

# Trends in the Development of the Tax System of the Republic of Uzbekistan

**Zaripov Khusan Bakhodirovich**

PhD, Associate professor

Department “Economy, management, taxes and insurance”, Tashkent institute of Finance, Tashkent city, Uzbekistan. E-mail: [xb\\_zaripov@mail.ru](mailto:xb_zaripov@mail.ru)

**Annotation:** This article examines the reforms of the Republic of Uzbekistan in the field of tax policy, changes in the tax system and the views of economists on the tax system of the country. It also analyzes the revenues of the country by type of tax, the revenue of the state budget by type of tax, the indicators of the last three years and the achievements and shortcomings of the tax system. Scientific conclusions and recommendations have been formed in Uzbekistan on the further development of the tax system and, as a result, support for production, improvement of the mechanism of tax incentives.

**Keywords:** tax system, tax policy, taxation, tax payment, excise tax, value added tax, property tax, tax trend, tax progression, tax burden, tax system.

## 1. Introduction.

The Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 was approved by the Presidential Decree on February 7, 2017. According to him, the third priority is the further development and liberalization of the economy, which includes the financing of sectors of the state budget expenditure classification as a result of further development of the country's tax system, resulting in economic and social development [1].

The regulation of the economy by the state through taxes is a way of forming the state budget, influencing the development of this or that process in the state through taxes.

The current tax system in the Republic of Uzbekistan in many respects reflects the specifics of the national economy, as well as in accordance with the principles of world taxation.

Today, the improvement of tax legislation and its regulations is important in the effective organization of tax relations. This, in turn, requires effective and consistent implementation of tax legislation by the state.

Today, the instability of tax legislation, its excessive instructions, orders and other normative documents have a negative impact on the effective functioning of this system. It is also a requirement of today to improve the tax legislation and prepare and implement a single document in this area. Important and effective work is being done by our state in this regard.

President of the Republic of Uzbekistan Shavkat Mirziyoyev in the decree “On the concept of improving the tax policy of the Republic of Uzbekistan”, providing for a significant change in the tax system from the beginning of 2019, said:

“Consistent reduction of tax burden, simplification of the tax system and improvement of tax administration are the most important conditions for accelerated development of the economy and improving the investment attractiveness of the country” [2].

## 2. Literature review

The tax burden represents a set of indicators of the country's tax system. A certain percentage of the income of individual businesses or other taxpayers is paid to the state in the form of taxes or fees [3].

The share of all taxes and levies paid in the country in GDP represents the tax burden [4].

These definitions represent the gross tax burden on the national economy. The economic literature emphasizes that the tax burden can be determined not only at the national level, but also for industries, regions or individual taxpayers [5].

Scientists and experts have the same approach to determining the tax burden at the macro level. There is no consensus on its definition at the micro level, including at the level of business entities. This is because

the source to which taxes are attributed is interpreted differently by the authors. That is, a number of economists determine the tax burden relative to profit or income [6].

The controversy over the micro-level assessment of the tax burden is that most scholars take into account the amount of taxes actually paid. The tax burden on business entities cannot be fully assessed by the amount of taxes actually paid during the reporting period [7].

The tax burden is an overall indicator of the role that taxes play in society. In many countries, the tax burden at the macroeconomic level is calculated relative to the total amount of taxes and levies on GDP [8].

Tax burden is the ratio of the sum of all taxes and fees paid by business entities or citizens to the state, local budgets and various funds in a strictly defined manner to the workload, income or other object of taxation [9].

Analyze optimal taxation in the context of an endogenous growth model where growth is endogenous as a result of constant returns to cumulated factors. Because of their focus on the accumulation of human capital as opposed to innovative activity as the engine of growth, their policy prescriptions are quite different from ours. By contrast, what we find is that while physical capital accumulation should not be distorted in the long run, both labour and innovative activity should be taxed in the sense that their after-tax returns are less than their marginal products. This is because there is an endowment of time for labour and innovation in each period, beyond the initial capital endowment [10].

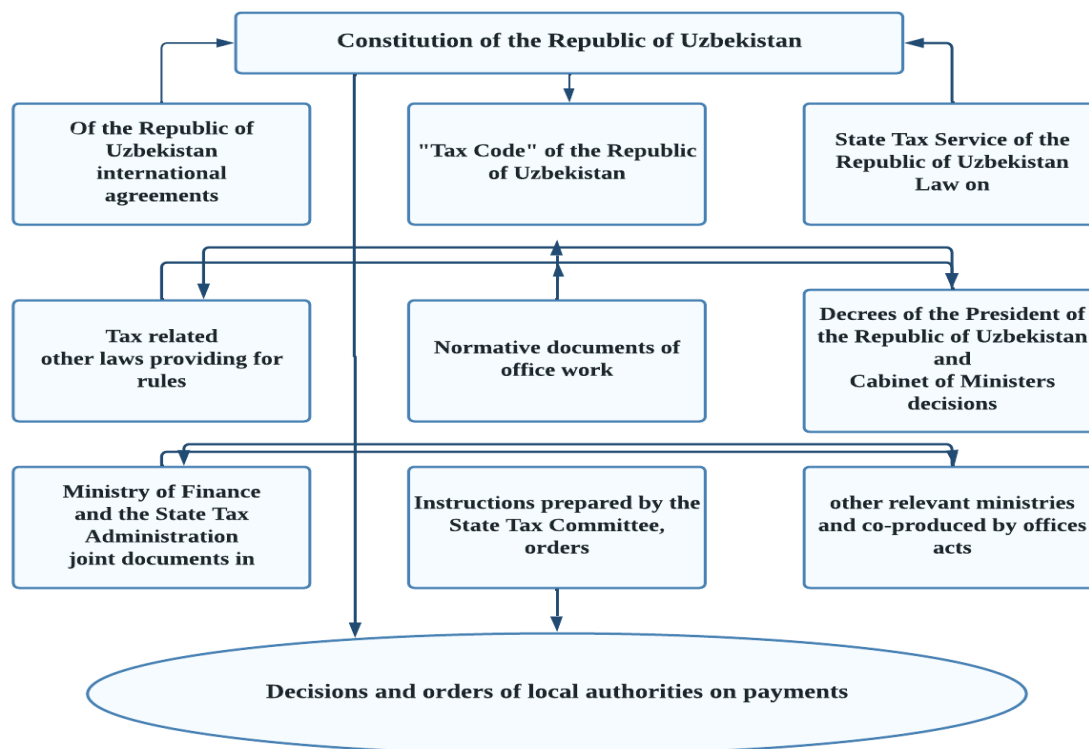
### **3. Research methodology.**

Economic research methods such as the study of the country's tax system, tax policy, data collection on tax revenues, current new indicators of tax revenues by regions, and analysis, synthesis, and logical thinking of the collected data were widely used.

### **4. Analysis and discussion of results.**

Taxes are one of the basic conditions for the existence of any state at all stages of its emergence and development. Without funds alienated by society as taxes, the functioning of public authorities that are not engaged in productive labor is impossible. With the development of society and the state and the expansion of its functions, the need for financial resources necessary to cover the expenses incurred by the state increases. As a market economy develops, taxes turn from a minor and in many ways formal tools into a powerful lever of state economic policy. Today, taxes are not only the main source of state revenue, but also assume the functions of regulating economic processes and providing social guarantees.

Today, the relations in the field of taxation in the territory of the Republic of Uzbekistan are carried out on the basis of the following system (Figure 1)



**Figure 1. Sources of the legal and regulatory system in the field of taxation [11]**

Figure 1. Below shows some sources of tax legislation, according to which the basis of the tax legislation of the Republic of Uzbekistan is the Constitution of the Republic. Tax Code, Laws on the State Tax Service, Uzbekistan

Decrees of the President of the Republic, resolutions of the Cabinet of Ministers, documents of the Ministry of Finance and the State Tax Committee, instructions, orders prepared by the State Tax Committee and resolutions and orders of local authorities on certain payments are based on this.

Through the above legislative process, it will be possible to manage the country's tax policy wisely. This, in turn, is a guarantee for the proper and fair growth of tax revenues.

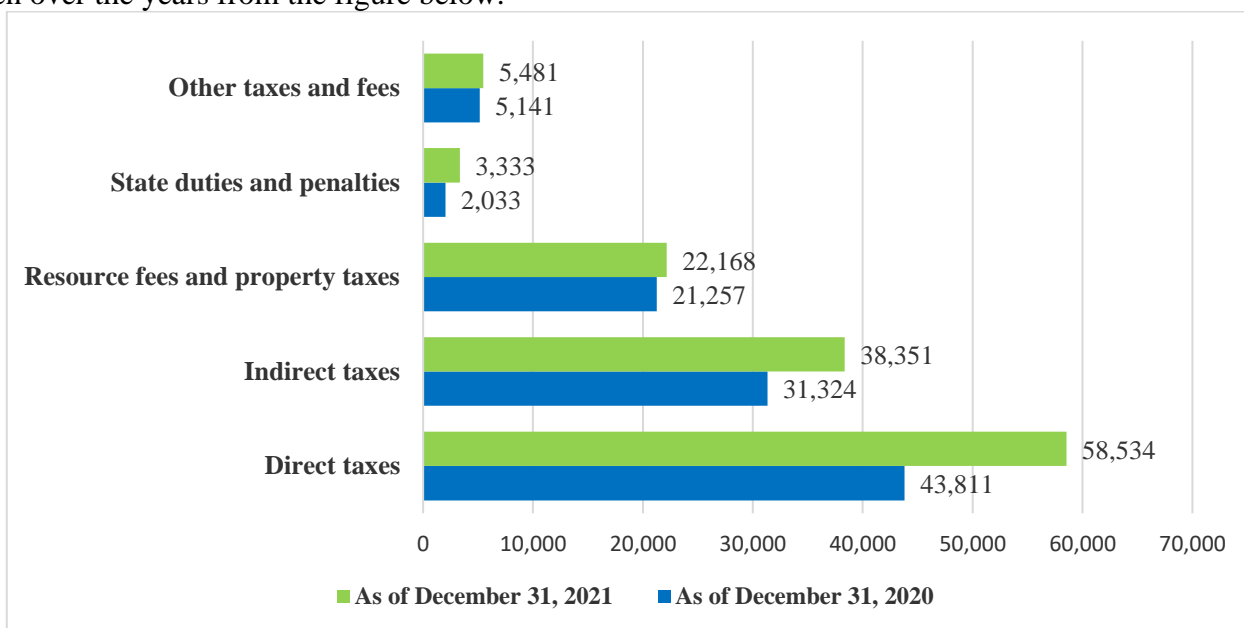
**Table 1**  
**The level of tax burden in some countries of the world**  
**(As a percentage of GDP) [12]**

<i>Nº</i>	<i>Countries</i>	<i>Tax burden rate</i>
1	Denmark	48.3
2	Sweden	46.7
3	Russia	30
4	Finland	43.1
5	Italy	43.6
6	USA	29
7	Greece	29.8

It is clear from the data in the table that the high tax burden falls on the countries of Denmark and Sweden, at 48.3 and 46.7 percent, respectively.

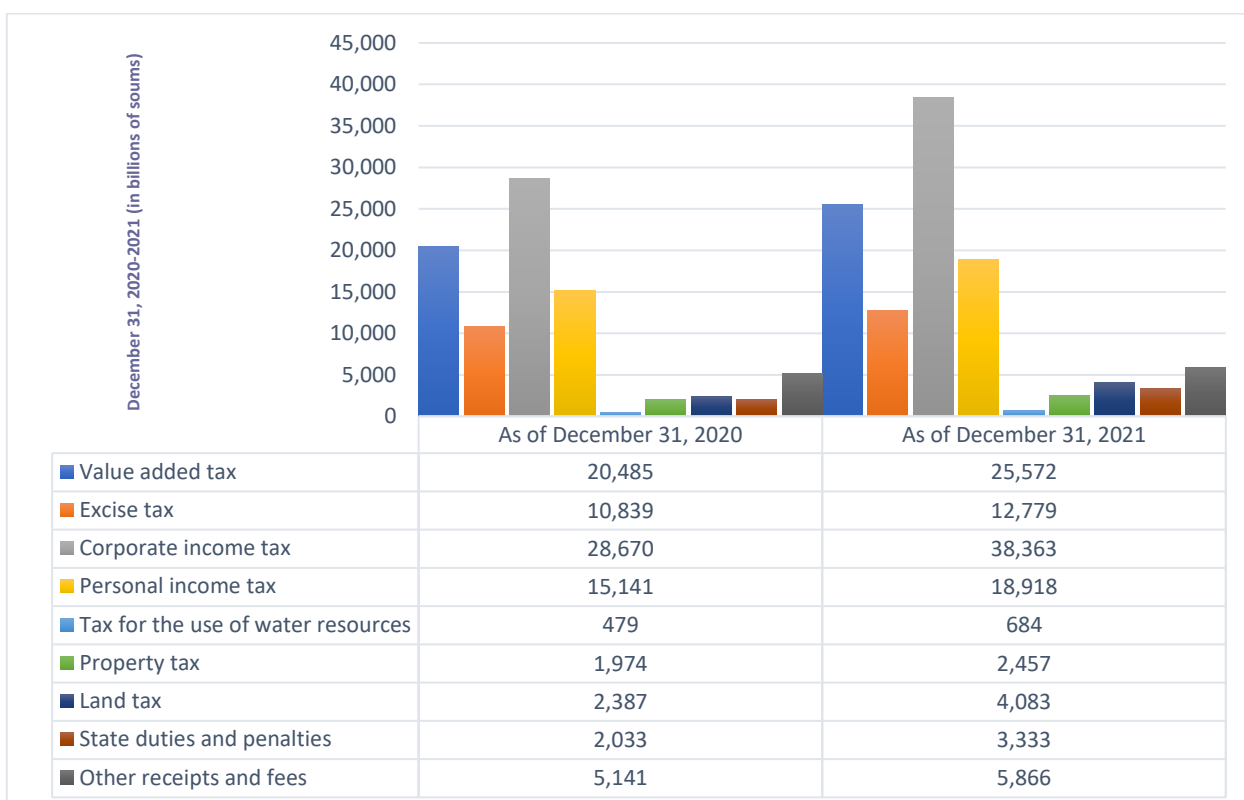
The theoretically interpreted normative level of this tax burden is much higher than 30%, but in these countries the living standards of the population are high and most importantly the mechanism of tax collection and its operation is much better than in countries with much lower tax burden. Economic growth will also be high.

At a time when the tax burden in the Republic of Uzbekistan is 23.5%, the above figures are quite different. This testifies to the effective implementation of tax policy in our country. We can analyze the tax burden over the years from the figure below.



**Figure 2. Information on budget revenues by types of taxes in the Republic of Uzbekistan as of December 31, 2020-2021 (in billions of soums) [13]**

As we can see from the analytical indicators in the above Figure data, if we assume that the total budget revenues in tax areas in 2020 will be 100%, in 2021 this indicator rates will increase by 23.5% compared to 2020. This will play a major role in further developing production and ensuring economic growth in the country.



**Figure 3. Information on budget revenues in the Republic of Uzbekistan by types of taxes as of December 31, 2021 (in billion soums) [14]**

As we can see from the analytical indicators in the above Figure data, if we assume that the total budget revenues in tax areas in 2020 will be 100%, in 2021 this indicator rates will increase by 23 % compared to 2020. This will play a major role in further developing production and ensuring economic growth in the country.

As shown in the picture above, the full reduction of tax revenues in the prescribed manner in the budget - this will lead to an improvement in the economic life of the country. Funds directed to the socio-economic spheres, which are part of the expenditure classification of the state budget, are also made through tax revenues. Financing of existing sectors is one of the priorities of the state. As a result of prudent tax policy pursued in the country, significant macroeconomic and microeconomic development will be achieved.

Macro-level refers to the tax system of the whole country, in other words, it means the state's intervention in the economy, its tax pressure. In this case, the tax burden is distributed to enterprises, industries and sectors. The macro-tax burden is insignificant for each of the legal entities and individuals. Because they pay taxes and fees to the budget and extra-budgetary funds from their own income.

The tax burden on the general population is calculated as the ratio of all taxes collected by the population to GDP. World experience shows that the tax burden on the population is divided into micro and macro levels. In our study, we also found it necessary to dwell on the tax burden on the population of our country. This is because the tax burden in the country is paid by two entities, namely a legal entity and an individual. The experience of developed countries shows that the bulk of the tax burden falls on individuals.

We can also consider the above points in the example of state budget revenues. Indirect taxes from the indicators of budget revenues, taxes paid by individuals, products (works, services) by legal entities when we take the sum of property and land taxes included in the composition, we can see the total tax burden on individuals or how much they form part of the budget revenues.

Improving the living standards of the population by ensuring sustainable economic growth in the process of forming the foundations of a market economy in the Republic of Uzbekistan requires the solution of a number of complex economic problems of particular importance was ensuring macroeconomic stability and further improving the investment climate.

The main goal of the implementation of tax reforms is to achieve macroeconomic efficiency, the state seeks to effectively use a series of rates, tax incentives and tax bases that serve in the development and implementation of tax policy. However, it can also have a positive or negative impact on economic development. Their use should be approached with caution, that is, with the solution of problems that have a positive impact on economic development.

The impact of the tax burden and tax policy on the macroeconomic situation is very high, and the change in the country's gross domestic product and national income is directly related to the effectiveness of tax policy. The impact of the tax burden on the macroeconomic situation can be assessed by issues such as the impact of taxes on aggregate demand and aggregate supply, investment climate, consumption, economic stability.

Taxes are an important source of funding for any state and play an important role in budgeting and regulating the economy. In all countries of the world, taxes are the basis of state budget revenues.

The tax burden and the country's fiscal policy are important factors in achieving macroeconomic stability. The country's tax burden and tax policy play a special role in achieving economic growth, macroeconomic stability and improving the investment climate, and the need to improve these issues is a key requirement of today's economy.

The level of tax revenues occurs not only under the influence of socio-economic factors, but also depends on the effective use of the tax system and how it performs its functions.

The fact that the tax burden of our country is relatively low compared to other developed countries is also recognized as an achievement of the country's fiscal policy.

## **5. Conclusions and suggestions.**

Based on the results of the study, the following conclusions and recommendations were developed: The tax burden on the country's economy is the result of the state's tax policy and reflects the quality of the tax system. At the same time, the level of taxes levied is determined, on the one hand, by the efficiency of social production, and, on the other hand, by the amount of the state's need for financial resources. Therefore,

reducing the weight of the tax burden is primarily associated with reducing government spending. Tax burden optimization is a process in which not only the tax rate, but also the tax base, tax benefits, tax payment periods and the indicator formed on the basis of optimal levels of social needs of the state are understood.

1. Improving the methodology for determining the tax base in the practice of taxation has a positive impact on the financial condition of enterprises;

2. It is necessary to organize the processes related to the collection of taxes and reduce the cost of this. Because making tax payments requires the preparation and submission of various reports, the frequent change in the format of current reports exacerbates the situation. As a result, tax collection measures are becoming more expensive for businesses;

3. Taxation of business entities in the Republic is carried out in accordance with generally established and simplified special procedures. The analysis showed that the fact that the tax system is based on different taxation procedures leads to an uneven distribution of the tax burden among business entities. Therefore, in order to reduce the differences in the level of the tax burden on enterprises and bring them closer to the level of the overall tax burden on the national economy, it is necessary to gradually move from special tax procedures to taxation of all businesses in the general order;

4. Today, due to the high tax burden on trade turnover, there are cases of intentional evasion of taxes by some entities and the formation of subsistence. There are also cases of non-payment of mandatory payments to extra-budgetary funds by enterprises engaged in trade and having large cash flows. To overcome this situation, it is advisable to reduce the rates of mandatory payments to extra-budgetary funds.

The above proposals and recommendations will make a significant contribution to the further improvement of tax policy and tax revenues in our country in the future.

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