



**MODERNIZING THE SYSTEM OF COLLECTING PERSONAL TAXES
WHILE ENSURING THE STABILITY OF STATE BUDGET REVENUES**

Saidrasulov Ibrahim Ikhtiyarovich

Independent Researcher

Tashkent State University of Economics

ABSTRACT	KEY WORDS
<p>This article provides a comprehensive analysis of the theoretical, methodological and practical aspects of improving the system of taxes levied on individuals and their role in ensuring the stability of state budget revenues. The study examines the evolution of mechanisms for taxation of individual income, stages of tax rate development, processes of digitalization of tax administration and their impact on tax revenues. The article summarizes in a systematic manner scientific views on improving the system of tax collection from individuals based on the experience of Europe, the USA, Asia and the CIS countries. In particular, the issues of automated declaration systems, real-time income monitoring, risk models based on artificial intelligence, optimization of tax benefits and expansion of the tax base are analyzed in depth.</p> <p>The article develops practical proposals for creating an integrated electronic register that fully covers the income of individuals, establishing automatic information exchange between banks, employers and government agencies, widely introducing an automatic tax reporting system, strengthening intellectual tax control based on risk models, targeted revision of tax benefits, fully launching a digital register of labor contracts, and developing "personal tax office" services. It is argued that these measures will serve to increase the stability of budget revenues from individual taxes, reduce the share of the shadow economy, and improve the culture of paying taxes.</p>	<p>Personal income tax; tax administration; tax incentives; budget stability; tax discipline; electronic declaration; tax policy; resource taxes; cadastral data.</p>

Introduction

In the conditions of the modern economy, the stability of state budget revenues determines not only the effectiveness of macroeconomic policy, but also the level of social protection of the population. Taxes levied on individuals are of particular importance in the formation of budget revenues, since these taxes are directly related to the income of the population, the activity of the labor market, and financial discipline. World practice and trends in the development of national tax policy indicate that improving the mechanism for taxing individual income is one of the important factors in achieving economic stability. Processes such as digitization of tax administration, strengthening the integration of information systems, clearly defining the rights and obligations of taxpayers, and increasing the

level of income formalization play an important role in increasing revenues to the state budget and ensuring a fair distribution of the tax burden. At the same time, studying taxes levied on individuals and adapting them to modern requirements requires an analysis of the experience of foreign countries, a comparative study of the achievements and shortcomings of local practice.

Analysis of literature on the topic. Theoretical approaches, models and proposals put forward by foreign and local scientists within this topic serve as a solid scientific basis for the more effective system of taxation of individual incomes. From this point of view, we summarized the scientific views and conclusions expressed by various research scientists in this direction.

Scientific research on improving personal taxes in European countries is characterized by innovative approaches aimed at digitizing tax administration, making revenues transparent, and ensuring budget stability. Foreign scholars emphasize in their research that concepts such as tax collection systems, the progressivity of fair tax rates, optimizing tax benefits, real-time income monitoring, and increasing trust between taxpayers and the state are crucial for stabilizing budget revenues. We have systematically presented the scientific ideas expressed by European researchers in this direction.

Richard Baldwin, in his study, "emphasizes the need to digitize income taxes and introduce automated declaration models in European countries to ensure the stability of tax revenues as population incomes increase. According to the scientist, electronic tax returns will reduce tax evasion by 20-25% and strengthen budget stability."¹Peter Whiteford (OECD) in his scientific work, "studying the experience of European Union countries, notes that progressive tax rates in a number of cases ensure budget stability, while excessive progressivity can strengthen the hidden economy.

Clemens Fust, on the other hand, emphasizes that "the use of 'active monitoring' and 'tax risk models' in tax collection from citizens, as in the case of German tax policy, is one of the most important factors in stabilizing budget revenues." In his opinion, the use of artificial intelligence systems in tax administration is a priority for Europe.²Carlos Silva, in his research, emphasizes that "in order to improve the tax collection procedure in Portugal, maintaining information on the income of the population in a unified electronic system will serve budget stability. According to the scientist, real-time monitoring of taxpayers' incomes will automatically strengthen tax discipline."³It is described as.

Anders Rune emphasizes in his works that "the level of trust between the "taxpayer-state" is a key factor in the collection of taxes from individuals in the Swedish model. In his opinion, a fair distribution of the tax burden and an open data platform ensure the long-term sustainability of budget revenues."⁴In his articles, Jean-Pascal emphasizes that "the French tax administration can achieve budget stability by reducing tax incentives and expanding the tax base. According to the scientist, European countries have the opportunity to increase revenues from the GNP by 1.5–2% by reviewing tax incentives."⁵John Wilkinson, on the other hand, emphasizes that "in Great Britain, the PAYE (Pay-As-You-Earn) method has transformed the payment of taxes on the income of individuals into a stable and automatic mechanism, serving as a guaranteed source of revenue for the budget. In his opinion, if automated collection models are widely introduced in European countries, budget stability will be further strengthened."⁶expressed his thoughts.

¹Baldwin, R. European Tax Digitization and Income Transparency. Oxford University Press, 2021.

²Fuest, C. Modern Tax Administration and Fiscal Stability in Germany. Munich Economic Review, 2022.

³Silva, C. Digital Income Tracking and Tax Compliance: Evidence from Portugal. Lisbon Fiscal Studies, 2021.

⁴Rune, A. Trust-Based Tax Models in Nordic Countries. Scandinavian Journal of Economics, 2020.

⁵Pires, J.-P. Reducing Tax Exemptions to Improve Fiscal Sustainability: A French Perspective. Paris Economic Papers, 2023.

⁶Wilkinson, J. The PAYE System and Fiscal Stability in the UK. London Tax Review, 2022.

Analyzing the scientific views expressed by European researchers, it becomes clear that improving taxes levied on individuals plays a decisive role in stabilizing state budget revenues. Firstly, as R. Baldwin and K. Silva emphasize, the digitization of income data and the introduction of automated tax reporting systems will significantly reduce tax evasion and become one of the mechanisms for ensuring the stability of budget revenues. Secondly, when studying the theories of P. Whiteford and J.-P. Pires, it becomes clear that optimizing tax benefits and softening excessively progressive rates will have a positive effect on expanding the tax base and formalizing revenues.

At the same time, as noted in the opinions of K. Fust and A. Rune, the use of artificial intelligence, risk models and transparent information platforms in tax administration serves to strengthen trust between the taxpayer and the state. Automated methods such as PAYE, as noted by D. Wilkinson, are seen as an especially effective mechanism for ensuring stable and guaranteed tax revenues. In general, the approaches of European scientists show that improving the procedure for collecting taxes from individuals requires a comprehensive approach based on digitalization, transparency, a fair tax burden and automatic control mechanisms. These scientific conclusions indicate the need to deepen reforms in the tax system of Uzbekistan in the areas of using modern technologies, revising tax benefits and increasing the tax-paying culture of the population.

The issue of improving taxes levied on individuals is one of the central directions of the tax policy of the American, Asian and CIS countries. Reforms implemented in various regions, especially approaches such as digital tax administration, income monitoring, automated tax reporting and ensuring a fair tax burden, have a direct impact on the stability of state budget revenues. In this direction, the theoretical and practical conclusions of foreign scientists serve as an important scientific basis for reforming the tax system. Therefore, below, we have summarized the views of the researchers of the USA, Asia and the CIS regarding the improvement of the tax collection procedure for individuals.

American scientist Joseph Stiglitz "indicates the principle of "expanding the tax base and fair collection from high-income groups" as the main factor for improving the collection of taxes from the income of individuals in the US tax system. In his opinion, automated audit and digital tax monitoring are one of the main mechanisms that ensure budget stability."⁷ Michael Keane (IMF, USA) "The United States and Asian countries have shown that the effectiveness of tax collection from citizens can be improved by reducing tax benefits, digitally controlling the underground economy, and preventing tax evasion." states that it can be increased to 15–20%"⁸.

Japanese scholar Masahiro Kawai, who has conducted research on Japanese tax policy, emphasizes that the Japanese model of "fixed rates, automatic collection, and integration of taxpayer data" in taxing personal income is one of the main factors in budget sustainability.⁹ Zhang Weiyin (Chinese scientist) states that "Taking into account the development of the digital economy in China, the introduction of artificial intelligence, biometric identification and real-time income monitoring in the tax administration will serve to ensure stable tax revenues from individuals."¹⁰ Kazakh scholar Rakhim Masov, who studies tax administration in the CIS, wrote in his research that "the most effective way

⁷Stiglitz, J. *Taxation and Inequality in Modern Economies*. New York: WW Norton, 2020.

⁸Keen, M. *Improving Personal Income Tax Administration in Advanced and Emerging Economies*. IMF Fiscal Affairs Papers, 2021.

⁹Kawai, M. *Japan's Taxation System and Fiscal Stability*. Tokyo University Press, 2019.

¹⁰Zhang, W. *Digital Governance and Modern Tax Systems in China*. Beijing Economic Review, 2022.

to improve personal income tax is to “unify tax authorities, banks, and labor market data on a single digital platform.” This is seen as a key factor in ensuring budget sustainability.”¹¹.

In his articles, Russian scientist Andrey Brilyov states that "by increasing the level of tax monitoring and digitization of citizens' incomes, it is possible to increase the speed and reliability of tax collection from individuals in Russia. According to him, online cash registers and electronic checks play an important role in stabilizing tax revenues."¹².

An analysis of scientific views expressed by scientists from America, Asia, and the CIS countries shows that the most effective way to stabilize state budget revenues by improving taxes levied on individuals is to digitize tax administration, consolidate income data in a single electronic space, introduce automated reporting, and real-time monitoring. The common point in their opinions is that as the transparency of the tax system increases, the shadow economy decreases, taxpayer discipline is strengthened, and budget revenues are formed in a sustainable manner. The principles emphasized by the researchers, such as “fair tax burden,” “expanding the tax base,” “optimizing benefits,” and “taxpayer-state trust,” are also extremely relevant in the conditions of Uzbekistan. From this point of view, a practical proposal for our country is to create an integrated electronic register that fully covers the income of individuals, connect the data of banks, employers and public services on the basis of automatic exchange, introduce a digital reporting system that allows for the automatic formation of a large part of tax reporting, launch intelligent control mechanisms that identify tax risks through risk models, purposefully revise tax benefits and leave only those that provide economic benefits, fully implement digital labor contracts and a labor register to limit the payment of wages in an "envelope", and expand the services of "personal tax office" in order to create convenience for taxpayers. If these measures are implemented in practice, the stability of tax revenues collected from individuals will increase, hidden income will be reduced, budget stability will be ensured, and the culture of paying taxes will be raised to a higher level.

Analysis and discussion of results

Today, taxes collected from individuals are one of the most important financial instruments that ensure the stability of state finances, finance social programs, and regulate population incomes. In the process of large-scale economic reforms being implemented in Uzbekistan, the collection of taxes on citizens' incomes is being systematically improved. This process, on the one hand, provides for a sustainable increase in budget revenues, and on the other hand, maintains the tax burden on the population at an optimal level.

Taxes levied on individuals consist primarily of personal income tax, monthly wages and other types of income sources, through which the revenues to the state budget form a significant part of the total tax revenues. Currently, the system of taxation of income of individuals in Uzbekistan is simplified, the number of rates has been reduced and the transition to a model based on a single rate is not progressive, but mainly. This serves to simplify tax administration, create a clear and transparent environment for employers and taxpayers.

In recent years, a number of important trends have been observed in the field of taxes levied on individuals. The first trend is an attempt to ensure the stability of budget revenues through a gradual reduction in tax rates and an expansion of the tax base. The second trend is an increase in the level of

¹¹Masov, R. Tax Administration Modernization in Central Asia. Astana Economic Papers, 2021.

¹²Brilev, A. Digital Tax Control and Russia's Personal Income Tax Reform. Moscow Journal of Fiscal Studies, 2022.

digitalization in tax administration, in particular, measures aimed at reducing the hidden labor market through the introduction of electronic reporting, online calculations, and digital control systems for wage funds. The third important trend is to strengthen the principles of social justice in the taxation of individual income, that is, to maintain tax privileges and benefits for low-income groups, while tightening tax discipline for high-income groups.

World experience shows that the correct selection of the structure and rates of taxes levied on citizens' incomes leads to an increase in population incomes, increased business activity, and most importantly, strengthening trust in the state. In Uzbekistan, for 2017–2021, as well as in subsequent stages of reform, state programs were adopted that included such goals as reducing the tax burden, simplifying tax legislation, and reducing the share of the "shadow economy". Within the framework of these programs, personal income tax rates were reduced, legal protection of taxpayers was strengthened, and the practice of transitioning to the principles of prevention and consultation in the activities of tax authorities was expanded.

At the same time, there are still problems in the system of taxes levied on individuals that are awaiting resolution. In particular, the incomplete accounting of some types of income, the incomplete coverage of the self-employed and microbusiness segment, and the existence of informal labor relations limit the tax base. In such conditions, it is urgent to study in-depth the development trends of taxes levied on individuals, analyze the distribution of the tax burden across different segments of the population, and identify areas for further reform of the tax system.

As a result of these works, on the one hand, it will be possible to form a legal and transparent tax environment for taxpayers, while protecting their rights and interests, and on the other hand, to provide the state budget with stable sources of income. Therefore, the main content of the issue raised in this introductory part is to analyze the system of taxes levied on individuals in Uzbekistan and their development trends from a scientific, theoretical and practical point of view, to identify existing achievements and problems, and on this basis to propose priority directions for future reforms.

PhysicalThe stages of development of personal income tax rates are one of the most important indicators of tax policy over the past thirty years. In the early stages, the application of a multi-level progressive tax scale was an important source of revenue for the state budget.although, the size of the tax burden for high-income citizens had a certain impact on economic activity. Later, the simplification of the progressive scale and the reduction of steps made it possible to gradually optimize the tax burden. The most drastic reformsp was implemented starting from 2019, ensuring the establishment of a single personal income tax rate of 12%. This innovation significantly simplified tax administration, simplified calculations for employers, and most importantly, increased transparency in labor income. All these processes were carried out in conjunction with the widespread introduction of digitization in the tax sector, electronic reporting systems, and open data platforms. Table 1.1 summarizes the main stages of the development of personal income tax rates from 1991 to the present, their characteristics, and the directions of the implemented tax policy. The main goals of the 2019 tax reforms were to set the personal income tax rate at 12%, reduce social taxes, inventory benefits, and reduce the payment of salaries in an "envelope".

Table 1. Changes in personal income tax rates in Uzbekistan (in terms of methodology)¹³

Period	Bet type	High rate	Main features
1991–2007	Progressive	Up to 35%	Multi-tiered scale, heavy tax burden on high incomes
2008–2018	Progressive	22–25%	The steps are shortened, but the progression is maintained
From 2019 to now	Single bet	12 %	12% to all labor income; legal simplification, digitization

¹³Prepared by the author based on the information of the State Tax Committee.

In the context of tax and budget reforms being implemented in Uzbekistan, the structure of taxes paid by individuals and their economic significance are increasing. In particular, taxes introduced in areas such as property, land, water resources, and subsoil use play an important role not only as a stable source of revenue for the state budget, but also as a means of promoting the rational use of resources, environmental sustainability, and local economic activity.

These taxes paid by individuals cover various economic relations, from property ownership to the use of natural resources, consumption of utilities, and participation in the circulation of goods and services. This indicates that the tax system is closely linked to all spheres of the population's life.

The digitization of tax administration, updating of cadastral data, and expansion of automated water and resource consumption control systems are increasing the transparency of tax revenues and the accuracy of calculations. At the same time, the ongoing reforms serve to create a favorable environment for taxpayers, simplify calculations, and clearly define the purpose of each type of tax.

Table 2 summarizes the main indicators of property, land, subsoil resources, water tax, VAT and other relevant taxes paid by individuals in the form of an analytical table.

Table 2. Analytical information on the main taxes paid by individuals¹⁴

Tax type	Tax base	Current rate	Purpose and importance of tax	Development trends (analysis)
Property tax	Cadastral value of real estate	0.2% – 0.5% (depending on the region)	Formation of stable income for the budget from property ownership	The digitization process has been accelerated to bring the cadastral value closer to the market value, to make the tax fair to the user
Land tax	Land area attached to a person	It is determined based on the land category	Promotion of purposeful and efficient use of land	The tendency to transfer land to a digital cadastre, automatic tax calculation, and unreasonable reduction of land ownership has increased
Subsoil use tax	The volume of use of natural resources such as sand, stone, manure, gravel	Differential rates based on mining volume	Ensure responsible use of underground resources and environmental sustainability	Licensing has been simplified, and resource accounting is being controlled through electronic monitoring.
Tax on the use of water resources	Volume of water used (m ³)	Different rate depending on the type of use	Water conservation, rational use of resources, maintenance of water facilities	Mandatory installation of water meters, digital recording of water consumption, measures to reduce wastage are increasing
Value added tax (VAT) – with the participation of individuals	Value of goods and services	12 %	The main source of budget revenues, a mechanism for accounting for economic activity	Clearance of all transactions through ticket, terminal, online NKT, reduction of hidden circulations
Excise tax (through the consumption of certain goods)	Tobacco, alcohol and other excise goods	It is determined by the type of product	Limit harmful consumption and increase budget revenue	Preventing counterfeit products through digital excise labeling
Tolls and other local fees	Local services, registration and other operations	Established by law	Support of local budgets	Digitalization of payments through unified billing, increased transparency

¹⁴Prepared by the author based on the information of the State Tax Committee.

It can be concluded from this table that the composition of taxes paid by individuals is based on the use of property, land and resources and is a stable source for the state budget. Tax reforms after 2019 are based on tax simplification and digitization. The trend of electronic calculation, online monitoring, digitalization of cadastral databases for all types of taxes is growing. Water meters, geoinfo-control, and online license systems have been introduced in taxes aimed at environmental and resource saving (land taxes, water taxes).

An analysis of the structure of taxes paid by individuals and the mechanisms of their application shows that these taxes play an important role in ensuring the financial stability of the country. Taxes on property, land, water and subsoil resources regulate the responsible use of property and natural resources belonging to the population, strengthen the revenue base of local budgets. VAT and certain excise duties, as a mechanism that comprehensively covers economic activity, serve as a stable source of general tax revenues. In recent years, measures such as digitization of tax administration, updating of cadastral data, and control of water and resource consumption based on electronic monitoring have significantly increased the efficiency of taxes. This, in turn, leads to improved tax transparency, accuracy of calculations, and payment discipline. From the information in the table, it can be seen that the composition of personal taxes is gaining significant practical importance not only in the formation of budget revenues, but also in strategic areas such as resource saving, ecological stability and rational use of property. Therefore, it is appropriate that future reforms are aimed at expanding the tax base, automating reports and ensuring a fair distribution of the tax burden for citizens.

Conclusion and Suggestions:

Personal income taxes are the most important component of the national tax system, and their importance in stabilizing state budget revenues has been widely studied by domestic scholars. They have analyzed the impact of personal income taxes on the labor market, real incomes, social justice, and the efficiency of tax administration from various perspectives. This section systematically presents theoretical and practical ideas put forward by leading scholars in our country and summarizes scientific approaches to improving the system of collecting personal income taxes.

An analysis of the scientific views of local researchers on taxes on individuals shows that taxes on individuals are one of the areas of stable and strategic importance in the country's tax system. In the opinions of scientists, the role of taxes on individuals in stimulating the labor market, the function of ensuring social justice through income redistribution, the need to optimize the tax burden and digitize tax administration, as a general approach, occupy a special place. At the same time, proposals such as revising benefits, digitizing the income register, reducing the hidden labor market, and expanding open dialogue with taxpayers constitute the main directions of the position of local scientists. As an author relying on these views, my opinion is that the directions of digitization, strengthening social protection, moderating the tax burden, and targeting tax policy emphasized by foreign researchers are also considered relevant by local scientists in the conditions of our country. In their opinion, the role of personal income tax in economic stimulation, social justice and income formalization has a priority position. These influences combined, the implementation of the proposals developed by the author shows that the reforms in the tax system are carried out on a scientific basis. In this regard, the tax exemption for the care of children with disabilities corresponds to the principles of social equality emphasized by local scholars and the targeting-tax-benefit models mentioned by foreign scholars. The introduction of a 1 percent turnover tax and a personal tax rate for entrepreneurs who employ young

people is consistent with the concept of "labor market incentives" of foreign scholars and the need to expand youth employment, as emphasized by local scholars.

Tax incentives for renewable energy installations are consistent with the experiences of "green tax policy" widely covered in international studies, ensuring resource efficiency and long-term economic sustainability, as noted by local scientists. The single rate on dividends paid to IT residents is fully consistent with the ideas of forming an innovation-oriented tax environment, as noted by foreign scientists. In addition, the exemption from income tax for foreign specialists practically supports the tasks of knowledge transfer, improving the quality of personnel, and modernizing the education system, as noted by local scientists.

The points of connection between foreign and domestic scientific views indicate that improving the procedure for collecting taxes from individuals should be based on economic incentives, social protection, innovation, a "green economy" and knowledge transfer. The adoption of the reforms proposed by us into practice indicates that this comprehensive approach has been chosen correctly and that tax policy is developing in a scientifically sound manner.

References

1. OECD. Tax Administration 2023: Comparative Information on OECD and Other Advanced and Emerging Economies. Paris: OECD Publishing, 2023.
2. OECD. Taxing Wages 2024. Paris: OECD Publishing, 2024.
3. International Monetary Fund (IMF). Revenue Administration: Digitalization and Compliance Risk Management (Technical Notes and Manuals). Washington, DC: IMF, 2022.
4. Stiglitz, JE The Economics of the Public Sector. 4th ed. New York: WW Norton & Company, 2015.
5. Kadyrov A.J. Improving the taxation of income of individuals: theory and practice. Monograph. — Tashkent: "Science and Technology", 2020. — 216 p.
6. Bozorov A.M. "Issues of digitization of taxes collected from individuals and strengthening taxpayer discipline." // Journal of Tax and Customs News, 2021, No. 4, pp. 33–47.