



Article

Regional Tax Potential: Assessment Methodology and Practice (Case of Uzbekistan)

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Abstract: The concept of regional tax potential plays a crucial role in ensuring the fiscal independence of local authorities and the effective implementation of socio-economic development programs. This study examines the methodology for assessing regional tax potential and analyzes its practical application in Uzbekistan. The research highlights the factors influencing tax potential, including economic, social, demographic, institutional, and infrastructural components. The findings demonstrate that a comprehensive approach, integrating legal, economic, and institutional aspects, is essential for accurately assessing and effectively utilizing regional tax potential in the context of Uzbekistan's modern fiscal system.

Keywords: Regional Tax Potential, Tax Assessment Methodology, Fiscal Policy, Tax Administration, Uzbekistan, Socio-Economic Development, Tax Base Optimization

1. Introduction

The high level of tax potential of the region means the financial independence of the local authorities in the field of fiscal policy and the fact that they have their own resources for financing the measures defined in the socio-economic development program of the region. In addition, it is required to use scientifically based effective methods of assessing the tax potential when developing the forecast of the state budget tax revenue, establishing the exact amount of transfers allocated from the higher budget to lower budgets, and determining the level of fiscal risks.

Elimination of such situations is of particular importance from the point of view of development of regional tax potential. Because the tax potential can be fully realized by expanding the financial capabilities of the regions, effective use of economic resources and formation of a stable tax base. First of all, instead of over-strengthening the fiscal task, strengthening regulatory mechanisms, fair distribution of the tax burden and improvement of tax administration will serve to reveal the real potential of taxes in the regions.

At the modern stage of state economic policy, one of the urgent issues is the rational use of tax resources, their analysis by regions and the full realization of their potential. Especially at a time when the country is moving towards innovative development, the need for a deep analysis of the role and significance of regional tax potential is significantly increasing.

Citation: Ergashev U. Regional Tax Potential: Assessment Methodology and Practice (Case of Uzbekistan). American Journal of Economics and Business Management 2025, 8(12), 6554-6560.

Received: 20th Nov 2025

Revised: 30th Nov 2025

Accepted: 21st Dec 2025

Published: 31th Dec 2025



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Budget tax revenues are considered the main source of financial resources for measures established in investment programs within the framework of socio-economic development of regions. Taxes play an invaluable role in the liberalization of the economy and the creation of a favorable business environment for doing business, as well as in solving problems related to achieving financial independence of local authorities.

Literature Review

The main task of state tax policy is to ensure a balance between budgets at all levels, based on maintaining the optimal level of the tax burden for all sectors of the country's economy. The implementation of an effective tax policy in this direction largely depends on the level of tax potential that regions have, which is capable of ensuring sustainable economic development. Tax potential is a kind of "safety cushion" for regions, and effective assessment, formation and maintenance of tax potential at an appropriate level is an important condition for the stability of the source of state budget revenues [1]. The concept of tax potential is one of the macroeconomic categories, and the level of tax potential and its full realization depend on the level and quality of social welfare provision in the region. Therefore, the development of an effective method based on general approaches to assessing tax potential and determining the composition of factors affecting tax potential are urgent issues. Some economists believe that structural factors such as gross domestic product (GDP) per capita, the share of agriculture in GDP, trade openness, and foreign aid have a significant impact on tax potential [2]. At the same time, a number of economists have identified geographical, sectoral, economic, financial, tax administration, legislative and administrative-managerial, political, socio-demographic, socio-psychological, infrastructural, innovative, information, and institutional factors as factors affecting the structure and level of the region's tax potential [3]. As the expert scientist E. Belogorskaya notes, regional tax potential is one of the main links in inter-budgetary relations, which determines the level of financial support from the central government. At the same time, this indicator also serves as an incentive factor in strengthening the tax base of local budgets. According to him, each region's tax potential is assessed by its share in the national tax potential [4].

In the studies of Pessino and Fenochietto, tax potential is interpreted as the amount of taxes that can be collected, taking into account the economic, social, institutional and demographic factors of the country. In this approach, potential tax revenues are assessed by comparing them with the actual collected revenues [5].

In general, it is emphasized that various specific indicators are taken into account as influencing factors in assessing tax potential, including per capita income, tax rate, tax base, regional gross domestic product, etc. In addition, it is noted that factors such as further improving the investment and business climate, increasing the share of medium-sized businesses in the economy, developing the securities and financial markets, encouraging innovative producers within the national economy, and reducing tax benefits have a significant impact on tax potential [6]. The results of a regression analysis conducted to assess the tax potential of the region revealed that the gross regional product, investments in fixed capital, the volume of goods (works, services) sold by own efforts, the number of population, and the real income of the population have a significant impact [7].

2. Methodology

In the process of research, scientific research on assessing tax potential was studied. In the process of forming the article, observation and sampling, scientific-theoretical, empirical observation methods were used. The reliability of the research results is explained by the use of foreign and national official sources used in the research.

3. Results and Discussion

Tax potential is characterized by the economic structure of the regions and their provision with taxable resources, which is determined by the tax base, and tax revenues, in turn, are considered as a realized part of the tax potential. Tax potential is the maximum possible amount of tax revenues to the budget for a certain period in conditions of balance between the resources of the region and its socio-economic development.

The conducted analysis shows that there is no single and generally accepted definition of the concept of "tax potential of the region". In the scientific literature, this category is interpreted differently by the authors, based on the goals and objectives of their research. In particular, tax potential is covered in the following areas:

- In the process of planning and forecasting tax revenues;
- In the formation of the budget revenue part at the expense of taxes and mandatory payments;
- In the reform and improvement of the existing tax system;
- In the updating and development of legislation in the field of taxes and fees.

Therefore, the formation of an author's definition of tax capacity requires a thorough analysis of existing scientific approaches and the identification of the main substantive features of this concept.

In our opinion, the main characteristics of tax capacity are as follows.

First, tax capacity is an independent economic category. From an economic point of view, taxes, in addition to being a means of implementing the state's fiscal policy, are also an important regulatory mechanism that indirectly affects economic processes at the macro and regional levels.

Secondly, the tax capacity indicator represents the optimal amount of tax revenues that can be achieved under conditions of maximum efficient use of the available resources of the territory. At the same time, it should be taken into account that regions are not the same in terms of their level of socio-economic development, and are affected differently by political, economic, social, demographic, geographical and institutional factors.

Thirdly, tax capacity is closely related to the composition and structure of the current tax system. The tax legislation in force in different countries and regions differs in the types of taxes and fees, the mechanisms for their collection, the level of tax rates and the conditions for the application of tax benefits. Therefore, differences in the composition of the tax base, the system of rates and benefits have a direct and significant impact on the tax potential of a particular region.

Fourth, the assessment of tax potential is carried out only within a certain legal and economic environment, since it is the current legislation and the level of economic development that determine its real boundaries.

Based on the above, it becomes possible to give a clarified author's definition of the tax potential of a region.

The tax potential of a region is an economic category that represents the optimal amount of tax revenues that can be collected by the regional budget. It is formed within the framework of the existing legal and economic environment, in the context of the current tax system, in conditions of maximum efficiency of use of all available resources in the region.

As components of the regional tax potential, researchers distinguish various elements: potential tax revenues, additional tax amounts that can be collected as a result of control inspections, as well as tax losses arising from the "shadow" economy. Sometimes the tax potential also includes tax amounts that are due to the growth of tax debt and benefits provided on the basis of tax or budget legislation.

At the same time, in our opinion, it is inappropriate to include all of the above components directly in the tax potential. For example, the growth of tax arrears includes

not only the amount not collected, but also fines and penalties, which are not directly related to the tax base. These elements are mainly of a random nature and do not reflect real changes in the tax base of the region. Therefore, arrears in fines, penalties and other budget payments, additional amounts accrued by tax authorities as a result of violations of tax discipline, should be considered within the budget capacity of the region, and not as part of the tax capacity.

Thus, the tax capacity of the region should be interpreted as a means of assessing the maximum tax revenues based on available resources and the current tax system, without taking into account random and administrative-punitive components.

The formation of the tax capacity of the region of Uzbekistan is a multifaceted and complex process. This process directly depends not only on tax legislation, but also on the economic, social and natural conditions of the regions. Factors affecting the size and dynamics of tax capacity can be conditionally divided into several groups: constant and variable, primary and secondary, external and internal. While constant factors provide a stable tax base for the region, variable factors vary depending on the short-term economic situation. It should be noted that tax capacity is fully formed only when all factors participate in a comprehensive manner.

External factors include the current legislation of the Republic of Uzbekistan, the structure of the state and the form of government, macroeconomic forecasts, political stability, international economic relations, as well as natural and climatic and geographical conditions. For example, the structure of the country's state system directly determines the degree of centralization of tax revenues. Inflation processes also significantly affect the taxable base, and along with the growth of prices, tax revenues of regions also increase. This leads to a proportional expansion of tax capacity.

Internal factors are determined by the economic resources of the region, production capacity, level of entrepreneurial activity, investment climate and efficiency of tax administration. Geographical location is of particular importance, indicating the transport and logistics capabilities of the region and the level of resource supply. Natural and climatic factors create favorable or unfavorable conditions for business entities. Thus, tax capacity is not only the result of legislation, but also a multifactorial complex formed as a result of the combination of the economic and social potential of the region, production capabilities and external conditions. The current legislation of Uzbekistan can directly or indirectly affect the tax capacity of regions. That is, legal norms lead to an increase or decrease in tax capacity by affecting the size of the tax base, the object of taxation and the applied rates. From this point of view, tax rates, the definition of the taxable base and the object of taxation are the main factors determining the size of tax capacity. In particular, various tax incentives and preferences play an important role in the formation of the tax resources of the region.

Another factor affecting the regional tax potential is political factors. The activities of government institutions, the nature of the political system, the number of parties in the country and their activities determine the effectiveness of tax policy. The stability of tax policy in the public finance system largely depends on clear and constructive cooperation between different levels of government. Political factors are also expressed through inter-budgetary relations and mechanisms for the distribution of financial resources.

Macroeconomic factors also have a significant impact on the tax potential of regions. These include the volume of foreign investments, short-term capital flows, labor movement, population changes, international technology transfer, the global economic situation, foreign trade relations, and forecasts for the country's socio-economic development. These factors directly affect the size and quality of the taxable base, and therefore the growth or decline of tax capacity.

Internal factors are associated with the specific characteristics of the territory, which include the level of development of the regional economy, production capacity, activity of

economic entities and the effectiveness of tax administration. The peculiarity of these factors is that the authorities can regulate their impact on the regional economy and, if necessary, expand or reduce the tax base through certain reforms. Therefore, effective management of internal factors is considered an important means of increasing the tax capacity of regions.

Internal factors play a special role in the formation of the tax capacity of the Republic of Uzbekistan. Such factors include territorial legislation, socio-demographic processes, resource and raw material base, infrastructure development, "hidden economy", innovations, environmental and investment conditions, as well as tax administration and tax culture. Each factor, in turn, has a significant impact on the formation of the tax base of the region and the country.

Regional legislative factors include the introduction of taxes, changing or increasing tax rates, establishing tax incentives, and applying financial sanctions for violations. These factors directly affect the fiscal stability of the region and the volume of tax revenues.

Socio-demographic factors determine the standard of living and human capital of the population. A decrease in mortality, the development of healthcare and the social sphere, social protection of the population, decent working conditions, and regulation of migration processes lead to an expansion of the tax base.

Resource and raw material factors are one of the main sources determining the economic competitiveness of the region. Regions rich in natural resources have investment attractiveness and economic growth potential. At the same time, the costs of using and processing resources also affect tax revenues.

Infrastructure factors are associated with the transport and geographical location of the region, its material and technical base, railway and highways, communication and transport services. Developed infrastructure increases the competitiveness of the region and expands its tax potential.

The factor of the hidden economy is one of the most important negative factors that reduce tax potential. As the scale of hidden economic activity increases, it becomes more difficult to forecast and control tax revenues. Therefore, reducing the hidden economy and introducing effective mechanisms to combat it are of great importance in increasing the country's tax potential.

Innovation factors include research and development and the introduction of new technologies. Based on innovations, new business entities emerge, production efficiency increases, and the tax base expands.

Investment factors determine a favorable investment climate in the region. The flow of domestic and foreign investments increases the region's production potential and increases tax revenues.

In assessing the territorial tax potential, the ratio of the implemented (real) tax potential to the nominal tax potential is of particular importance. This ratio reflects how much the territory is actually realizing its tax potential, that is, the level of tax potential implementation. This indicator determines the level of real utilization of tax revenue collection opportunities within the budget system and serves as an important tool in analyzing the fiscal aspect of the reproductive potential.

This indicator performs several tasks at once:

- Allows you to assess the effectiveness of the activities of territorial tax authorities;
- Serves as an indirect indicator in determining the extent of the expansion of the shadow economy;
- Is used to develop measures to correct the structural structure of economic entities in the region and the effectiveness of their involvement in taxation.

From this perspective, it can be said that among the existing resource, fiscal, and mixed approaches to the concept of territorial tax potential, fiscal and mixed approaches in particular are most closely aligned with the current model of the modern tax system in the conditions of Uzbekistan.

However, in our opinion, these approaches are not entirely complete, and a new approach is needed, taking into account the institutional characteristics of the territorial tax potential. Because the tax potential is closely related not only to statistical revenues or economic resources, but also to the current legislation, the dynamics of fiscal policy and the effectiveness of tax administration institutions.

Therefore, when analyzing the tax potential, it is necessary to consider it not only through financial indicators, but also from the point of view of the conditions under which it is managed, through what mechanisms and based on what institutional influences.

A deep and systematic assessment of the territorial tax potential is relevant for:

- Forming an effective system of inter-budgetary relations at the national level;
- Implementing a fiscal policy that ensures the sufficiency of local budget resources in economically underdeveloped regions;
- Maintaining territorial fiscal equality and ensuring a balance of sustainable development between regions.

True, at present, a single generally accepted methodology for assessing tax potential has not been developed in Uzbekistan. However, despite this, the Ministry of Economy and Finance of the Republic of Uzbekistan and other authorized state bodies, within the framework of their functional tasks, are carrying out work on assessing tax potential based on various approaches. Therefore, if scientifically based, systematic, institutional and digital approaches are used together, it will be possible to achieve a more accurate and practical results-oriented analysis of regional tax potential.

4. Conclusion

In conclusion, it is worth noting that accurate and reasonable budget forecasting plays a special role in the socio-economic development of the country, in improving the living standards of the population, and in ensuring the effective implementation of the state budget. Forecasting, in turn, is carried out based on the tax potential of the country or its individual regions. Tax potential represents the total sum of all tax revenues that can be transferred to the budget from the territory of the country.

It should also be noted that when assessing tax potential, tax benefits established by the current tax legislation, the amount of overdue and unpaid taxes should also be taken into account. After all, these circumstances are important factors that reduce the real tax base and revenues.

According to the results of our research, it is advisable to implement the following measures to expand the country's tax capacity and stabilize tax revenues:

1. Strengthen the activities of taxpayers and ensure their financial stability

In practice, the reason why many taxpayers cannot pay taxes on time and in full is related to their difficult financial situation. To solve this problem, it is necessary to strengthen state policy in the following areas:

- Improve existing state debt repayment mechanisms;
- Modernize private production bases and create new ones;
- Pursue a rational pricing policy;
- Revise taxpayer obligations.

These measures will help increase the solvency of taxpayers, and as a result, significantly increase tax revenues to the state budget.

2. Increase the efficiency of economic activity to expand the existing tax base

To this end, on the one hand, it is necessary to ensure the stimulation of producers, while maintaining a balance between the regulatory and fiscal functions of taxes, and on the other hand, to strengthen effective mechanisms that expand economic activity.

3. Improve the current tax legislation

It is recommended to further strengthen the regulatory and legal framework in the following areas:

- Simplify and make the procedure for registering legal entities more transparent;
- Strengthen state control over the financial resources of economic agents;
- Optimize the system of tax incentives;
- Simplify and automate tax collection mechanisms.

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