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THE IMPACT OF IMPROVING TAX POLICY ON STATE BUDGET REVENUES

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A B S T R A C T

This article presents a comprehensive and detailed analysis of the impact of tax policy changes on state budget revenues. The study investigates recent tax reforms, adjustments in tax rates, improvements in incentive systems, and the digitalization of tax administration, and examines how these measures have influenced the formation, growth dynamics, and stability of budget revenues. The research highlights the role of tax policy in promoting economic growth, ensuring fiscal sustainability, and improving public financial management efficiency. It also addresses measures for reducing the shadow economy, expanding the tax base, and optimizing revenue collection. Based on analytical findings, practical recommendations are developed to enhance the effectiveness of fiscal policy, increase state budget revenues, and strengthen economic stability. The results provide both scientific and applied value, offering guidance for future improvements in national fiscal strategies and sustainable economic development.

K E Y W O R D S

Tax policy, state budget, budget revenues, fiscal policy, economic stability, tax reforms, tax rates, tax incentives, tax administration, digitalization, shadow economy, public finance, economic growth, fiscal sustainability, tax base, fiscal management, financial governance, budget optimization.

Introduction

The state budget is the main instrument for planning and managing the economic activities of the state. Budget revenues are essential for meeting the government's financial needs and for investing in social and economic infrastructure. This article examines state budget revenues, their sources, their role in the economic and financial system, as well as the importance of revenue distribution. The types of state budget revenues, the way they are formed through fiscal policy and the tax system, their impact on stability, and the state's contribution to economic development are analyzed.

The state budget is the main tool that ensures the financial stability of any country and plays an important role in the implementation of state social and economic development programs. In the Republic of Uzbekistan, the main share of budget revenues consists of tax revenues, and the stable growth of these revenues is a guarantee of the country's financial stability [1]. In recent years, tax system reforms implemented in Uzbekistan have been aimed at creating a favorable environment for taxpayers, improving tax administration, and increasing tax revenues.

In the modern economy, the goal of tax policy is not only tax collection, but also stimulating economic growth, supporting entrepreneurship, and increasing the welfare of the population [2]. The tax reforms carried out in Uzbekistan, in particular the optimization of tax rates, digitalization of tax administration, and expansion of the tax base, are aimed at ensuring sustainable economic development.

Literature Review

The analysis of scientific literature devoted to budget revenues and the tax system shows that an effective tax system should ensure stable growth of budget revenues while simultaneously stimulating economic growth [3]. In particular, Nurmuhamedova (2021), in her study, examined the impact of tax reforms on economic growth in Uzbekistan and concluded that budget revenues can be increased by optimizing the tax burden and expanding the tax base [4].

According to analyses by experts of the International Monetary Fund, in developing countries there is potential to increase budget revenues by 3–5 percent of GDP through improvements in the tax system [5]. This is also highly relevant for Uzbekistan, where significant opportunities exist to increase budget revenues by improving tax administration and expanding the tax base. Russian economist D. Chernik (2022), in his research on improving the tax system, analyzed the impact of tax policy on investment activity and substantiated that directing tax incentives in a targeted manner can enhance investment activity and, consequently, increase budget revenues [6].

According to Professor Q.A. Yahyoev, "Based on their economic nature, taxes are divided into direct and indirect taxes. Direct taxes are paid directly by taxpayers themselves, meaning that the legal taxpayer and the actual taxpayer are the same person. In this case, the tax burden cannot be shifted to others. These taxes include income taxes and all property taxes. The legal taxpayers of indirect taxes are suppliers of goods (works, services). However, the actual payers of the tax burden to the budget are consumers of goods (works, services), meaning that the real taxpayers are hidden"[7].

Professors A.V. Vahobov and A. Jo'raev, focusing on indirect taxes, note that "the legal taxpayers of indirect taxes are suppliers of goods (works, services). However, the actual payers of the tax burden are consumers of goods (works, services), meaning that all indirect taxes ultimately fall on consumers. These taxes are added to the value of goods (works, services)" [8].

M.M. Shadurskaya, E.A. Smorodina, and T.V. Bakunova, when discussing indirect taxes, define them as "a tax in the form of an additional price imposed on goods and services" [9].

Mayburov [10] emphasizes that "tax reform involves fundamentally changing the tax system and adapting it to the new content of state tax policy."

Dementeva [11] argues that tax policy is a reflection of state economic policy, has independent significance, and should be based on scientific tax theory. She notes that "the results of the implemented tax policy largely determine what adjustments the state must make to its economic policy and how the tax system should be structured."

Karp [12] states that tax policy is an integral part of the state's overall financial policy in the medium and long term and includes such concepts as the state's tax activity concept, tax mechanism, and tax system management.

Aronov and Kashin [13] consider the content of maximum tax policy as the main strategy of tax policy; in their view, increasing the number of taxes, raising tax rates, and reducing tax incentives can be accepted as strategic objectives of tax policy.

According to Sitnikova [14], "when including entities in a consolidated group of taxpayers, it is necessary to recognize assets or conduct special revaluation, develop procedures for transferring losses before joining the group, and pay particular attention to the international recognition of the consolidated taxpayer as an entity with uniform value of financial and economic activity."

Darkina, when discussing the characteristics of large taxpayers, notes that "large taxpayers are characterized by the following features: large cash flows, extensive document turnover, the use of integration of various structural divisions taxed under simplified regimes, and cooperation with various firms both domestically and internationally."

Research Methodology. Analytical and statistical methods were used as the research methodology. For the analysis of tax revenues of the state budget, dynamic series, structural, and comparative analysis methods were applied based on official data from the Ministry of Economy and Finance of the Republic of Uzbekistan, the State Tax Committee, and the Statistics Committee.

Analysis and Discussion of Results. During the period 2020–2024, tax revenues of the state budget of the Republic of Uzbekistan maintained a steady growth trend. In 2024, a number of significant changes were implemented in the fields of tax policy and tax administration.

In the area of corporate income tax: The composition of taxpayers, applicable tax rates, calculation, and payment procedures remained unchanged. However, the revenue threshold for entities required to pay corporate income tax in the form of monthly advance payments was increased from 5 billion UZS to 10 billion UZS.

Regarding personal income tax: The categories of taxpayers, tax rates, calculation and payment mechanisms, including the procedure for allocating 0.1 percent to pension accounts, remained in force. At the same time, the following types of income were exempted from personal income tax:

– funds spent by parents on the education of their children, without age restrictions (previously limited to 26 years), in professional or higher education institutions;

– income allocated for the purchase of securities issued on the domestic capital market, not exceeding one hundred times the minimum wage per year.

From January 1, 2024, minimum monthly rental payments for leased property were updated:

– for residential property: 25,000 UZS per sq. m in Tashkent, 12,000 UZS in Nukus and regional centers, and 5,000 UZS in other areas;

– for non-residential property: 40,000 UZS in Tashkent, 23,500 UZS in Nukus and regional centers, and 10,000 UZS in other regions;

– for passenger vehicles: 780,000 UZS, and for buses, trucks, and minibuses: 1,550,000 UZS.

Regarding turnover tax: If the annual income of self-employed individuals exceeds 100 million UZS, they are taxed under the regime applicable to individual entrepreneurs. Fixed turnover tax rates were established as follows: 25 million UZS for taxpayers with annual income up to 500 million UZS, and 34 million UZS for those exceeding this threshold.

Additional changes: The statute of limitations for tax liabilities was reduced from 5 years to 3 years starting January 1, 2024. From July 1, a recycling fee for vehicle tires was introduced based on weight, amounting to 0.3 percent (1,020 UZS) per kilogram.

Value Added Tax (VAT): The VAT rate remained at 12 percent, and calculation and reporting procedures were unchanged. From April 1, 2024, VAT exemptions for the sale of medicines and veterinary drugs, as well as for imported raw materials used in their production and medical services, were abolished. At the same time, VAT paid for medicines and medical services purchased by citizens registered in the "Unified Social Protection Register" is refunded in the form of cashback. The zero VAT rate applied to water supply, heating, sewage, and waste collection services was also abolished. Individual entrepreneurs registered abroad but operating in Uzbekistan were recognized as VAT payers.

Excise tax changes: The categories of taxpayers and reporting periods remained unchanged. From January 1, 2024:

– excise tax rates on tobacco products were increased by 12 percent;

– a new rate of 14,900 UZS per liter was introduced for ethyl alcohol and related products;

– excise tax rates on imported alcohol and tobacco products were reduced by 5 percent.

From April 1, excise tax rates on petroleum products were indexed by 12 percent, while previous rates for AI-91 and higher-octane gasoline were maintained. From July 1, a 5 percent indexation was applied to excise taxes on domestically produced alcoholic beverages. In addition, excise taxes were introduced at 500 UZS per liter for carbonated drinks containing sugar or other sweeteners and 2,000 UZS per liter for energy drinks.

Resource taxes: Base rates for property, land, water, and subsoil use taxes were increased by an average of 12 percent. Local authorities retained the right to regulate these rates using increasing or decreasing coefficients based on regional economic development levels.

Corporate property tax: Minimum taxable base values were increased by 12 percent. The Jokorgi Kenes of the Republic of Karakalpakstan and regional councils retained the authority to apply a reducing coefficient of up to 0.5. The general tax rate remained at 1.5 percent, while the reduced rate remained at 0.6 percent.

Personal property tax: Tax rates were increased by an average of 12 percent. Taxes on non-residential property are calculated based on the minimum values established for legal entities. In 2024, a restriction was introduced whereby the tax amount for individuals could not increase by more than 1.3 times compared to 2023. This mechanism has been applied since 2018 to prevent sharp increases in taxation based on cadastral value.

Land tax: Base rates for non-agricultural land established in 2023 were increased by 12 percent. The 0.95 percent rate and calculation procedure for agricultural land remained unchanged. Local authorities retained the right to determine final tax amounts using coefficients based on base rates. A reducing coefficient of 0.4 for non-agricultural land was maintained. Additionally, in 2024, the land tax amount for individuals for such plots was limited to no more than 1.3 times the 2023 level.

Water use tax: A rate of 100 UZS was established for water used for irrigating agricultural land and fish farming. Water tax rates for industrial use, electricity generation, and communal services were

increased by 30 percent. Calculation and payment procedures remained unchanged, with agricultural enterprises paying 70 percent by October 1 and the remaining amount by December 15.
Subsoil use tax: Tax rates were increased by an average of 12 percent, except for limestone used in cement production. To ensure the competitiveness of domestic producers, the tax on limestone used for cement production was set at 6,000 UZS per ton.
Ensuring the execution of the budget process in accordance with existing legislation, implementing the budget within approved parameters, improving budget financing mechanisms, ensuring efficient and targeted use of funds, and maintaining budget discipline are among the key tasks facing the budget system.
Table 1 presents the consolidated parameters of the Consolidated Budget of the Republic of Uzbekistan for 2024.

Table 1. Execution of Consolidated Budget Revenues*
(as of 2024, in billion UZS)

Indicators	**Q1 2024**	**H1 2024**	**9 months 2024**	**Annual 2024**
Total revenues	52,620.6	120,989.7	174,423	274,423
1. Direct taxes	18,770.7	40,314.3	64,099	90,833
Corporate income tax	10,431.5	22,031.0	36,578	52,620
Turnover tax	594.3	1,350.4	2,106	2,829
Personal income tax	7,744.9	16,932.8	25,414	35,384
2. Indirect taxes	18,193.0	40,004.0	62,324	88,341
Value added tax (VAT)	12,267.0	26,683.3	41,847	59,280
Excise tax	3,729.8	8,613.9	13,517	19,060
Customs duty	2,196.2	4,700.7	6,960	10,001
3. Resource payments and property taxes	8,317.3	17,155.7	26,478	36,363
Property tax	1,718.0	3,524.9	5,153	6,805
Land tax	1,853.4	4,022.1	6,016	8,216
Subsoil use tax	4,506.4	9,183.0	14,687	20,170
Water use tax	239.5	425.7	623	1,173
4. Other revenues	7,339.6	23,515.8	40,745	58,886

* Compiled based on official data.
In 2024, state budget revenues demonstrated a stable growth trend. Annual revenues amounted to 274.4 trillion UZS, which is nearly five times higher than revenues recorded in the first quarter.
– Direct taxes (90.8 trillion UZS) represented the largest source of revenue, accounting for 33% of total budget revenues. The major share of these revenues was generated from corporate income tax (52.6 trillion UZS).
– Within indirect taxes (88.3 trillion UZS), value added tax (VAT) constituted the largest share (59.3 trillion UZS), while excise taxes and customs duties also provided significant contributions.
– Resource payments and property taxes amounted to 36.3 trillion UZS, reflecting the efficiency of natural resource utilization.

– Other revenues totaled 58.9 trillion UZS, indicating a relatively high share of non-tax revenue sources.

Overall, tax revenues dominated the structure of budget revenues in 2024, with corporate income tax and VAT occupying leading positions. This confirms the positive impact of tax reforms on budget sustainability and fiscal stability.

Conclusion

During the period 2020–2024, the measures implemented in the Republic of Uzbekistan to improve tax policy and simplify tax administration contributed to the stable growth of state budget revenues. Throughout this period, the fair distribution of the tax burden, expansion of the tax base, and ensuring fiscal stability were set as key objectives. In 2024, a number of changes were introduced with regard to corporate income tax, personal income tax, turnover tax, excise tax, value added tax (VAT), and resource taxes.

For certain taxes, existing rates were maintained while creating more favorable conditions for taxpayers. At the same time, the abolition of some tax exemptions, the elimination of the VAT "zero rate" in selected sectors, and the indexation of excise taxes led to an increase in budget revenues. The indexation of rates for resource taxes, property tax, and land tax by an average of 12 percent strengthened the revenue base of regional budgets.

In addition, the reduction of the statute of limitations for tax liabilities, the introduction of a recycling fee, and the imposition of excise taxes on sugary and energy drinks contributed to the formation of new revenue sources for the budget. As a result of these changes, the tax system became more transparent, stable, and simplified, enhancing the overall effectiveness of fiscal policy.

Overall, the tax policy reforms implemented in 2024 had a positive impact on the country's socio-economic development by stabilizing state budget revenues, expanding the tax base across economic sectors, and creating equal conditions for business entities.

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