

## TAX ARREARS IN CONSTRUCTION ENTERPRISES: CAUSES AND CONSEQUENCES

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### Abstract

This article analyzes the causes of the emergence of tax arrears in construction enterprises and its economic consequences. During the research, the main factors affecting tax arrears, in particular the imbalance of financial flows, delays in payments and shortcomings in management, were studied. Also, the condition of tax arrears by regions and the share of large enterprises were analyzed. Based on the obtained results, practical proposals were developed to strengthen tax discipline in the construction sector. The results of the research are of great importance in ensuring financial stability in this field and reducing tax arrears.

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### Introduction

In the economy of our country, the construction sector has a special importance as one of the priority sectors. In recent years, large-scale construction works have been carried out in the Republic of Uzbekistan, and new residential areas, industrial facilities and social infrastructures have been built. These processes serve as an important factor in ensuring economic growth, increasing the standard of living of the population and developing regions comprehensively [1]. At the same time, along with the rapid development of the construction sector, financial discipline, in particular the issue of fulfilling tax obligations, is becoming one of the urgent problems. The emergence of tax arrears in construction enterprises negatively affects not only the activity of individual business entities, but also the revenues of the state budget [2].

In a number of decrees and resolutions adopted by the President of the Republic of Uzbekistan, special attention is paid to strengthening tax discipline, ensuring transparency in the activities of business entities

and reducing hidden turnovers in the economy. In particular, the Presidential Decree No. PF-6011 dated June 29, 2020 emphasizes the need to improve tax administration while reducing the tax burden in sectors of the economy in order to ensure a stable increase in tax revenues [3]. In this document, “creating equal and fair conditions for taxpayers, reducing the share of the shadow economy and ensuring full collection of taxes” is defined as a priority task. Also, as President Shavkat Mirziyoyev emphasized: “Ensuring transparency in the economy and strengthening tax discipline is the most important condition for sustainable economic growth.” This idea once again confirms the necessity of strengthening financial discipline in construction enterprises and fulfilling tax obligations in a timely and full manner [4], [5].

The construction sector has its own specific characteristics, such as the long duration of the project cycle, the involvement of large amounts of financial resources, and the complexity of settlements between the customer and the contractor [6]. These aspects often lead to temporary financial difficulties of enterprises and as a result to the inability to fulfill tax obligations on time. In addition, the insufficient organization of accounting in some construction enterprises, low awareness of changes in tax legislation, and cases of informal activity lead to an increase in tax arrears. This negatively affects not only the enterprise itself, but also the entire economic system [7].

Also, in the Presidential Decree No. PF-60 dated January 28, 2022, approving the “Development Strategy of New Uzbekistan for 2022–2026”, ensuring transparency in the economy, digitalization of tax administration and sharp reduction of the shadow economy are defined as key goals. It also emphasizes the necessity of increasing tax discipline by simplifying the tax system and creating favorable conditions for doing business [8].

From this point of view, studying the causes of tax arrears in construction enterprises and its consequences in depth, identifying existing problems and developing scientifically based proposals to eliminate them is of great importance. The purpose of this article is to analyze the factors causing tax arrears in construction enterprises, to reveal its economic and financial consequences, and to develop practical recommendations to reduce this problem [9].

## Literature Review

The issue of tax arrears in construction enterprises is studied in economic literature in close connection with the financial stability of enterprises, tax discipline and state budget revenues. Various scientific approaches have been developed by local and foreign scholars on this issue [10].

First of all, the economic essence of tax arrears has been studied by many economists. In particular, A. Smith in his classical economic theory emphasizes that fair and timely collection of taxes ensures the stable functioning of the economic system. According to him, “taxes should be clear, understandable and paid on time for citizens and business entities.” This approach still serves as an important theoretical basis for ensuring tax discipline today.

In modern economic literature, tax arrears are analyzed in direct connection with liquidity problems of enterprises. For example, in the studies of R. Bird and E. Zolt, insufficient management of cash flows in enterprises is indicated as one of the main causes of tax arrears. According to them, the more effective the tax administration, the lower the tax arrears [11].

Among the scholars of CIS countries, V.G. Panskov evaluates tax arrears as an important problem in the state financial system and emphasizes the need to strengthen tax control and improve tax administration in reducing it. He writes: “Tax arrears are one of the main factors hindering the full formation of state budget revenues.”

The issue of tax arrears has also been widely studied by Uzbek economists. In particular, Sh. Sh. G‘ulomov and other authors note that tax discipline can be increased by improving the tax system. According to them, creating favorable conditions for taxpayers and optimizing the tax burden plays an important role in reducing tax arrears. In addition, local researchers have studied the construction sector as a separate branch and analyzed financial problems in connection with tax arrears [12]. In some studies, the specific features of construction enterprises — long-term projects, large capital investments and delays in payments — are shown as the main factors of tax arrears.

Normative legal documents also serve as an important source in studying this topic. In particular, Presidential Decree PF-6011 (2020) notes the necessity of increasing tax revenues through improving tax administration. Also, the Development Strategy approved by Decree PF-60 (2022) includes expanding the tax base and reducing the shadow economy as key tasks.

In foreign practice, the introduction of digitalization, automated control systems and effective communication mechanisms with taxpayers is important in reducing tax arrears. According to OECD reports, digital tax systems significantly increase tax discipline and reduce arrears [13], [14], [15].

The analysis of the above scientific sources shows that tax arrears is a complex economic phenomenon and is closely related to internal management of the enterprise, external economic environment and state tax policy. Especially in construction enterprises, this problem is more urgent and requires a comprehensive approach.

## Research Methodology

In this study, a systematic approach was used to study the causes and consequences of tax arrears in construction enterprises. During the research, economic analysis, comparison, generalization of statistical data, as well as inductive and deductive methods were used. Also, analyses were carried out based on normative legal documents, in particular presidential decrees and tax legislation. Analytical and structural analysis methods were used in assessing the financial condition of construction enterprises. In order to ensure the reliability of research results, scientific sources and practical data were compared.

## Analysis and Results

During the analysis of tax arrears in construction enterprises, the scale of this problem, its distribution by regions and the share of large debtor enterprises were studied. According to the data of the State Tax Service, as of December 1, 2025, the number of enterprises in the construction sector with tax arrears exceeding 100 million UZS amounted to 1,238, and their total tax arrears reached 1,159.7 billion UZS.

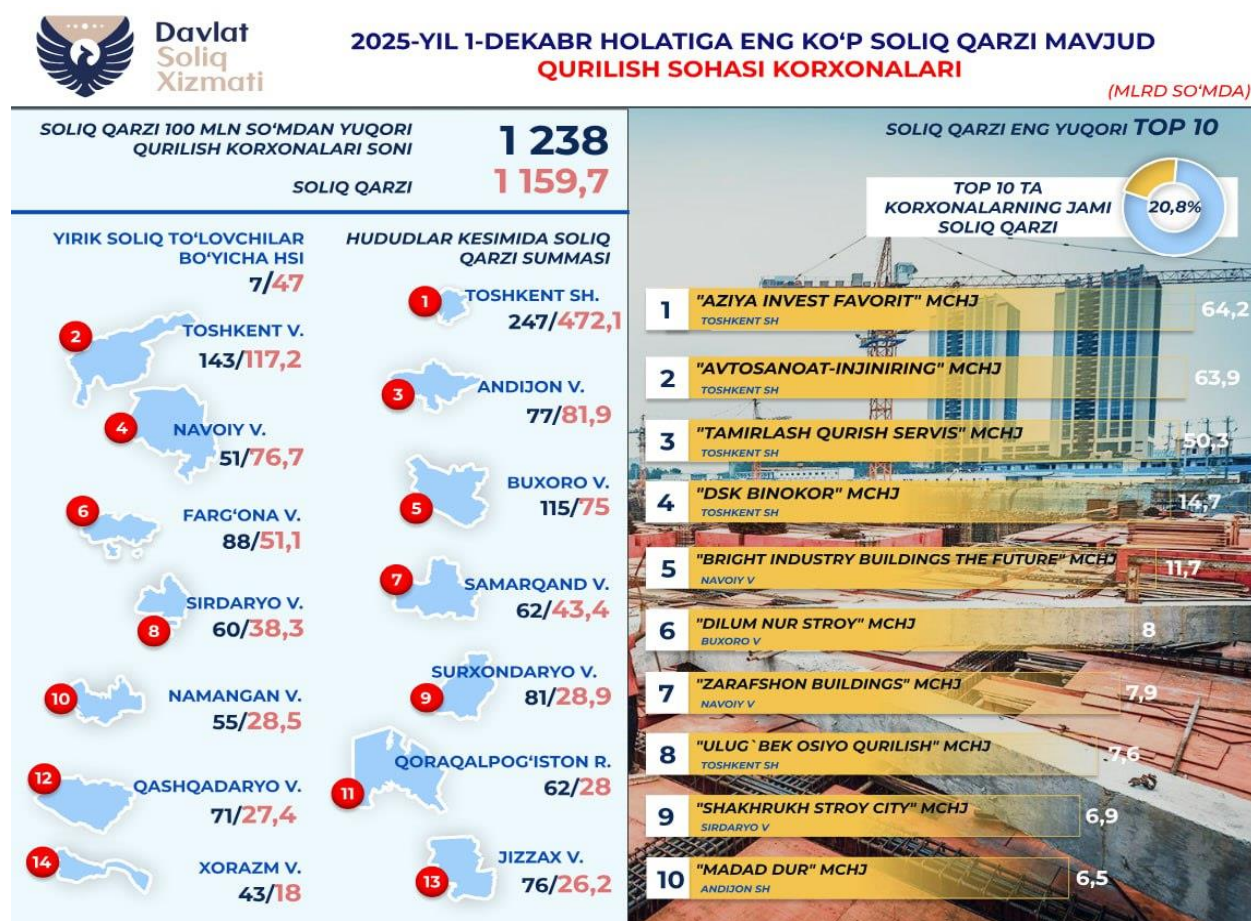


Figure 1. Analysis of construction enterprises with tax arrears as of December 1, 2025 (in billion UZS)

The analysis shows that the highest level of tax arrears is observed in Tashkent city, where the amount reached 472.1 billion UZS. Also, high levels of tax arrears were identified in Tashkent region, Andijan, Bukhara and Navoi regions. This indicates that in regions with high economic activity and large volumes of construction work, the problem of tax arrears is also more acute.

In addition, it was found that the top 10 construction enterprises with the highest tax arrears account for 20.8% of the total arrears. This means that the financial discipline of large enterprises has a significant impact on the overall indicators of the sector.

In general, the obtained results show that tax arrears in construction enterprises is a systemic problem. This problem is mainly related to the irregularity of financial flows, delays in settlements with customers and the lack of working capital.

### Conclusion and Recommendations

The results of the conducted research confirmed that tax arrears in construction enterprises is currently one of the urgent and systemic problems. Despite the fact that the construction sector is one of the important sectors of the economy, insufficient financial discipline negatively affects the timely fulfillment of tax obligations.

The study found that the emergence of tax arrears in construction enterprises is largely related to internal and external factors, among which the main ones are imbalance of financial flows, delays in payments by customers and lack of working capital.

It was also found that the specific features of construction enterprises — long-term projects, large-scale investments and phased financing system — directly affect the formation of tax arrears. In particular, long-term freezing of funds in large projects reduces the current payment ability of enterprises.

Tax arrears negatively affects not only individual enterprises, but also macroeconomic indicators, including reduction of state budget revenues, limitation of financing opportunities for social programs and deterioration of the competitive environment.

Based on the above, the following recommendations are proposed:

- improvement of financial management systems
- ensuring timely settlements
- introduction of digital technologies
- improving staff qualifications
- simplification of tax administration

In conclusion, reducing tax arrears in construction enterprises requires a comprehensive approach.

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