

THE ECONOMIC SIGNIFICANCE OF TAXES AND TAX POLICY IN UZBEKISTAN

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<https://doi.org/10.5281/zenodo.14169244>

Abstract. This thesis examines the economic significance of taxes and the tax policy of Uzbekistan. Taxes are an essential part of the economic framework, providing the government with the necessary funds for public spending and supporting the overall development of the country. Uzbekistan has made significant strides in reforming its tax system, aiming to enhance economic growth, attract foreign investments, and support local enterprises.

Keywords: Taxation, Tax Policy, Uzbekistan, Economic Growth, Tax Reforms.

INTRODUCTION

Taxes play a crucial role in shaping the economic structure of any country. They are a primary source of revenue for governments, enabling them to fund public services, infrastructure development, and welfare programs. In Uzbekistan, the taxation system has undergone significant reforms in recent years, aligning with the nation's transition to a more market-oriented economy. This thesis explores the economic significance of taxes in Uzbekistan and evaluates the country's tax policy in the context of its ongoing economic modernization.

1. The Economic Role of Taxes: Taxes are fundamental to the functioning of modern economies. They provide governments with the necessary resources to fund national and local budgets, which are spent on public services like education, healthcare, transportation, and defense. Taxes also influence economic behavior, affecting consumption, savings, investment, and production decisions. In Uzbekistan, taxes contribute significantly to the national budget, which supports economic growth and development goals.

2. Key Elements of Uzbekistan's Tax System: Uzbekistan's tax system has undergone substantial reform to create a more efficient and transparent structure. The key components include:

- **Income Tax:** Levied on individuals and corporations, this tax is one of the most important revenue sources for the government.
- **Value-Added Tax (VAT):** Applied to the sale of goods and services, VAT is another critical tax that has been modernized to enhance compliance and reduce the informal economy.
- **Customs Duties and Excise Taxes:** These taxes are imposed on imports and certain goods, which are vital for managing external trade and protecting domestic industries.
- **Property Tax:** Levied on the ownership of real estate, it helps generate revenue for local authorities.

3. Tax Policy in Uzbekistan: The tax policy of Uzbekistan is designed to ensure sustainable economic development while promoting investment and entrepreneurship. Several reforms have been introduced to make the tax system more business-friendly and to reduce the burden on small and medium-sized enterprises (SMEs). These include:

- **Tax Incentives for Investment:** Special tax benefits are provided for foreign investors, aimed at attracting foreign direct investment (FDI) into key sectors like manufacturing, agriculture, and technology.
- **Simplification of the Tax Code:** Efforts have been made to streamline the tax code, reduce bureaucracy, and make the system more transparent and predictable for businesses.
- **Tax Compliance and Administration:** Uzbekistan has implemented measures to improve tax collection and compliance, including the introduction of digital tax services and automation of tax reporting processes.

CONCLUSION

The tax system and tax policy in Uzbekistan are critical to the country's economic stability and growth. While significant progress has been made in modernizing the tax framework, challenges remain in terms of compliance, administration, and the integration of the informal economy. The ongoing reforms in tax policy will play a key role in achieving Uzbekistan's long-term economic development goals, including sustainable growth, investment attraction, and economic diversification.

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