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## THE ROLE OF EXCISE TAXATION IN THE ECONOMY

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### Abstrak

Excise taxation is an essential component of modern fiscal systems, playing a significant role in revenue generation, market regulation, and social welfare improvement. This study aims to analyze the economic role of excise taxes, particularly their impact on government revenue, consumption behavior, public health, and macroeconomic stability. The research adopts a mixed-method approach, combining statistical analysis of recent data (2021–2024) with theoretical and institutional evaluation of tax policies.

The findings indicate that excise taxes contribute substantially to state budget revenues and serve as effective tools for reducing the consumption of harmful goods such as tobacco and alcohol. Moreover, excise taxes influence energy consumption patterns and support environmental sustainability objectives. However, the study also identifies several challenges, including regressive effects, inflationary pressures, and the expansion of informal markets.

The novelty of this research lies in its integrated analysis of both economic and social dimensions of excise taxation. The study concludes that excise taxes are not only fiscal instruments but also strategic policy tools that can support sustainable economic development when properly designed and implemented.

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### Introduction

Excise taxation represents one of the most strategic instruments of modern fiscal policy, combining revenue-generating functions with regulatory and corrective economic roles. Unlike general consumption

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taxes, excise taxes are selectively imposed on specific goods—such as tobacco, alcohol, and fuel—that are associated with negative externalities, including public health risks, environmental damage, and social costs [1]. Therefore, excise taxation occupies a unique position at the intersection of economic efficiency, social welfare, and government intervention. In contemporary economic systems, the importance of excise taxation has increased significantly due to rising global challenges such as healthcare burdens, environmental degradation, and the need for sustainable fiscal frameworks. Governments increasingly rely on excise taxes not only to secure stable budget revenues but also to influence consumer behavior and internalize the external costs associated with harmful consumption [2]. This approach is strongly grounded in the theory of Pigouvian taxation, which advocates the use of corrective taxes to address market failures.

In the context of developing and transition economies, including Uzbekistan, excise taxation plays an even more critical role. Limited fiscal space, structural economic transformation, and the need to ensure macroeconomic stability require the use of efficient and predictable revenue sources [3], [4]. Over the past decade, Uzbekistan has undertaken comprehensive tax reforms aimed at modernizing its fiscal system, improving tax administration, and enhancing revenue mobilization. Within these reforms, excise taxation has emerged as a key policy tool. Particularly since 2020, significant adjustments have been made to excise tax rates and administration mechanisms in Uzbekistan. These include the gradual increase of excise rates on tobacco and alcohol products, the revision of fuel taxation policies, and the introduction of digital monitoring systems for excisable goods [5]. As a result, excise taxes have contributed to both increased fiscal revenues and improved regulatory outcomes.

At the same time, the role of excise taxation extends beyond purely economic considerations. It has important social implications, particularly in reducing the consumption of harmful goods and improving public health outcomes. By increasing the prices of such goods, excise taxes discourage excessive consumption and promote healthier lifestyles. In addition, excise taxation supports environmental objectives by encouraging more efficient energy use and reducing pollution associated with fossil fuels. However, despite its advantages, excise taxation is associated with several challenges that require careful policy consideration [6]. One of the main concerns is its regressive nature, as excise taxes tend to impose a relatively higher burden on low-income groups. Furthermore, excessively high excise tax rates may lead to unintended consequences such as the expansion of the shadow economy, smuggling, and illegal trade.

Another important issue is the potential inflationary impact of excise taxes, particularly when applied to essential goods such as fuel. Increases in fuel prices can have cascading effects on transportation costs, production expenses, and overall price levels in the economy. Therefore, policymakers must balance the fiscal and regulatory objectives of excise taxation with macroeconomic stability considerations [7]. From a theoretical perspective, excise taxation can be analyzed through multiple frameworks, including public finance theory, behavioral economics, and institutional economics. While traditional models emphasize revenue maximization and efficiency, modern approaches highlight the importance of behavioral responses, tax morale, and institutional trust in determining the effectiveness of tax policy.

The relevance of this study lies in the need to comprehensively evaluate the economic role of excise taxation in a rapidly changing economic environment. While numerous studies have examined excise taxation from either a fiscal or social perspective, there is a growing need for integrated analysis that considers both dimensions simultaneously. The main objective of this research is to analyze the role of excise taxation in the economy by examining its impact on government revenues, consumption behavior, public health, and macroeconomic stability [8], [9]. The study also aims to identify key challenges and provide policy recommendations for improving the effectiveness of excise tax policy in Uzbekistan and similar economies.

### **Methodology**

This study is based on a mixed-method approach that combines quantitative and qualitative research methods. The quantitative analysis is based on statistical data from 2021–2024, including excise tax revenues, consumption indicators, and macroeconomic variables. Trend analysis is used to examine changes over time, while comparative analysis is applied to assess the effectiveness of excise taxation.

The qualitative analysis focuses on the institutional and theoretical aspects of excise taxation. Relevant legal documents, policy frameworks, and international reports are analyzed to understand the broader context

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of excise tax policy. In addition, the study incorporates elements of behavioral economics to examine how changes in tax rates influence consumer behavior.

## Results

The empirical results of this study provide a detailed evaluation of the economic role of excise taxation based on recent trends observed between 2020 and 2024. The analysis confirms that excise taxes have become an increasingly important instrument for both fiscal stabilization and behavioral regulation.

### 1. Dynamics of Excise Tax Revenues (2020–2024)

The analysis shows a steady increase in excise tax revenues over the observed period. In 2020, excise tax revenues accounted for approximately 8.7% of total tax revenues in Uzbekistan. This share increased to 9.8% in 2021, reflecting initial reforms in tax administration and improved compliance mechanisms [10].

In 2022, the share rose further to approximately 11.2%, driven by adjustments in excise tax rates, particularly on tobacco and fuel products. By 2023, excise tax revenues reached around 12.0%, demonstrating the continued effectiveness of policy reforms and digital monitoring systems.

In 2024, the share of excise taxes in total tax revenues approached 12.5–13.0%, indicating a stable upward trend. This growth can be attributed to improved tax collection efficiency, expansion of the tax base, and increased enforcement measures.

### 2. Impact on Consumption of Harmful Goods

The results indicate that excise taxation has had a measurable impact on consumption patterns, particularly for goods associated with negative externalities.

Between 2020 and 2024, tobacco consumption decreased by approximately 10–12%. The most significant decline occurred between 2021 and 2023, following consecutive increases in excise tax rates. This suggests that tobacco products exhibit moderate price elasticity, making excise taxes an effective regulatory tool [11].

Alcohol consumption also showed a declining trend, although at a slower rate. Between 2020 and 2024, alcohol consumption decreased by approximately 5–7%. The relatively lower elasticity of demand for alcohol explains the more gradual decline compared to tobacco.

### 3. Public Health Outcomes

The reduction in the consumption of harmful goods has had positive implications for public health indicators. Data from 2021–2024 show a gradual decline in smoking prevalence, particularly among younger age groups [12].

The number of smoking-related health issues, including respiratory diseases, has shown a slight downward trend since 2022. Although these changes are gradual, they highlight the long-term effectiveness of excise taxation as a public health policy instrument.

### 4. Fuel Excise Taxes and Energy Consumption

Excise taxes on fuel products have also played a significant role in influencing energy consumption patterns. Between 2020 and 2024, fuel consumption growth slowed considerably, particularly after 2022, when excise tax rates on petroleum products were increased [13].

This slowdown indicates a shift toward more efficient energy use, as higher fuel prices encourage both households and businesses to reduce consumption or adopt alternative energy sources. In addition, transport and logistics sectors have begun to optimize fuel usage to minimize costs.

### 5. Inflationary Effects

The results also reveal that excise taxation has indirect effects on inflation. In particular, increases in fuel excise taxes between 2021 and 2023 contributed to rising transportation costs, which were partially transmitted to consumer prices.

However, the overall inflationary impact of excise taxes remained moderate and manageable, as these taxes are applied selectively to specific goods rather than broadly across all sectors [14], [15].

### 6. Shadow Economy and Illegal Trade

One of the key challenges identified in the analysis is the relationship between excise tax rates and the informal economy. Between 2022 and 2024, there were indications of increased illegal trade in tobacco products, particularly in border regions.

However, improvements in digital tax administration and monitoring systems helped mitigate these risks. The introduction of tracking systems and electronic invoicing contributed to better control over excisable goods.

### 7. Overall Economic Impact

Overall, the results confirm that excise taxation contributes positively to macroeconomic stability. The steady growth in excise revenues supports fiscal sustainability, while the reduction in harmful consumption improves social welfare.

At the same time, the effectiveness of excise taxation depends on maintaining a balance between tax rates, enforcement mechanisms, and social considerations.

### Discussion

The findings of this study highlight the dual nature of excise taxation as both a fiscal and regulatory instrument.

From an economic perspective, excise taxes are effective in generating stable government revenue. Their relatively inelastic tax base ensures consistent revenue flows, even during economic fluctuations. This makes excise taxes particularly valuable in maintaining fiscal stability.

From a social perspective, excise taxes serve as tools for addressing negative externalities. By increasing the cost of harmful goods, these taxes discourage their consumption and promote healthier lifestyles. This aligns with the principles of Pigouvian taxation.

However, the regressive nature of excise taxes raises important concerns. Since these taxes are applied uniformly, they tend to disproportionately affect low-income households. This highlights the need for complementary social policies to mitigate inequality.

Another important issue is the risk of tax evasion and illegal trade. As excise tax rates increase, the incentive for smuggling and unregulated markets also rises. Therefore, effective enforcement mechanisms are essential to ensure the success of excise tax policy.

Furthermore, the inflationary impact of excise taxes, particularly on fuel, can affect overall economic stability. Policymakers must carefully balance revenue objectives with macroeconomic considerations.

### Conclusion

In conclusion, excise taxation plays a crucial role in modern economic systems by serving both fiscal and regulatory functions. The study confirms that excise taxes contribute significantly to government revenue, influence consumption behavior, and support public health and environmental objectives. At the same time, the effectiveness of excise taxation depends on careful policy design and implementation. Challenges such as regressivity, inflation, and the shadow economy must be addressed through comprehensive policy measures.

The study suggests that future tax policy should focus on improving tax administration, enhancing transparency, and integrating excise taxation with broader economic and social policies. Overall, excise taxes should be viewed as strategic tools for promoting sustainable economic development and improving societal welfare.

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