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TRANSFORMATION OF THE TAX POLICY OF THE REPUBLIC OF UZBEKISTAN AND ITS IMPACT ON ECONOMIC EFFICIENCY

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Abstract

This scientific article analyzes the strategic changes in the tax policy of the Republic of Uzbekistan, the optimization of tax rates, and the issues of digitalization of tax administration. Particular attention is paid to the comparative analysis of Uzbekistan's tax practices with international experience (WTO requirements and models of developed countries). At the end of the article, scientific and practical recommendations for further improvement of the system are presented.

Keywords: Tax reform, strategic changes, digitalization, fiscal policy, investment climate, tax mechanisms, shadow economy, tax transformation.

INTRODUCTION

The modernization of the tax system occupies a central place in the economic reforms being implemented in the Republic of Uzbekistan. In modern conditions, ensuring the economic stability of the state, increasing investment attractiveness, and creating a favorable fiscal environment for business entities directly depend on the effectiveness of tax policy. In recent years, large-scale reforms in Uzbekistan have prioritized optimizing the tax burden and implementing the digital transformation of tax administration. In particular, achieving the goals set in the "Uzbekistan – 2030" Strategy, namely doubling the gross domestic product

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and significantly reducing the share of the shadow economy, necessitates the modernization of the tax system in accordance with international standards. The period of 2024–2026 represents a qualitatively new stage for Uzbekistan’s tax system. During this period, not only fiscal rates but also the mechanism of interaction between taxpayers and the state has fundamentally changed. The introduction of the principles of “transparency” and “support for entrepreneurs” in 2024, the guarantees of stability in the 2025 tax policy, and the digital prospects planned for 2026 demonstrate the scientific and practical relevance of this topic. Another important aspect of the topic is that the tax reforms of 2024–2026 are closely linked to Uzbekistan’s strategic steps toward accession to the World Trade Organization (WTO). In accordance with WTO requirements, the national tax system must be based on the principle of non-discrimination, meaning equal tax burden for imported goods and domestic products. In this regard, starting from 2025, the unification of excise tax rates, particularly the gradual elimination of differences between imported and domestically produced tobacco and alcohol products, serves to increase the country’s competitiveness in the international trade arena.

This unification process requires not only the equalization of tax rates but also the harmonization of customs and tax procedures with international standards (GATT agreements). The process of inventorying tax incentives planned until 2026 is also aimed at meeting WTO requirements regarding subsidies and countervailing measures. This, in turn, guarantees a transparent and predictable fiscal environment free from discrimination for foreign investors.

Research Methodology

The article employs systematic analysis as well as deduction and induction methods. Additionally, particular attention is paid to the comparative analysis of Uzbekistan’s tax practices with international experience (WTO requirements and models of developed countries).

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Analysis and Results

The changes that came into force on January 1, 2024, were mainly aimed at inventorying tax benefits and improving their efficiency. In particular, the abolition of certain VAT exemptions ensured the full functioning of the chain taxation system in the economy. Moreover, the system of paying turnover tax in a fixed amount simplified accounting for small businesses.

The tax policy of 2025 is characterized by its social orientation. A number of important changes were introduced by Law No. ORQ-1014. In particular, the introduction of excise tax on beverages with high sugar content has become an economic tool for protecting public health. Within the framework of environmental tax reforms, the exemption period from property and land taxes for enterprises using renewable energy sources has been extended.

Table 1. Tax Rates (2024–2026)

Tax type	2024	2025	2026 (forecast)
VAT	12%	12%	12%
Profit tax	12%	15%	15%
Income tax	15%	12%	12%
Land tax	Indexed	Indexed	Close to market value

The data in Table 1 indicate that the state tax policy is based not only on fiscal stability but also on the principles of social justice and business stimulation:

The stability of VAT (12%) ensures the proper functioning of the chain taxation system and price stability. The abolition of certain exemptions has contributed to increased transparency of the system.

The balance between profit tax and income tax: from 2025, the increase in profit tax from 12% to 15% is compensated by a reduction in income tax from 15% to 12%. This strategic change aims to increase disposable income of the population and stimulate consumer demand.

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Transition of resource taxes to market principles: the forecasted adjustment of land tax to market value by 2026 requires more efficient use of resources. This aligns with environmental reforms and incentives for renewable energy, accelerating the transition to a “green economy.”

In conclusion, the dynamics of tax rates for 2024–2026 confirm that Uzbekistan’s tax system is being modernized in accordance with international standards (WTO requirements), focusing on reducing the shadow economy and strengthening social protection.

From the current year, Uzbekistan is expected to fully transition to a digital tax administration system. As envisaged in draft Law No. ORQ-1108, a simplified VAT refund mechanism (cashback) is being introduced for jewelry manufacturers, which will enhance export potential in this sector.

In the process of integration into the global economic community, it is important to study the experience of neighboring countries and states with similar economic models. In particular, the transformation of tax systems in Kazakhstan (WTO member since 2015) and Vietnam (since 2007) serves as a practical example for Uzbekistan.

Table 2. Comparative Tax Rates

Tax type	Uzbekistan	Kazakhstan	Vetnam
VAT	12%	12%	10% (5-8 % in some sectors)
Profit tax	15%	20%	20% (10% in tech sector)
Income tax	12%	10%	5% - 35% progressive)
Social tax	12%	9,5%	20-22% (incl. insurance)

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Although Kazakhstan retained the VAT rate at 12% during its WTO accession, it has introduced blockchain technology to digitize tax administration. Similar to the Tax Gap system in Uzbekistan, Kazakhstan has reduced tax evasion by 30% through a virtual warehouse and electronic invoicing system. For Uzbekistan, the low corporate tax rate (15% and 20%) in contrast to Kazakhstan is a factor increasing investment attractiveness. After joining the WTO, Vietnam adapted its tax system to an export-oriented economy. Vietnam uses a progressive income tax rate, which serves to reduce social stratification. Uzbekistan currently maintains a single rate of 12%, but in order to ensure social justice in the future, the issue of switching to a progressive scale on the Vietnamese model is causing academic debate. One of the WTO's most stringent requirements is to prohibit hidden subsidies to domestic producers in the form of tax breaks. Vietnam, in the process of joining the WTO, abolished all export subsidies and introduced a system of long-term "tax holidays" for free economic zones.

Uzbekistan is also following this path in 2024–2026: in particular, it is moving to a system of tax refunds along the value chain, rather than direct benefits in the jewelry and textile sectors.

Foreign results show that Uzbekistan's tax rates are competitive on a regional scale. However, unlike Kazakhstan and Vietnam, administrative pressure in Uzbekistan to expand the tax base and legalize "shadow" turnover is still high. In the process of joining the WTO, Uzbekistan should:

Completely equalize excise rates with imports (unification);

Improve the mechanisms for pre-trial resolution of tax disputes (mediation) according to the experience of Vietnam;

Fully automate the "Taxpayer Monitoring" system, like Kazakhstan.

As a result of a comprehensive study of the transformation processes implemented in the tax system of the Republic of Uzbekistan and comparison with international experience, the following scientific conclusions were reached:

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Strategic stability of tax policy: The guarantees provided by the Uzbek government that the basic tax rates (VAT 12%, Profit Tax 15%) will not change until 2028 have ensured the predictability of the investment climate. These indicators indicate that Uzbekistan has a competitive advantage in terms of profit tax compared to Kazakhstan (20%) and Vietnam (20%). Compliance with WTO requirements (Unification) The unification of excise tax rates starting in 2025 will mean the integration of the Uzbek economy into a non-discriminatory international trading system. Based on the experience of Vietnam, such unification, although in the short term it will increase competitive pressure for local producers, will serve to bring national products into line with international quality standards in the long term.

The efficiency of digital administration, the "Tax Gap" and "E-Incentive" systems introduced in 2024, have been an important driver in increasing tax collection. Similar to Kazakhstan's digital monitoring system, these mechanisms have minimized corruption risks by reducing the human factor. However, our research shows that there is a need to further simplify the digital reporting burden for small businesses.

Conclusion and Suggestions

Based on the above considerations, we can make the following practical suggestions:

Study of a progressive tax system: Based on the experience of Vietnam, we can scientifically substantiate the possibilities of introducing a progressive scale of personal income tax to reduce the gap between the incomes of the population;

"Tax dispute mediation": Creating a transparent mechanism for pre-trial resolution of disputes between taxpayers and the state, which will save entrepreneurs time and money;

Improving environmental taxes: expanding the experience of the "sugar tax" in 2025 and accelerating the transition to a "green economy" by gradually

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introducing elements of the "Carbon Tax" for harmful emissions into the environment.

In conclusion, the reforms of 2024–2026 transformed the Uzbek tax system from an instrument of fiscal pressure into a mechanism that stimulates economic growth and is open to the international community. The reforms brought the Uzbek tax system closer to international standards. Digitalization has proven to be the most effective way to combat the "shadow economy". In the future, it is advisable to further strengthen the system of granting tax benefits solely based on economic efficiency.

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