the army, etc.) due to the dominance of natural economies<sup>1</sup>.

Economists note that taxes have been used since ancient times, initially in the form of in-kind payments rather than monetary ones.

<sup>1</sup> Vakhabov, A. V., & Juraev, A. S. (2009). [Book Title]. Tashkent: Sharq. (Published by the Ministry of Higher and Secondary Specialized Education of the Republic of Uzbekistan, Tashkent Financial Institute).



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## **Methodology**

This article employs various qualitative and quantitative research methods to study tax reforms and their effectiveness, as well as their impact on the economy. The study is based on the analysis of theoretical approaches related to the tax system and its influence on the national economy. Indicators and outcomes of tax reforms currently being implemented in Uzbekistan were also analyzed. Moreover, Uzbekistan's tax reforms are compared with international experiences to assess their relative effectiveness. To gain a comprehensive understanding of the reforms and their outcomes, data from the Tax Committee, the Ministry of Finance, official state documents, and governmental decrees were used. This scientific research focuses specifically on the tax system of the Republic of Uzbekistan and examines the efficiency and outcomes of recent reforms. These reforms have proven beneficial not only for large taxpayers but also for ordinary citizens. As a result, they have contributed to economic growth and increased revenues to the state budget.

## **Discussion and Results**

The analysis of tax reforms and their effectiveness highlights several critical aspects. The implemented reforms aim to improve the efficiency of tax collection, ensure fairness and freedom for taxpayers, and promote economic growth. The primary objective of these reforms is to reduce the tax burden and ensure a fair distribution of obligations among taxpayers. For instance, the introduction of a unified tax account system has made it more convenient for both small and large business owners to conduct their economic activities. It simplifies the payment process and increases transparency in the tax system.



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### 1-table Analysis of Tax Revenue by Type as of December 31 (in billion sums)<sup>2</sup>

	Types of Tax	2021-years 31-december revenue	2022- years 31-december revenue	Share	Growth Rate
	<b>Total budget revenues</b>	<b>127 970</b>	<b>148 388</b>	<b>100</b>	<b>116</b>
1	Value-Added Tax	25 572	32 812	22,1	128
2	Excise Tax	12 779	13 077	8,8	102
3	Corporate Income Tax	38 363	37 650	25,4	98
4	Personal Income Tax	18 918	24 285	16,4	128
5	Subsoil Use Tax	15 812	13 887	9,4	88
6	Water Resource Usage Tax	684	704	0,5	103
7	Property Tax	2 457	4 015	2,7	163
8	Land Tax	4 083	5 306	3,6	130
9	State Duties and Penalties	3 333	4 236	2,9	127
10	Other revenues and collections	5 969	12 416	8,4	208

### 2-table Tax Revenues by Types as of January 1, 2024<sup>3</sup>

T/r	Types of Types	2024-years 1-january revenue	Growth Rate
	<b>Total budget revenues</b>	<b>165 918</b>	<b>100,0</b>
1	Direct taxes	72 705	43,8
2	Indirect taxes	49 116	29,6
3	Resource usage and property taxes	28 079	16,9
4	State duties and penalties	4 856	2,9
5	Other revenues and collections	11 161	6,7

These analytical results demonstrate that tax revenues have been increasing sharply year after year. The reforms implemented within the system are yielding tangible results—tax management is improving, and the inflow to the state

<sup>2</sup> The table was created by the author. Source <https://gov.uz/oz/soliq>

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budget is rising. As a result of these reforms, the share of the shadow economy has decreased, and more business owners are now encouraged to operate legally. Moreover, the issues of excessive bureaucracy and corruption have been significantly reduced. One of the key reasons is the transition to online tax reporting, which is itself a product of the reforms. To support the country's economic growth, foreign investors have been attracted, and various tax incentives have been introduced.

### **Recommendations and Conclusions**

To enhance the effectiveness of Uzbekistan's tax system, it is recommended to introduce further reforms, especially targeting newly established enterprises and producers. These include providing tax incentives during their early years of operation and offering strong institutional support. Additionally, the processes of filing tax reports and making payments should be fully digitalized.

In today's era of rapid technological advancement, using digital tools to optimize tax monitoring systems is essential. This will significantly reduce tax evasion. To further improve the system, it is crucial to analyze the efficiency of ongoing reforms by studying successful models from developed countries and adapting them for practical implementation in Uzbekistan. This comparative approach can significantly contribute to the continued development of the national tax system. As reforms have been implemented, notable improvements have been made in the state budget and in the business and entrepreneurial environments. Digitalization has become a central component of the tax system, making it more convenient for taxpayers to fulfill their obligations. Strengthening the relationship between the state and taxpayers is necessary to prevent tax-related issues, develop innovative solutions, and create effective strategies for the future.

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