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Ways To Improve The Development Of Tax Policy In Uzbekistan

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Abstract: This study addresses the current challenges in the tax policy of Uzbekistan, identifying critical gaps in the existing framework. Utilizing a comprehensive analysis of domestic and international tax strategies, the research employs a mixed-methods approach, including both qualitative and quantitative assessments, to explore the effectiveness of current tax laws and their impact on economic stability. The findings reveal significant areas for improvement, particularly in aligning tax rates with economic goals and enhancing compliance mechanisms. The study concludes with practical implications for policymakers, suggesting reforms to optimize tax collection and foster sustainable economic growth.

Keywords: Tax, Tax Policy, Budget System, Market Economy, Tax Rates, Strategy, Monetary Fund

1. Introduction

The development of an effective tax policy is critical to fostering economic stability and growth in Uzbekistan. Despite recent reforms, significant gaps remain in the existing tax framework, particularly in aligning tax rates with the country's broader economic goals. This study addresses these challenges by providing a comprehensive analysis of both domestic and international tax strategies, offering insights into how Uzbekistan's tax policy can be further optimized[1]–[5]. By focusing on the relationship between tax policy and economic development, the research highlights the need for continuous refinement to ensure that the tax system supports sustainable growth.

One of the primary knowledge gaps identified in this study is the limited understanding of how current tax policies impact economic stability, particularly in emerging economies like Uzbekistan. While several studies have examined tax policy in developed nations, there is a paucity of research focusing on transitional economies. This study seeks to fill this gap by employing a mixed-methods approach, including both qualitative and quantitative assessments, to evaluate the effectiveness of Uzbekistan's tax laws. The methodology includes a thorough examination of legal documents, government reports, and a comparative analysis with tax policies from other countries[6]–[9].

The findings of this research reveal significant areas for improvement in Uzbekistan's tax policy. Specifically, the study uncovers the need for better alignment between tax rates and economic objectives, as well as the enhancement of compliance

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mechanisms to ensure fair and efficient tax collection[10]–[12]. The implications of these findings are far-reaching, suggesting that policymakers should consider reforms that not only optimize tax collection but also support broader economic and social goals. The study concludes by offering practical recommendations for policy reform, aiming to contribute to the ongoing efforts to stabilize and grow Uzbekistan's economy.

2. Materials and Methods

In conducting this research on improving tax policy in Uzbekistan, a qualitative methodology is employed to provide an in-depth analysis of current tax practices and potential improvements. The study begins by reviewing existing tax laws, policies, and practices within Uzbekistan, analyzing their effectiveness and identifying areas for improvement. This involves a comprehensive examination of legal documents, government reports, and existing literature on tax policy. The research also includes a comparative analysis with tax policies from other countries to identify successful strategies that could be adapted to the Uzbek context. Expert interviews and consultations with economists, tax officials, and policymakers are utilized to gather insights and practical recommendations. The gathered data is then critically analyzed to identify patterns, challenges, and opportunities for policy enhancement. The focus is on assessing the efficiency of tax collection, the fairness of tax rates, and the overall impact of tax policies on economic development. The study concludes with practical recommendations for reforming the tax policy framework to enhance its effectiveness, equity, and contribution to national economic goals. By synthesizing these various data sources and expert opinions, the research aims to provide a well-rounded perspective on the necessary steps for optimizing Uzbekistan's tax policy.

3. Results and Discussion

Increasing the efficiency of reforming the tax system in our country today is one of the main issues. Changes are being made to many tax laws and orders, and we are seeing the results in practice. Tax policy is a set of measures and activities of the state to organize taxation. relationship. Therefore, only independent countries can have their independent tax policy. Through state tax policy it is possible to have an active influence on the stabilization and development of the economy. Effective use of the tax system also has a positive impact on the country's budget system[13]–[15].

The production of tax policy is based on financial and economic relations. Taxes are monetary relations and are considered an integral part of economic relations. Tax policy refers to policies in the field of optimal generation of state budget revenues, rational assessment of government expenditures, and improvement of tax collection. Tax policy should be aimed at increasing the income of legal and social entities to improve the efficiency of tax policy and expand the tax base[16], [17].

Tax policy and its main directions have been studied by foreign and domestic economists. In his study, European economist Slemrod emphasized the “complex relationship between tax policy and taxpayer actions.” The researcher also provided valuable information on the impact of changes in tax rates, deductions, and enforcement mechanisms on taxpayer compliance and revenue collection.”[1]

J. The results of Slemrod's research have shaped strategies to improve tax laws, reduce tax evasion, and promote a fair and efficient system. Joraev, Koziyeva “In the textbook, covering specific aspects of the tax system of the countries of Central Asia, the

basics of the tax system of Kyrgyzstan, Turkmenistan, Tajikistan, Uzbekistan, which are part of the countries of Central Asia, the main tax groups that make up the tax system, the role of state and local taxes in the formation budget revenues, analyzed the mechanism for collecting indirect and direct taxes into the budget, types of tax benefits, current tax rates and payment of taxes. terms and comments on these issues"[2].

Foreign economist Richard Bird and others have studied the efficiency and fairness of tax instruments, the impact of tax incentives on economic behavior, and the impact of tax reforms on economic growth and development. Their research has had a lasting impact on the study of taxation and its impact on public finances."[3]

According to the analysis, in a market economy, the role of the state in regulating the economy is increasing, and taxes and tax policy serve as important tools for achieving its goals and objectives. In practice, tax policy, together with other methods of public administration: monetary policy, pricing policy, etc., actively influences the social and economic spheres. Tax policy is an integral part of economic policy and represents the activities of the state in the field of taxation, aimed at achieving specific goals in a certain period. This is a set of measures carried out comprehensively by the relevant competent authorities of the state, aimed at introducing taxes, creating a tax and legal framework, forming a mechanism for implementing taxes and tax-free payments in practice, as well as increasing their efficiency.

To further improve the tax system, reduce informal turnover in the economy, and implement the main directions of the concept of improving the tax policy of the Republic of Uzbekistan, the Tax Code defines:

If business entities recognize an identified tax offense and voluntarily pay out cash savings within ten days from the date of receipt of the decision of the state tax service authorities to hold them accountable for committing a tax offense, officials or employees of business entities or citizens engaged in entrepreneurial activities are responsible for This is an offense by the law and are exempt from criminal and administrative liability provided for in the documents.

According to the "New Uzbekistan 2030" strategy, in our country, the main tax rates in 2024 will remain unchanged. In particular:

- "The basic income tax rate is 15 percent;
- 12 percent personal income tax;
- social tax 12%;
- value added tax 12%;
- the basic turnover tax rate will be maintained at 1.5 percent.
- social tax: budgetary organizations – 25 percent, others – 12 percent;

Beginning February 1, 2024, a fixed number of JSHDS rate increases are proposed. They are expected to grow by 10 percent. From February 1, 2024, it is proposed to change the turnover tax rates to a fixed amount. It is proposed to increase the tax amount for taxpayers with a turnover of up to 500 million soums from the current 20 million soums to 25 million soums.

For taxpayers whose turnover ranges from 500 million to 1 billion soums, it is proposed to increase from the current 30 million soums to 34 million soums"[4].

"Excise taxes and fees Several planned reforms are explained by "promoting a healthy lifestyle and protecting the environment." They provide for an increase in some excise taxes. In particular, from 2024 it is planned to index the excise tax on the production

of cigarettes and other tobacco products to 12%. The excise tax on alcoholic beverages has been increased by 5%.

From April 1, the excise tax on petroleum products will be increased by 12%. However, gasoline that meets the environmental requirements of the European standard (AI-92 and higher) is excluded.

Water tax

Next year, the Ministry of Economy plans to revise tax rates for the use of water resources. The changes are aimed at introducing meters and stable payment of special water fees.

From January 1, the tax rate for farms using the traditional method of irrigation without meters is 80 soums per 1 m3. If a meter is available, a reduction factor of 0.7 percent is applied.

In addition, 25 percent of payments received from farmers and fishermen are sent to special water utilities that supply water. This allows them to cancel individual payments.

The water tax rate for industry, power plants, housing and communal services, car washes, and drinking water production will be increased by 12 percent. Other businesses, as well as private companies, pay 30 percent more.

Property tax

From January 1, when calculating the tax base for property tax of legal entities per 1 square meter of real estate, it is planned to increase the minimum value as follows:

- in the city of Tashkent – up to 3 million soums (currently 2.5 million soums);
- Up to 2 million soums in Nux and regional centers;
- In other regions – up to 1.2 million soums;

Basic personal property tax and land tax rates for non-agricultural property are set at about 12 percent.

At the same time, in 2024 the amount of taxes for the population will not exceed 30 percent compared to 2023.

Other taxes

From January 1, it is planned to increase fixed turnover tax rates:

- those whose turnover is up to 500 million soums – up to 25 million soums;
- those whose turnover ranges from 500 million soums to 1 billion soums - up to 34 million soums.

“Minimum car rental rates will be increased. 780 thousand soums for passenger transportation, 1.55 million soums for buses and trucks” [5].

Table 1
Minimum rental rates for real estate for individuals [4]

Types of real estate	Rate: (thousand soums)		
	Tashkent	Nux and regional centers	Other areas
Accommodation	25	12	5
Troubled place	40	23.5	10

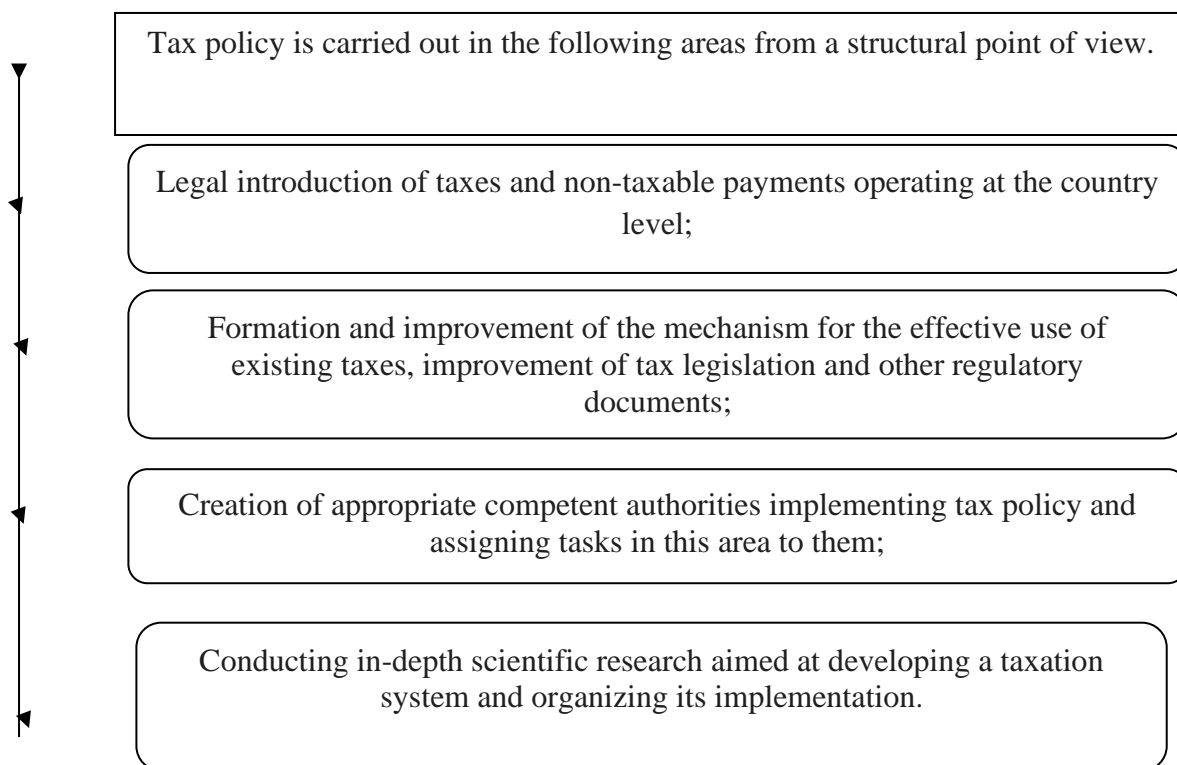


Figure 1. Main directions of tax policy of Uzbekistan
Source: Author's development

The main directions of tax policy are two areas, such as tax policy for enterprises and organizations and tax policy for various social groups of the population:

1. "In the first years of independence of our republic, the main direction of state tax policy was the introduction of several scientifically based taxes aimed at defining market relations and thereby radically reorganizing the existing tax system.
2. Today, the important directions of the tax policy of our republic include improving the taxation of income of legal entities and individuals, ensuring the efficiency of indirect taxation, paying more attention to resource taxes, achieving simplicity of the tax system, and optimizing government spending.

In recent years, many programs have been implemented in the tax policy of our country, and we see the results of this in practice. The better the tax policy works, the more other policies, such as monetary policy, and money supply policy, will show good results in practice and give a greater impetus to economic development.

In conclusion, we can say that when implementing tax policy in the country, it is considered advisable to reduce the level of the entire tax burden in the tax sphere, provide various benefits, and increase preferential taxes for legal entities.

4. Conclusion

The findings from this research emphasize the importance of a structured and strategically designed tax policy in Uzbekistan. The study highlights that effective tax policy, which encompasses clear tax laws, efficient tax collection mechanisms, and a well-organized tax administration, is crucial for economic stabilization and growth. The implications of these findings suggest that Uzbekistan's economic development can be significantly enhanced by continuing to refine its tax policy, focusing on reducing the tax

burden and increasing compliance among taxpayers. Further research is recommended to explore the long-term effects of recent tax reforms on economic performance and social equity in Uzbekistan, as well as to compare these effects with those observed in similar economies.

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