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ECONOMIC AND SOCIAL IMPACT OF EXCISE TAXES

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Abstract

This study analyzes the economic and social impact of excise taxation, with a particular focus on recent tax policy reforms in Uzbekistan. The main objective is to evaluate how excise taxes influence government revenues, consumer behavior, and public welfare. The research is based on a mixed-method approach combining statistical analysis of data from 2021–2024 and institutional analysis of tax policy reforms. The study examines changes in excise tax revenues, consumption patterns, and macroeconomic indicators.

The findings reveal that excise taxes have significantly contributed to increasing budget revenues and reducing the consumption of harmful goods such as tobacco and alcohol. At the same time, excise taxation has positively influenced public health outcomes and encouraged more efficient energy use. The novelty of the research lies in its integrated approach, combining fiscal analysis with social impact assessment. The study highlights that excise taxation is evolving from a traditional revenue-generating tool into a comprehensive policy instrument addressing broader socio-economic challenges.

The practical implications suggest that policymakers should strengthen tax administration systems, improve monitoring of excisable goods, and implement measures to reduce the shadow economy.

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INTRODUCTION

Excise taxation is one of the most important components of modern tax systems, particularly in developing and transition economies. It serves not only as a source of stable government revenue but also as an instrument for regulating the consumption of socially harmful goods such as tobacco, alcohol, and fuel. In Uzbekistan, tax policy reforms implemented in recent years, especially within the framework of the “New Uzbekistan Development Strategy (2022–2026),” have significantly transformed the structure of public revenues. Particular attention has been paid to improving indirect taxation mechanisms, including excise taxes, in order to enhance fiscal sustainability and influence consumer behavior [1], [2], [3].

Excise taxes are unique in that they combine fiscal and regulatory functions. On the one hand, they generate significant revenues for the state budget. On the other hand, they are used to address negative externalities such as public health risks and environmental damage. The relevance of this study lies in the need to evaluate the economic and social impact of excise taxation in the context of ongoing reforms [4]. Understanding these impacts is essential for designing effective tax policies that balance revenue generation with social welfare objectives.

The main objective of this research is to analyze the role of excise taxes in influencing economic performance and social outcomes, using recent data and international experience.

METHODOLOGY

This study employs a mixed-method research approach combining quantitative and qualitative analysis. The quantitative component is based on statistical data from 2021 to 2024, including excise tax revenues, consumption indicators, and macroeconomic variables. Trend analysis is used to evaluate changes over time, while comparative analysis is applied to assess the effectiveness of excise taxation in Uzbekistan relative to international practices.

The qualitative component includes institutional and theoretical analysis of tax policy reforms. Relevant legal documents, including presidential decrees, tax legislation, and official reports, are examined to understand the policy framework governing excise taxation. In addition, the study incorporates elements of behavioral economics to analyze how changes in tax rates influence consumer behavior. This allows for a more comprehensive assessment of both economic and social impacts.

RESULTS

Economic and Social Impact of Excise Taxation

The empirical analysis demonstrates that excise taxation plays a dual role in modern economies by influencing both fiscal revenues and social behavior. The results indicate that excise taxes are particularly effective in generating stable government revenues while simultaneously regulating the consumption of harmful goods such as tobacco, alcohol, and fuel. First, the fiscal impact of excise taxation is evident in its contribution to budget revenues [5]. According to data from the State Tax Committee of Uzbekistan, excise tax revenues have shown a consistent upward trend in recent years. In 2021, excise tax revenues accounted for approximately 9.8% of total tax revenues, increasing to 11.2% in 2022 and reaching nearly 12.5% in 2024. This growth reflects both increased tax rates and improved tax administration mechanisms, including digital monitoring systems.

Second, excise taxation has a significant impact on consumption patterns. Following increases in excise tax rates on tobacco and alcohol products between 2020 and 2023, consumption levels showed a measurable decline. For instance, tobacco consumption decreased by approximately 7–10% during this period, while alcohol consumption showed a moderate decline of around 4–6% [6]. These changes confirm that excise taxes are effective tools for influencing consumer behavior and reducing the demand for harmful goods. Third, the social impact of excise taxation is closely linked to public health outcomes. Data from international organizations indicate that higher excise taxes contribute to a reduction in smoking-related illnesses and alcohol-related health risks. In Uzbekistan, public health indicators related to tobacco use have improved

gradually since 2021, reflecting the long-term benefits of increased excise taxation [7]. Furthermore, the results show that excise taxes contribute to environmental and energy policy objectives. Increased excise taxes on fuel products have encouraged more efficient energy consumption and reduced excessive fuel usage. Between 2021 and 2024, fuel consumption growth slowed significantly, indicating a behavioral shift toward energy efficiency [8].

However, the analysis also reveals certain economic limitations. Higher excise taxes may contribute to inflationary pressures, particularly in sectors where excisable goods are essential inputs. For example, fuel excise taxes can indirectly increase transportation and production costs, leading to higher consumer prices. In addition, there is evidence that excessively high excise tax rates may lead to the expansion of the informal or illegal market. This is particularly relevant for tobacco and alcohol products, where smuggling and unregistered trade can undermine the effectiveness of tax policy [9], [10].

DISCUSSION

The results of this study confirm that excise taxation is not merely a fiscal instrument but also a powerful regulatory tool influencing both economic efficiency and social welfare. From a theoretical perspective, the findings align with Pigouvian tax theory, which suggests that taxes on harmful goods can correct negative externalities associated with their consumption. The increase in excise tax revenues between 2021 and 2024 demonstrates the effectiveness of tax policy reforms in Uzbekistan [11]. This trend reflects improvements in tax administration, including digitalization and enhanced compliance mechanisms. In line with international experience, countries that strengthen tax administration systems tend to achieve higher efficiency in excise tax collection.

From a behavioral economics perspective, the observed decline in tobacco and alcohol consumption confirms the price elasticity of demand for these goods. As excise taxes increase prices, consumers either reduce consumption or shift to alternative products [12]. This supports the argument that excise taxation can serve as an effective public health policy tool. However, the discussion also highlights several structural challenges. One of the key issues is the regressive nature of excise taxes. Since these taxes are imposed uniformly regardless of income levels, they tend to place a relatively higher burden on low-income households. This raises concerns about social equity and requires the implementation of compensatory social policies. Another important issue is the risk of shadow economy expansion [13], [14]. As excise tax rates increase, illegal trade in tobacco and alcohol products may rise, reducing tax revenues and undermining regulatory objectives. This suggests that excise tax policy must be accompanied by strong enforcement mechanisms and cross-border cooperation.

In addition, the indirect inflationary impact of excise taxes, particularly on fuel, may affect overall price stability [15]. Therefore, policymakers should carefully balance revenue objectives with macroeconomic stability considerations. Overall, the discussion confirms that excise taxation is most effective when implemented as part of a comprehensive policy framework that integrates fiscal, social, and institutional measures.

CONCLUSION

The findings of this study indicate that excise taxation plays a crucial role in both economic and social policy frameworks. From a fiscal perspective, excise taxes provide a stable and growing source of government revenue, contributing to budget sustainability. From a social perspective, excise taxes are effective in reducing the consumption of harmful goods and improving public health outcomes. The reduction in tobacco and alcohol consumption observed in recent years highlights the regulatory potential of excise taxation.

However, the study also identifies several challenges, including the regressive nature of excise taxes, the risk of shadow economy expansion, and potential inflationary effects. These issues require careful policy design and complementary measures. In conclusion, excise taxation should be implemented as part of a comprehensive economic policy that balances revenue generation, social equity, and economic stability. Strengthening tax administration, improving enforcement mechanisms, and enhancing transparency are key to maximizing the effectiveness of excise tax policy.

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