

Improving the Tax System of Legal Entities: Analysis of Property, Profit and Turnover Taxes

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Abstract: This article provides a comprehensive analysis of the issues related to improving the corporate tax system in Uzbekistan, focusing on property tax, profit tax, and turnover tax. The study evaluates the results of tax reforms implemented in recent years based on statistical data. In particular, during 2023–2024, the corporate profit tax rate remained on average at around 15%, while a differentiated approach was applied in certain strategic sectors. Regarding property tax, the expansion of the system for determining the tax base based on cadastral value has led to a steady increase in budget revenues. The turnover tax, introduced as a simplified system for small business entities, accounted for approximately 8–10% of total tax revenues in 2024. The analysis shows that optimizing taxes, rationalizing tax rates, and digitalizing tax administration can enhance economic activity and reduce the share of the shadow economy. The article also develops scientific and practical recommendations for further improvement of the tax system.

Keywords: corporate taxes, property tax, profit tax, turnover tax, tax policy, tax reforms, budget revenues, small business, tax rates, digitalization.

Introduction

In the context of modern globalization and economic integration, the stability of the state financial system is largely determined by an effective tax policy. In particular, the tax system of legal entities plays a significant role in the national economy and serves as one of the main sources of state budget revenues. In recent years, within the framework of large-scale economic reforms carried out in Uzbekistan, special attention has been paid to improving the tax system, optimizing the tax burden, and enhancing the business environment[1]. In this process, reforming key taxes such as property tax, profit tax, and turnover tax has become particularly important.

According to statistical data, the share of taxes collected from legal entities in the state budget revenues of the Republic of Uzbekistan remains high, accounting for approximately 55–60% of total tax revenues in 2023. In particular, revenues from profit tax exceeded 40 trillion soums in 2023, constituting a significant portion of total revenues. At the same time, revenues from property tax have been increasing year by year, approaching 10 trillion soums in 2024. This trend can be explained by the expansion of the tax base and the introduction of a calculation system based on cadastral value[2].

Corporate profit tax is directly linked to the financial performance of legal entities and has a

significant impact on the investment climate. According to current legislation, the general profit tax rate is set at 15 percent; however, higher rates are applied to banks, insurance organizations, and certain large enterprises. This allows the state to adjust fiscal policy in strategic sectors. At the same time, the system of incentives and preferences for profit tax remains an important factor in attracting investment and stimulating production[3].

Property tax is applied to the fixed assets and real estate of legal entities and serves as an important source for forming local budgets. In recent years, the introduction of a cadastral system aligned with market value has increased the transparency of taxation. As a result, steady growth in property tax revenues has been observed, which has expanded opportunities for the development of local infrastructure.

Turnover tax mainly functions as a simplified tax regime for small business entities, helping to reduce their accounting and administrative costs. As of 2024, the rates for this type of tax range from 4 percent to 25 percent depending on the type of activity, and it accounts for approximately 8–10 percent of total tax revenues. This indicates the growing share of small businesses in the economy[4].

At the same time, certain problems remain in the existing tax system. These include a relatively high tax burden in some sectors, an insufficiently broad tax base, the persistence of the shadow economy, and the presence of bureaucratic barriers in tax administration, all of which reduce the overall efficiency of the system. Therefore, further improvement of the tax system, wider implementation of digital technologies, and transformation of tax policy into a mechanism that stimulates economic growth remain important tasks[5].

The main objective of this article is to conduct an in-depth analysis of the tax system of legal entities in Uzbekistan, particularly evaluating the role and significance of property, profit, and turnover taxes in the economy, as well as to develop scientifically grounded recommendations for their further improvement.

Literature Review

In the study conducted by A. A. Rasulov, the issues of improving the taxation system for small business entities are comprehensively examined. According to the author, although the turnover tax system introduced for small businesses in Uzbekistan is simplified, its effectiveness has not been fully ensured. In particular, as of 2021, while the share of small business in gross domestic product (GDP) exceeded 50%, its share in tax revenues remained relatively low—around 10–12%. This indicates that the tax base is not fully covered. Rasulov identifies the main causes of this issue as excessive tax incentives, the artificial classification of certain business entities as small businesses, and shortcomings in accounting systems. The author also emphasizes that the efficiency of this sector can be improved through the introduction of differentiated tax rates for small businesses, expansion of electronic accounting systems, and strengthening of tax control[6].

In the scientific work of Sh. M. Xolmatov, the economic essence of property tax, as well as its fiscal and regulatory functions, are analyzed in depth. The author notes that property tax not only serves as an important source of state budget revenues but also acts as a tool for encouraging the efficient use of property. According to the research findings, by 2022, property tax revenues accounted for approximately 15–17% of total tax revenues, indicating an expansion of the tax base. Xolmatov particularly highlights that the introduction of taxation based on cadastral value has increased the transparency of property tax and expanded opportunities for identifying hidden assets. At the same time, the author points out that due to insufficiently developed valuation mechanisms in some regions, an uneven distribution of the tax burden is observed[7].

Overall, the scientific works of these two authors provide an important theoretical and practical foundation for improving the tax system of legal entities. While Rasulov identifies the problems in taxing small businesses and suggests ways to address them, Xolmatov substantiates the economic significance of property tax and the need for its reform. Their conclusions indicate that further improvement of the tax system requires expanding the tax base, introducing fair and transparent

taxation mechanisms, and widely implementing modern digital technologies[8].

Research Methodology

In this study, the issues of improving the tax system of legal entities in Uzbekistan were examined based on a comprehensive approach. The methodological framework of the research included comparative analysis, statistical analysis, dynamic observation, grouping, and scientific generalization methods. In particular, the dynamics of budget revenues from profit tax, property tax, and turnover tax during 2022–2024 were analyzed. In the course of the analysis, the increase in profit tax revenues from 32.5 trillion soums to 46.8 trillion soums, property tax from 7.8 trillion soums to 10.7 trillion soums, and turnover tax from 6.1 trillion soums to 8.6 trillion soums was taken as the main empirical basis.

The study also applied the method of analyzing regulatory and legal documents. In particular, the Tax Code of the Republic of Uzbekistan, Presidential Decree No. PF-6098, reports of the Ministry of Economy and Finance, and data from the State Statistics Committee were examined. At the same time, based on the scientific views of A. A. Rasulov and Sh. M. Xolmatov, approaches to the taxation of small businesses and the reform of property tax were evaluated from a theoretical perspective.

Result and Discussion

Within the framework of this study, an analysis of the tax system of legal entities in Uzbekistan was carried out, in particular, based on statistical data on property tax, profit tax, and turnover tax. The results of the analysis show the presence of a stable growth trend in tax revenues in recent years, but confirm that some systemic problems remain[9].

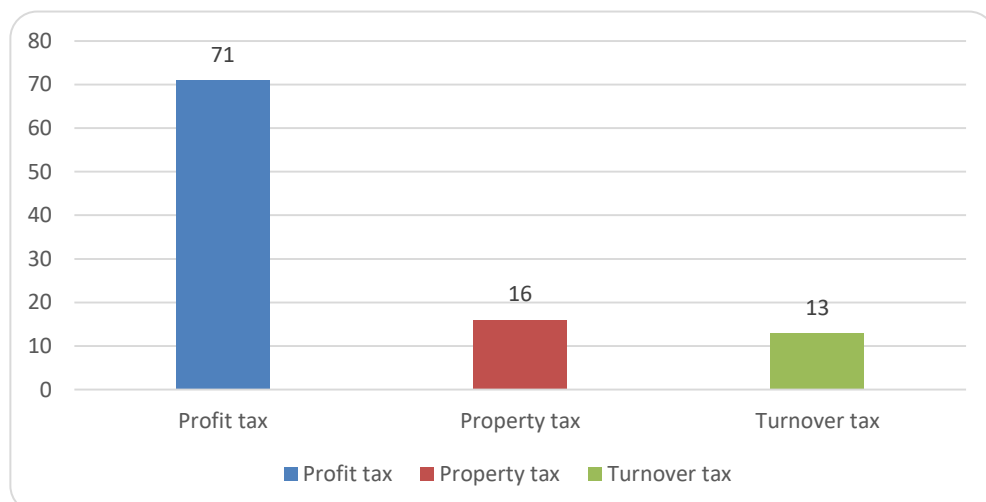
The following table shows the dynamics of budget revenues from basic taxes for 2022-2024:

Table 1. Tax Revenues from Legal Entities (trillion soums)

Indicators	2022	2023	2024 (forecast)
Profit tax	32.5	40.2	46.8
Property tax	7.8	9.3	10.7
Turnover tax	6.1	7.4	8.6
Total receipts	46.4	56.9	66.1

As can be seen from the table, during 2022–2024, revenues from all major taxes show a steady growth trend. The largest share belongs to profit tax, which is projected to reach 46.8 trillion soums in 2024. Property tax and turnover tax are also increasing consistently, reaching 10.7 trillion soums and 8.6 trillion soums, respectively. This indicates an expansion of the tax base and a rise in economic activity[10].

Figure 1. Structure and Shares of Taxes of Legal Entities



The main burden in the structure of taxes on legal entities falls on profit tax. This indicates that the economy is highly dependent on income-based taxation. At the same time, although property tax and turnover tax have relatively smaller shares, they play an important role in ensuring budget stability[11].

In recent years, the tax system of legal entities in Uzbekistan has developed significantly. In particular, the sharp increase in profit tax revenues can be explained by rising economic activity, increased corporate incomes, and improvements in tax administration. However, the large share of this tax in total revenues may also create fiscal risks, as profit tax revenues are highly sensitive to economic downturns and may decline sharply during such periods[12].

The results related to property tax show that the new system based on cadastral value contributes to increasing tax revenues. The advantage of this system lies in strengthening the principle of fairness in taxation and enabling the identification of hidden assets. At the same time, due to the incomplete development of cadastral valuation mechanisms in some regions, the tax base has not yet been fully formed[13].

Turnover tax serves as an important instrument for supporting small businesses. Its simplified procedure creates favorable conditions for small enterprises and contributes to increasing their share in the economy. However, in some cases, large enterprises attempt to artificially classify their activities as small businesses in order to benefit from this tax regime. This negatively affects the principle of tax fairness[14].

The research findings also indicate the presence of the following problems in the tax system:

- ❖ uneven distribution of the tax burden across certain sectors;
- ❖ the persistently high share of the shadow economy (approximately 20–25%);
- ❖ the existence of bureaucratic processes in tax administration;
- ❖ an insufficient level of digitalization.

To address these issues, several scientific and practical recommendations have been developed. In particular, it is advisable to further differentiate profit tax rates by sectors, introduce unified valuation standards in property taxation, and tighten the criteria for applying turnover tax. At the same time, reducing the share of the shadow economy can be achieved through the full digitalization of tax administration, strengthening tax control based on artificial intelligence, and expanding electronic accounting systems[15].

Conclusion

The study shows that the tax system of legal entities in Uzbekistan has been developing consistently in recent years and plays an important role in ensuring the stability of the state budget. The analysis reveals that during 2022–2024, profit tax revenues increased from 32.5 trillion soums to 46.8 trillion soums, accounting for the largest share—over 70% of total receipts. This confirms the growing share of corporate income in the economy and the high fiscal significance of profit tax.

At the same time, property tax revenues have demonstrated stable growth, reaching nearly 10.7 trillion soums by 2024. This trend reflects the expansion of the tax base, particularly due to the introduction of a valuation system based on cadastral value. Turnover tax continues to serve as a tool for supporting small business entities and is expected to generate 8.6 trillion soums in 2024. This tax accounts for around 13% of total revenues, indicating the increasing role of small businesses in the economy.

Alongside these positive outcomes, the current tax system still includes certain structural challenges. In particular, the high share of profit tax may lead to excessive dependence of budget revenues on a single source. In addition, the uneven distribution of the tax burden across sectors negatively affects economic efficiency. The persistence of the shadow economy at around 20–25% indicates that the tax base is not yet fully developed.

There is a clear need for further improvement of the tax system for legal entities. First, profit tax rates should be optimized across different economic sectors to achieve a more balanced tax burden. Second, the introduction of a unified and transparent valuation system in property taxation would help expand the tax base. Third, clearly defining the criteria for applying the turnover tax regime is essential to ensure tax fairness.

Moreover, reducing the share of the shadow economy can be achieved through the digitalization of tax administration, expansion of electronic accounting systems, and implementation of control mechanisms based on artificial intelligence. This, in turn, will contribute to increasing budget revenues and stimulating economic growth.

Overall, through the comprehensive and consistent improvement of the tax system for legal entities, it is possible not only to ensure fiscal stability but also to enhance the investment climate and increase the competitiveness of the national economy. Therefore, deepening ongoing reforms and implementing scientifically grounded approaches in this area is of great importance.

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