

Article

Tax Policy and Its Main Directions

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Abstract: This study examines the role of tax policy in ensuring economic growth and stability in Uzbekistan, with a particular focus on recent reforms and their macroeconomic implications. The main objective of the research is to evaluate how tax policy instruments—such as tax rates, incentives, and administrative mechanisms—affect economic activity, investment attractiveness, and fiscal sustainability. The research is based on a mixed-method approach combining comparative analysis, statistical data evaluation (2022–2024), and institutional analysis of national tax reforms. Special attention is given to Presidential Decrees and the Tax Code, which define the strategic direction of tax policy reforms. The findings indicate that the reduction of the tax burden, digitalization of tax administration, and expansion of tax incentives have significantly improved tax compliance, reduced the shadow economy, and increased budget revenues. At the same time, the study reveals several systemic challenges, including inefficiencies in VAT collection, limited monitoring of tax benefits, and uneven regional tax performance. The novelty of this research lies in its integrated approach, combining institutional reforms with macroeconomic performance indicators and international comparisons. It highlights that tax policy in Uzbekistan is evolving from a purely fiscal instrument into a strategic tool for economic development. The practical implications suggest that further improvements in tax administration, digital infrastructure, and transparency mechanisms are essential to sustain long-term economic growth and enhance national competitiveness.

Keywords: Tax Policy, Business Entities, Types of Taxes, Tax Functions, Tax Burden, Targeted Funds



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1. Introduction

Taxes are the main source of revenue for the state budget of the Republic of Uzbekistan. At the same time, they are an essential component of the country's financial system [1].

A tax is a mandatory and non-refundable payment made to the state budget or state-targeted funds of the Republic of Uzbekistan. This definition briefly explains the general essence of taxation.

In a modern market economy, tax policy occupies a central place in implementing the state's economic strategy [2]. Tax policy is a set of measures used by the government to achieve socio-economic goals, form budget revenues, and regulate the activities of economic entities through tax

rates, benefits, and administrative methods.

Within the framework of the New Development Strategy of Uzbekistan, reforms such as the reduction of VAT rates and the provision of extensive benefits for entrepreneurs demonstrate that tax policy is not only a fiscal tool but also a powerful economic driver [3], [4]. This article analyzes the impact of changes in the tax system on macroeconomic stability and examines development prospects based on international experience.

In particular, Presidential Decree No. PF-5468 dated June 29, 2018, "On the Concept of Improving Tax Policy of the Republic of Uzbekistan," outlines key directions for improving tax policy.

Furthermore, Presidential Decree No. PF-21 dated February 10, 2023, "On measures to further improve tax policy and tax administration and classify business entities," introduced tax incentives and classification mechanisms for business entities to create favorable conditions for entrepreneurship [5].

Literature Review

In studying the theoretical and practical aspects of tax policy, local economists have developed fundamental approaches. In particular, Professor A.V. Vahobov interprets tax policy as a key instrument for ensuring macroeconomic stability. According to him, optimizing the tax burden not only increases budget revenues but also enhances investment attractiveness and accelerates modernization processes.

Professor T.S. Malikov emphasizes the social orientation of tax policy and its role in public finance management [6], [7], [8], [9]. He highlights the importance of fairness in taxation, particularly the optimal balance between direct and indirect taxes. According to Malikov, effective tax policy should help reduce income inequality and strengthen social protection.

2. Materials and Methods

This study analyzes the data using three main methods. The empirical method was used to examine theoretical aspects of the topic, while the comparative method allowed for comparison of different data sets. The statistical method was applied to analyze numerical data, statistics, and tables related to the topic.

3. Results

It is appropriate to begin the analysis with the theoretical examination of the Tax Code of the Republic of Uzbekistan, as it provides the most clear and precise understanding of tax policy.

The Tax Code serves as the main legal mechanism for ensuring economic security and forming the state budget [10]. Its theoretical basis relies on the principles of universality and fairness in taxation. According to these principles, every individual is obliged to pay taxes established by law, and taxes must not be discriminatory.

The Code establishes the principles of certainty in taxation and presumption of taxpayer rights. This means that any unresolved ambiguities in tax legislation are interpreted in favor of the taxpayer, ensuring democratic relations between the state and business entities.

The Code divides taxes into two main categories:

National taxes (VAT, corporate income tax, personal income tax, subsoil use tax, etc.)

Local taxes (property tax and land tax)

This classification provides a legal basis for the distribution of financial resources and regional development [11].

Presidential Decree PF-5468 emphasizes reducing the tax burden, simplifying taxation, and improving tax administration as key conditions for economic growth and investment attractiveness.

At the same time, studies reveal several systemic problems hindering economic growth and business activity, including:

High tax burden for general taxpayers

Inefficient VAT collection system
 High payroll tax rates encouraging hidden wages
 Lack of effective monitoring of tax incentives
 Weak information exchange systems between government bodies
 Absence of a clear risk-based control system
 Inefficient administration of local taxes

Additionally, Presidential Decree PF-21 (2023) classifies business entities into:

Small businesses (individual entrepreneurs, microfirms, small enterprises)

Medium businesses (annual revenue from 10 to 100 billion soums)

Large businesses (annual revenue above 100 billion soums)

From these analyses, the main functions of tax policy can be identified:

- ✓ Fiscal function
- ✓ Regulatory function
- ✓ Incentive function
- ✓ Control function
- ✓ Information support function
- ✓ Professor Vahobov emphasizes that tax policy should stimulate economic growth rather than merely generate budget revenues [12]. He argues that high tax rates limit investment and encourage shadow economy activities. Therefore, reducing tax rates while expanding the tax base is essential [13], [14].
- ✓ He also highlights that tax incentives should focus on quality indicators such as innovation, high-tech industries, and export-oriented sectors [15].
- ✓ According to Article 17 of the Tax Code, the following taxes exist in Uzbekistan:
- ✓ Value-added tax (VAT)
- ✓ Excise tax
- ✓ Corporate income tax
- ✓ Personal income tax
- ✓ Subsoil use tax
- ✓ Water use tax
- ✓ Property tax
- ✓ Land tax
- ✓ Social tax

Additionally, according to Article 18, turnover tax is also included.

4. Conclusion

The principles of fairness and certainty outlined in the Tax Code are increasingly implemented in practice. The reduction of VAT rates and the introduction of digital technologies have strengthened trust between the state and taxpayers.

However, further improvement of tax policy should consider not only fiscal goals but also regional economic characteristics and sectoral development needs.

In conclusion, sustainable economic growth requires tax policy to continuously adapt to changing conditions, remain transparent, and serve as a "green corridor" for investment. "Only through a fair and stimulating tax environment can national competitiveness be ensured and public welfare improved."

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