



Volume: 69 / 2026

Economy and Innovation

ISSN: 2545-0573

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TAX REVENUES AND THEIR SIGNIFICANCE IN THE STATE BUDGET

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ARTICLE INFO.

Keywords: Tax revenues, State budget, Fiscal policy, Tax administration, Economic development, Tax incentives, Digitalization.

Abstract

This study examines tax revenues and their significance in the state budget of the Republic of Uzbekistan. The research analyzes the formation, structure, and dynamics of tax revenues based on the Tax Code of Uzbekistan and official statistical data. The study highlights the fiscal and regulatory functions of the tax system, its role in financing socio-economic programs, and its impact on economic development. Findings indicate that corporate profit tax, value-added tax, and personal income tax constitute the main sources of budget revenues, with regional variations reflecting differing levels of economic activity. The research also emphasizes the importance of modernizing tax administration, expanding digitalization, and optimizing tax incentives to ensure sustainable growth of tax revenues. The results demonstrate that effective management of tax revenues is crucial for economic stability, investment promotion, and social welfare enhancement.

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INTRODUCTION

The tax system in the Republic of Uzbekistan is one of the most important components of the state economic policy. Taxes play an indispensable role in the formation of the state budget, financing socio-economic programs, and regulating the economy. In this context, the Tax Code of the Republic of Uzbekistan holds particular importance as the main normative legal document that establishes the legal basis for taxation in the country. The Code clearly defines types of taxes, their rates, the rights and obligations of taxpayers, as well as tax incentives.

In recent years, significant reforms have been implemented in Uzbekistan to modernize the tax system, align it with international standards, and further liberalize the economy. In this process, reducing the tax burden, simplifying tax administration, and supporting entrepreneurial activity have been set as priority directions. In particular, the introduction of a simplified tax system for small businesses and private entrepreneurs serves to stimulate economic activity.

According to the data of the State Committee of the Republic of Uzbekistan on Statistics, the increase in tax revenues in recent years indicates the effectiveness of the country's tax policy. The growth of tax revenues expands state budget income, thereby enhancing opportunities for financing social sectors, infrastructure, and various economic sectors. At the same time, the modern tax system not only fulfills a fiscal function but also serves as an important instrument for stimulating economic activity. Through tax incentives, preferences, and regional tax policies, it is possible to attract investments, create new jobs, and promote regional development.

Thus, studying tax revenues and their significance in the state budget, analyzing their economic efficiency, and identifying directions for further improvement of the tax system are of urgent scientific and practical importance.

LITERATURE REVIEW

The study of tax revenues and their significance in the state budget is considered an important direction in economic literature. In particular, the fiscal and regulatory functions of the tax system, the impact of tax revenues on economic growth, and their role in maintaining state budget stability have been widely discussed in numerous scientific studies.

First of all, the Tax Code of the Republic of Uzbekistan defines the legal foundations of the tax system and regulates the mechanisms for forming tax revenues. The Code specifies the types of taxes, collection procedures, and main sources of state budget revenues. In this regard, the Tax Code serves as a primary source for understanding the relationship between tax revenues and budget income.

Local economists have also conducted in-depth studies on this issue. For example, in the textbook *Taxes and Taxation*, the economic essence of taxes, their role in forming the state budget, and the impact of tax burdens on the economy are thoroughly analyzed. The authors emphasize that taxes are the main source of state revenues, and their effective management is an important factor in ensuring economic stability.

Moreover, research on tax policy highlights that the stable growth of tax revenues is a key factor ensuring the solidity of the state financial system. Analyses based on the data of the State Committee of the Republic of Uzbekistan on Statistics show that tax revenues have been increasing year by year. This trend can be explained by the growth of economic activity, the improvement of tax administration, and digitalization processes.

Scientific articles also discuss the share of tax revenues in the state budget and their impact on economic development. The studies conclude that adequate formation of tax revenues is essential for financing state expenditures, implementing social programs, and developing infrastructure. At the same time, some scholars note that excessive tax burdens may reduce economic activity.

Overall, the reviewed literature indicates that tax revenues, as the main source of state budget income, not only fulfill a fiscal function but also play an important role in regulating the economy, promoting

investments, and ensuring social stability. Therefore, the effective management of tax revenues and increasing their significance in the budget remains an urgent scientific and practical task.

METHODOLOGY

This study employed a systematic and comprehensive approach to analyze tax revenues and their significance in the state budget. The theoretical basis of the research included the Tax Code of the Republic of Uzbekistan and other normative legal documents. Comparative, statistical, and generalization methods were used to examine the formation of tax revenues and their share in the budget. Furthermore, the dynamics of tax revenues were studied based on the data of the State Committee of the Republic of Uzbekistan on Statistics. Economic analysis and logical reasoning methods were applied to substantiate the research results.

ANALYSIS AND RESULTS

Tax revenues and their significance in the state budget were analyzed based on current legislation and statistical data. The main sources included the Tax Code of the Republic of Uzbekistan and official statistical data from the State Committee on Statistics. These sources enabled the identification of the formation, structure, and share of tax revenues in the state budget.

The analysis shows that in Uzbekistan, tax revenues are the main source of state budget funding and finance the state's socio-economic functions. In particular, education, healthcare, infrastructure, and social protection systems are financed primarily from tax revenues.

According to statistical data, in the first quarter of 2022, tax revenues to the state budget amounted to 34,495.1 billion UZS. This indicates the effective functioning of the tax system and increasing economic activity.

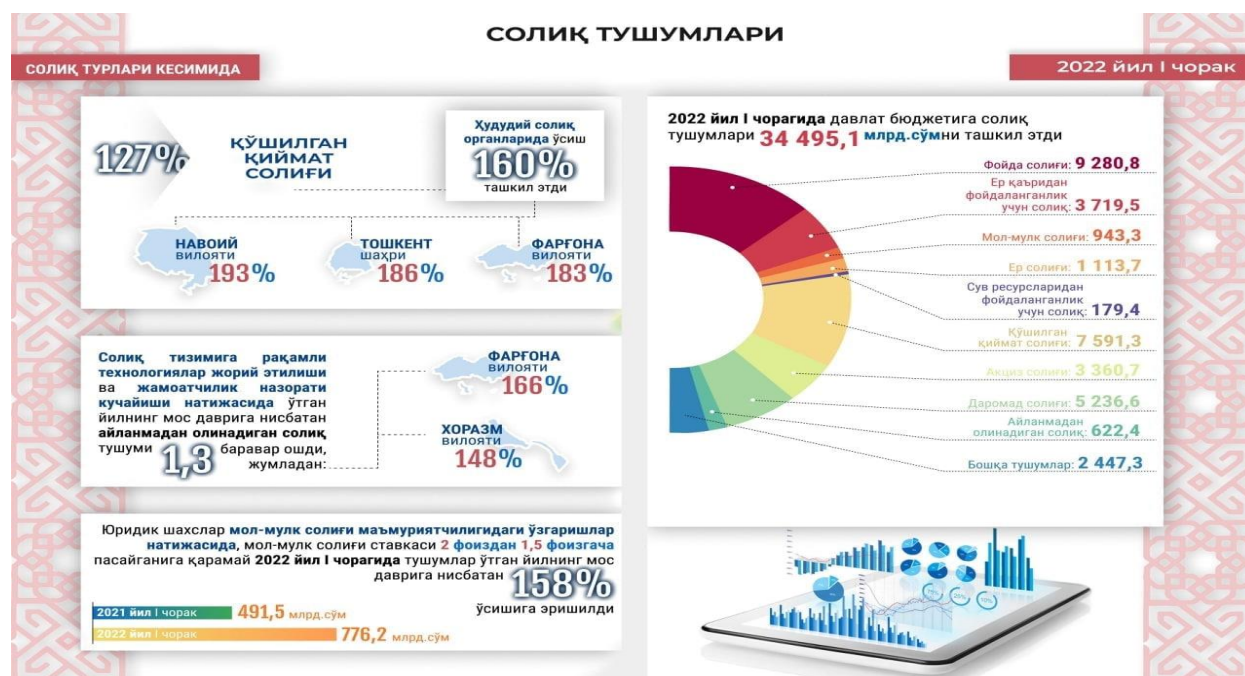


Figure 1. Composition and dynamics of tax revenues in the Republic of Uzbekistan (Q1 2022)

Source: State Committee of the Republic of Uzbekistan on Statistics

The figure shows that the main components of tax revenues are corporate profit tax, value-added tax (VAT), personal income tax, and excise taxes. Specifically, corporate profit tax amounted to 9,280.8 billion UZS, VAT – 7,591.3 billion UZS, and personal income tax – 5,236.6 billion UZS, indicating active production and consumption processes in the economy.

The figure also shows regional growth rates of tax revenues, with some regions demonstrating high performance. For instance, Navoi region saw 193% growth, Tashkent city 186%, and Fergana region 183%, reflecting increased economic activity and expanding tax base in these regions.

The analysis also indicates that the introduction of digital technologies in the tax system yields significant results. For example, turnover-based taxes increased by 1.3 times. Moreover, despite the reduction in property tax rates, revenue volumes increased due to tax administration reforms. Property tax revenues rose from 491.5 billion UZS in Q1 2021 to 776.2 billion UZS in Q1 2022, a 158% increase.

Overall, the analysis shows that tax revenues in Uzbekistan are the main financial source for the state budget, and their stable growth positively affects the country's economic development. Furthermore, there is potential to increase the efficiency of tax revenues through further improvements in the tax system, administration, and digitalization.

CONCLUSION AND RECOMMENDATIONS

The study concludes that tax revenues in Uzbekistan play a vital role as the main source of state budget income. The tax system, established on the basis of the Tax Code, has significantly improved in recent years and has become an effective mechanism for regulating and stimulating the economy. In particular, simplifying tax administration, expanding digitalization, and optimizing the tax burden ensure stable growth of tax revenues.

The increase in tax revenues contributes not only to enhancing state budget income but also to developing social sectors, infrastructure, and economic sectors. Analyses based on the State Committee on Statistics confirm the year-on-year growth of tax revenues. Moreover, the high share of corporate profit tax and VAT indicates increasing economic activity.

However, some issues remain. Unequal distribution of tax revenues across regions, insufficient effectiveness of some tax incentives, and imperfect evaluation mechanisms indicate the need to further improve tax policy.

Based on the findings, the following recommendations are proposed:

- Improve the evaluation system for tax incentives – establish clear criteria to assess the economic effectiveness of each incentive.
- Differentiate regional tax policy – adjust tax rates and incentives based on the economic potential and development level of each region.
- Further enhance tax administration – expand digital technologies to increase transparency and reduce tax evasion.
- Strengthen support for small businesses and entrepreneurial entities – reduce tax burden and expand simplified reporting systems.
- Expand the tax base – reduce the informal economy to attract additional tax revenues.
- Ensure stability of tax policy – avoid frequent changes to create a reliable environment for entrepreneurs.

Overall, consistent improvements in the tax system can ensure the stability of the state budget, stimulate economic growth, and enhance citizens' welfare in Uzbekistan.

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