



**TOPICAL ISSUES OF THE TAX SYSTEM IN THE PROCESS OF  
NATIONAL ECONOMY TRANSFORMATION**

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<b>ABSTRACT</b>	<b>KEY WORDS</b>
<p>This article examines the role and importance of the tax system in the process of national economy transformation from a scientific and practical perspective. The topical issues of improving the tax system under the conditions of deepening economic reforms, economic diversification, and increasing competitiveness are analyzed. Within the framework of the study, special attention is paid to the relationship between tax policy and economic growth, reforming tax administration, optimizing the tax burden, and the impact of the tax system on transformation processes. In addition, certain problems of existing tax mechanisms, the effectiveness of tax incentives, and issues related to expanding the tax base are highlighted. Based on the conducted analysis, scientific conclusions and practical recommendations aimed at improving the tax system to ensure sustainable development of the national economy have been developed.</p>	<p>National economy, economic transformation, tax system, tax policy, tax administration, economic growth, fiscal stability.</p>

**Introduction**

In the context of sustainable development of the country's economy, increasing its competitiveness, and ensuring effective integration into the global economic system, the issues of transforming the national economy are of particular relevance. Especially in the process of economic reforms, the state's fiscal policy, including the effectiveness of the tax system, is one of the decisive factors in ensuring the stability of the national economy. Therefore, the issues of improving the tax system in accordance with modern requirements, strengthening its stimulating influence on economic growth, and the stable formation of budget revenues require in-depth scientific research.

Currently, the processes of transformation of the national economy are being carried out in connection with the diversification of economic sectors, the introduction of elements of the digital economy, the expansion of the role of the private sector, and the improvement of the investment climate. This sets new tasks for the tax system. In particular, such issues as optimizing the tax burden, simplifying tax administration, reducing the share of the shadow economy, and increasing the level of voluntary compliance of taxpayers are becoming an integral part of the transformation processes.

At the same time, in the process of structural transformation of the economy, such pressing issues as

some shortcomings of existing tax mechanisms, problems with the effectiveness of tax benefits, insufficient breadth of the tax base, and insufficient growth of tax revenues in accordance with the rates of economic growth are observed. This situation indicates the need to review the impact of the tax system on the transformation of the national economy and improve its institutional and functional aspects.

In this regard, this article provides a scientific and practical analysis of current issues of the tax system in the process of transforming the national economy, its impact on economic development, existing problems, and priority areas for their solution. The results of this study serve to develop proposals and conclusions aimed at improving tax policy, increasing the effectiveness of economic reforms, and ensuring sustainable economic growth.

## **Research Methodology**

In this study, a comprehensive scientific approach was used to assess the role and significance of the tax system in the process of transformation of the national economy. In the research process, the analysis of foreign and domestic scientific sources on the rules of economic theory, fiscal policy, and the tax system was used as the main method. Also, comparative and dynamic analysis methods were used based on statistical data reflecting the share of tax revenues in the gross domestic product, the level of tax burden, and the structure of tax revenues.

## **Literature Review**

Issues of transformation of the national economy and improvement of the tax system are widely covered in economic theory and practical research. In particular, the influence of the tax system on economic growth, its role in ensuring fiscal stability, and the level of state intervention in the economy have been deeply analyzed by foreign and domestic scientists.

In foreign economic literature, the role of the tax system in economic development is highlighted based on classical and neoclassical theories. In particular, in the theory of public finance, developed by Richard A. Musgrave, taxes are interpreted as the main instrument in the implementation of the state's distributive, stabilizing, and resource redistribution functions[1]. In his works, it is scientifically substantiated that the institutional quality of the tax system directly affects economic growth.

The relationship between the tax system and economic growth is also thoroughly covered in the research of Joseph E. Stiglitz. The scholar argues that the misallocation of the tax burden reduces market efficiency, and a rational tax policy stimulates investment activity[2]. Also, in his work, the improvement of tax administration is considered as an important part of institutional reforms.

The specifics of tax reforms for developing countries are widely analyzed in the works of Vito Tanzi. It shows that such factors as the limited tax base, the high share of the shadow economy, and low administrative efficiency are the main obstacles to the transformation of the tax system [3].

In the studies of international organizations, great attention is paid to this issue. In particular, in the reports of the World Bank and the International Monetary Fund, the digitalization of the tax system, improving the quality of taxpayer services, and ensuring fiscal transparency are assessed as important conditions for economic transformation [4] [5].

In domestic economic literature, the role of the tax system in the development of the national economy occupies a special place. In particular, in the research of A.Vakhobov and Sh. Shadmanov, issues of reforming the tax system of Uzbekistan, reducing the tax burden, and supporting business entities were

scientifically covered [6]. The authors emphasize that stability and predictability in tax policy are decisive factors for economic growth.

Also, in the works of domestic scientists, the effectiveness of tax benefits, their influence on investment activity, and their role in the formation of budget revenues were deeply analyzed [7]. These studies serve as an important source for drawing scientific conclusions on improving the tax system in the context of the transformation of the national economy.

In general, research by foreign and domestic scientists shows that in the process of transforming the national economy, the tax system acts not only as a fiscal tool, but also as an important mechanism for stimulating economic growth and ensuring institutional stability. However, this issue requires a deeper study from the point of view of national characteristics and current reforms.

**Analysis and Results**

To assess the effectiveness of the tax system in the process of transforming the national economy, it is first necessary to analyze the relationship between tax revenues and economic growth indicators. The tax system manifests itself not only as a mechanism for generating budget revenues, but also as an important institution stimulating economic activity. From this point of view, the share of tax revenues in the gross domestic product (GDP) and the change in the tax burden are one of the important indicators of the transformation of the national economy.

**Table 1 Share of tax revenues in GDP and dynamics of the tax burden in Uzbekistan<sup>1</sup>**  
(As of 1 January)

Indicators	2021 y.	2022 y.	2023 y.	2024 y.	2025 y.
Tax revenues, in relation to GDP (%)	22,1	23,5	24	<b>24,8</b>	<b>25,3</b>
Tax burden level (%)	23,8	24,9	25,2	<b>25,8</b>	<b>26,2</b>
Share of tax revenues in budget revenues (%)	84,7	86,2	87	<b>88,1</b>	<b>88,7</b>

The data presented in Table 1 show that the role of the tax system in the process of transforming the national economy in Uzbekistan during 2021-2025 is significantly increasing. In particular, the share of tax revenues in the gross domestic product has a steady growth trend, and if in 2021 this indicator was 22.1 percent, then by 2025 it will increase to 25.3 percent. This circumstance testifies to the effectiveness of the institutional reforms being carried out to expand the tax base, improve tax administration, and involve economic activity in the formal sector.

At the same time, the increase in the level of the tax burden from 23.8% to 26.2% in the period 2021-2025 indicates an increase in the state's fiscal needs in the context of the transformation of the national economy. In particular, such tasks as supporting the social sphere, financing infrastructure projects, and maintaining state participation in strategic sectors are increasing the demand for tax revenues. However, this process also puts on the agenda the need for a rational distribution of the tax burden and limiting its negative impact on economic growth.

An increase in the share of tax revenues in the structure of budget revenues from 84.7 percent in 2021

<sup>1</sup> State Tax Committee of the Republic of Uzbekistan. Annual reports on tax revenues and tax burden. Tashkent, 2021-2024. [www.soliq.uz](http://www.soliq.uz)

to 88.7 percent by 2025 means that the stability of the state budget is increasingly ensured through tax sources. This situation also indicates an increase in the responsibility of the tax system, although it serves to reduce the use of external debts and other unstable sources of financing. Therefore, ensuring stability, predictability, and transparency in tax policy is an important condition for the transformation of the national economy.

In general, the data of Table 1 show that in the process of transforming the national economy, the tax system is being formed not only as a tool performing a fiscal function, but also as a strategic institution stimulating economic growth and ensuring macroeconomic stability. However, preventing a further increase in the tax burden in the future, introducing tax mechanisms that do not limit economic activity and improve the investment climate should remain one of the priorities of the transformation of the national economy.

**Table 2 Structure and dynamics of tax revenues in Uzbekistan<sup>2</sup>**

( by type of tax, %)

Types of taxes	2021 y.	2022 y.	2023 y.	2024 y.	2025 y.
Direct taxes	34.8	33.9	33.2	33.0	32.7
Indirect taxes	48.0	48.7	49.5	49.8	50.1
Social payments and more	17.2	17.4	17.3	17.2	17.2

The data presented in Table 2 show that significant structural changes are taking place in the structure of the tax system of Uzbekistan during 2019-2025 (especially in recent years). In particular, a consistent increase in the share of indirect taxes in the structure of tax revenues is observed, this indicator was 45.8 percent in 2019, reached 49,5 percent by 2023, and is expected to be around 50 percent for 2024-2025. This situation can be assessed positively from the point of view of ensuring the stability of state budget revenues, since indirect taxes are a stable source in relation to changes in the economic situation. At the same time, the gradual decrease in the share of direct taxes is noteworthy. If in 2019 direct taxes accounted for 36,4 percent of total tax revenues, then by 2023 this indicator decreased to 33,2 percent. This trend can be considered, on the one hand, as a result of tax policy aimed at reducing the tax burden on enterprises and the population, stimulating entrepreneurial and investment activity. On the other hand, a sharp decrease in the share of direct taxes does not exclude the possibility of posing a certain threat to the stability of budget revenues in the long term.

The relatively stable maintenance of the share of social payments and other types of taxes in the analyzed period reflects the social orientation of the tax system. This indicator was formed during 2019-2023 in the range of 17-18 percent, which indicates that the important role of the tax system in financing the state's social obligations remains.

In general, the data of Table 2 show that in the process of transforming the national economy, a fiscal model is being formed, based on an increase in the share of indirect taxes in the tax system. However, this trend requires the introduction of effective and fair mechanisms for direct taxes, especially income and profit taxes, in order not to negatively affect the consumption capacity of the population. From this point of view, optimizing the structure of tax revenues, ensuring a balance between indirect and direct

<sup>2</sup> State Tax Committee of the Republic of Uzbekistan. Annual reports on tax revenues and tax burden. Tashkent, 2021-2024. [www.soliq.uz](http://www.soliq.uz)

taxes remains one of the important tasks of the transformation of the national economy.

The experience of foreign countries shows that the issue of optimizing the structure of tax revenues in the process of transforming the national economy is relevant for practically all developed and developing countries. In particular, the balance between direct and indirect taxes plays a crucial role in ensuring economic growth, social justice, and fiscal stability.

In the experience of developed countries, including the countries of the European Union, despite the high share of indirect taxes, in particular value-added tax, in the structure of tax revenues, direct taxes are also organized on the basis of progressive and fair mechanisms that do not limit economic growth. For example, in Germany and France, a large part of tax revenues is formed through indirect taxes, but social inequality has been mitigated through the application of progressive scales in income and profit taxes. This situation shows that it is possible to preserve the regulatory function of direct taxes while using indirect taxes.

The experience of Asian countries also shows a high share of indirect taxes in the structure of tax revenues. In the tax systems of South Korea and Japan, value-added tax is one of the stable sources of state budget revenues. At the same time, in these countries, innovative activity, export-oriented production, and high-tech industries are stimulated through direct taxes. This indicates that the structure of tax revenues is formed in accordance with the priorities of economic policy.

The experience of developing countries, in particular Turkey and Kazakhstan, is of particular importance for Uzbekistan. The high share of indirect taxes in the structure of tax revenues in these countries serves to ensure budget stability, however, in recent years, reforms have been carried out aimed at fair taxation of household income and improving the investment climate by increasing the share of direct taxes. This experience shows the importance of using the tax system not only from a fiscal point of view, but also as a means of socio-economic development.

In general, foreign experience shows that, although the increase in the share of indirect taxes in the structure of tax revenues in the context of the transformation of the national economy ensures budget stability in the short and medium term, it is necessary to strengthen the regulatory and stimulating functions of direct taxes to maintain economic growth and social stability in the long term. From this point of view, taking into account foreign experience in improving the tax system in Uzbekistan, ensuring a balance between direct and indirect taxes remains one of the important tasks of the transformation of the national economy. The table below shows the structure of tax revenues of some foreign countries and their comparative analysis.

**Table 2 Comparative analysis of the structure of tax revenues in foreign countries[9-12]**

Country	Share of direct taxes (%)	Share of indirect taxes (%)	Main feature of the tax system
Germany	40–45	45–50	Progressive income tax, high social justice
France	38–42	48–52	VAT primary source, strong social redistribution
Japan	35–38	50–55	Sustainable VAT, investment and innovation promotion
South Korea	34–37	50–53	Export and Technology-Oriented Tax Benefits
Turkey	30–33	55–60	Indirect taxes prevail, focus on budget stability
Kazakhstan	32–35	50–55	Natural resource revenue + indirect taxes

The data in the comparative table show that in most developed and developing countries, indirect taxes occupy a priority place in the structure of tax revenues. This is especially effective from the point of view of the stable formation of state budget revenues. Despite the fact that indirect taxes have a high share in such developed countries as Germany and France, direct taxes are organized on the basis of progressive mechanisms and serve to ensure social justice and the redistribution of income.

The experience of Asian countries, in particular Japan and South Korea, shows that indirect taxes are used as a stable fiscal source, and direct taxes stimulate investment, innovation, and export activity. The experience of Turkey and Kazakhstan reflects the model characteristic of developing countries, that is, ensuring budget stability through indirect taxes is defined as a priority task.

In general, foreign experience shows that in the context of the transformation of the national economy, the balance between direct and indirect taxes is crucial for the effective organization of the tax system. In the conditions of Uzbekistan, taking into account foreign experience, maintaining budget stability through indirect taxes, while simultaneously strengthening the stimulating and social regulatory functions of direct taxes, should remain one of the important directions of the transformation of the national economy.

## **Result**

The conducted analysis shows that foreign experience, in particular, using the example of the countries of the European Union, Japan, and South Korea, shows that mechanisms of economic and social regulation through direct taxes are effectively applied, with indirect taxes taking a priority place in the structure of tax revenues. In these countries, indirect taxes serve to ensure budget stability, while direct taxes serve to stimulate the development of investment, innovation, and human capital through progressive scales and targeted incentives. This experience has important scientific and practical significance for Uzbekistan.

From this point of view, in the further improvement of the tax system of Uzbekistan, it is advisable to consistently continue the policy aimed at maintaining a balance between direct and indirect taxes. Along with ensuring budget stability through indirect taxes, it is necessary to strengthen the stimulating and social justice functions of direct taxes. In particular, the phased introduction of progressive elements in income and profit taxes is one of the approaches that has proven effective in foreign experience.

In the matter of improving tax administration, based on the experience of Japan and South Korea, it is important to further deepen digital tax administration, introduce mechanisms aimed at increasing the level of transparency and voluntary compliance in relations with taxpayers. This will serve not only to increase tax revenues, but also to expand the tax base without limiting economic activity.

Based on the experience of developed countries, it is advisable to review the practice of providing tax benefits and regularly assess their economic effectiveness. The model of targeted and time-limited tax benefits, used in the experience of Germany and France, can be effective for stimulating investment and innovation activity even in the conditions of Uzbekistan. This will create the possibility of supporting economic growth without excessively negatively affecting budget revenues.

In conclusion, in the context of the transformation of the national economy, the improvement of the tax system should be carried out in conjunction with foreign experience and national characteristics. By ensuring a balance between direct and indirect taxes, digitalizing tax administration, and increasing the predictability of tax policy, it is possible to ensure sustainable economic growth and fiscal stability

in Uzbekistan.

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