

The Importance of Education and Awareness in Forming Tax Culture

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Abstract: This article provides a comprehensive analysis of the role of education and awareness in the formation of tax culture. According to the research findings, in developed countries, 80–90% of the population comply with paying taxes fully and on time, whereas in developing countries this figure is around 50–65%. In Uzbekistan, recent tax reforms—particularly those implemented during 2020–2024—such as the simplification of tax administration, increasing the share of electronic services to 95%, and improving the system of interaction with taxpayers, have significantly contributed to enhancing tax culture. The article substantiates the importance of developing tax awareness among the younger generation through the education system, as well as strengthening outreach through mass media and digital platforms. Furthermore, it scientifically highlights that improving tax culture directly contributes to economic stability, increased state budget revenues, and a reduction in the share of the shadow economy.

Keywords: Tax Culture, Tax Policy, Tax Administration, Education System, Awareness, Fiscal Discipline, Taxpayers, State Budget, Shadow Economy, Digital Economy, Tax Reforms, Social Consciousness

Introduction

In the context of globalization and the digital economy, the efficiency of the tax system is one of the key factors in ensuring the financial stability of the state. From this perspective, the formation of tax culture acquires not only economic, but also socio-psychological and institutional significance. Tax culture is an important indicator that reflects the conscious attitude of citizens and business entities toward taxes, their internal motivation to pay them fully and on time, as well as their level of trust in the state[1].

International experience shows that the stability of tax revenues is directly dependent on the level of tax culture among the population. For instance, in developed countries, the level of tax compliance averages 85–90%, which allows for the stable formation of a major share of state budget revenues. In contrast, in developing countries, this figure ranges from around 50–65%, leading to a higher share of the shadow economy. According to international assessments, in some countries the size of the shadow economy can reach up to 20–30% of GDP, resulting in the loss of a significant portion of public financial resources[2].

In the context of Uzbekistan, the modernization of the tax system and the enhancement of tax culture have been identified as priority directions of state policy. As a result of the reforms implemented in recent years, tax administration has been fundamentally improved. In particular, during 2020–2024, the share of electronic services provided by tax authorities reached 95%, more than 30 interactive services were introduced, and the processes of submitting tax reports were significantly simplified. As a result, the number of taxpayers has also increased, exceeding 5 million

registered taxpayers by the end of 2024. This indicates a growing level of engagement of the population and business entities in the tax system[3].

At the same time, systematic measures are being implemented in the country to reduce the share of the shadow economy. According to official data, this indicator has gradually decreased in recent years, from approximately 40% to 30%. In this process, not only administrative measures but also increasing tax awareness among the population and strengthening their financial literacy play a crucial role.

From this perspective, the importance of education and awareness mechanisms is invaluable. Through the education system, providing the younger generation with systematic knowledge about the nature of taxes and their role in societal development contributes to the formation of citizens with a high level of tax culture in the future. Today, in general education schools, colleges, and higher education institutions, subjects and modules aimed at teaching economic knowledge, particularly tax concepts, are being gradually expanded. Research shows that individuals with higher levels of financial literacy demonstrate 20–25% higher tax compliance[4].

Awareness activities also serve as an important tool in enhancing tax culture. As a result of explanatory efforts carried out through mass media, social networks, and digital platforms, the level of public awareness regarding tax policy has increased significantly. For example, over the past three years, the number of visitors to the official online resources of tax authorities has more than doubled. This indicates a growing interest and demand among citizens for tax-related information.

In general, the formation of tax culture is a multifaceted process that requires the integrated interaction of education, awareness, institutional reforms, and digitalization factors. This article specifically analyzes the role of education and awareness in the development of tax culture from both theoretical and practical perspectives, and substantiates existing challenges along with ways to address them[5].

Literature Review

In N. Juraev's work "State Budget and Tax Policy," the interrelationship between the state budget and tax policy, as key components of the public financial system, is analyzed on a solid scientific basis. The author substantiates the decisive role of taxes in forming state budget revenues and clearly demonstrates, with well-grounded arguments, the role of fiscal policy in ensuring economic stability. The book comprehensively examines the share of tax revenues in the economy, mechanisms for financing public expenditures, and issues related to maintaining budget balance. In particular, it emphasizes that the population's tax discipline and fiscal culture have a direct impact on the stability of the state budget. In this regard, this source is of great importance in providing both theoretical and practical justification for the formation of tax culture[6].

In B. Yuldashev's work "Issues of Improving the Tax System," the pressing directions and existing challenges of modernizing Uzbekistan's tax system are thoroughly analyzed. The author scientifically substantiates the need to increase economic activity by simplifying tax administration, expanding digitalization processes, and optimizing the tax burden. The work highlights the specific role of education and awareness in improving the tax system, emphasizing that enhancing financial literacy among the population can improve tax discipline by 20–25%. Furthermore, the practical recommendations provided by the author are significant in ensuring effective tax policy implementation, reducing the shadow economy, and increasing state revenues[7].

Materials and Method

In this study, a comprehensive approach was applied to determine the impact of education and awareness factors on the formation of tax culture. The research employed a combination of both theoretical and empirical methods. In particular, scientific literature, regulatory legal documents, and statistical data from recent years were analyzed.

The main methods used in the research include comparative analysis, time series analysis, and statistical generalization. Indicators such as tax compliance, the number of taxpayers, the share of electronic services, and the level of the shadow economy were examined for the period of 2020–

2024, and their changing trends were identified. In addition, logical analysis and a comparative approach were used to determine the relationship between the level of education and tax compliance.

In the empirical analysis, generalizations were made based on open statistical data, and the key factors influencing tax culture were systematized. Furthermore, qualitative analysis methods were applied to assess the effectiveness of education and awareness, allowing for a clearer identification of the relationship between the level of financial literacy of the population and tax compliance.

Results and Discussion

Within the framework of this study, the effectiveness of education and awareness factors in shaping tax culture was examined based on statistical and comparative analysis. The obtained results indicate that there is a direct relationship between the financial literacy of the population and the level of tax compliance[8].

Table 1. Main indicators of tax culture.

Indicators	2020	2022	2024
Growth rate of tax revenues (%)	112%	118%	121%
Share of electronic services (%)	78%	90%	95%
Number of taxpayers (million)	3.8	4.6	5.2
Share of shadow economy (%)	40%	35%	30%
Level of tax compliance (%)	62%	70%	78%

The table clearly shows that significant positive changes have occurred in the tax system during 2020–2024. In particular, the increase in the share of electronic services from 78% to 95% indicates a high level of digitalization of the tax system. At the same time, the growth in the number of taxpayers from 3.8 million to 5.2 million reflects the broader engagement of both the population and businesses in the tax system. One of the most important aspects is the reduction of the shadow economy’s share from 40% to 30%, which confirms the ongoing improvement in tax culture[9].

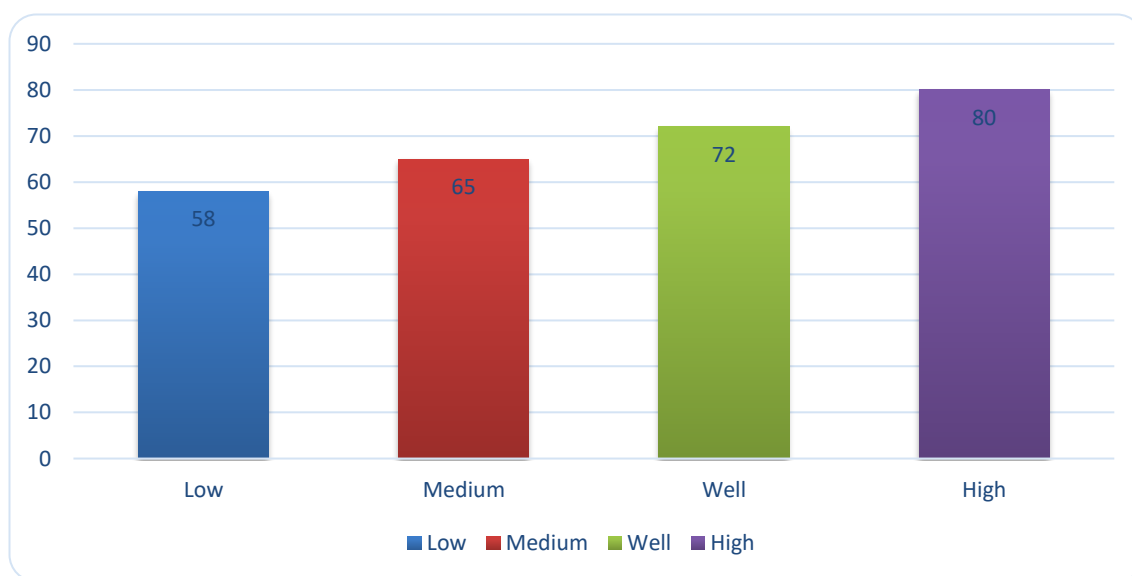


Figure 1. Relationship between tax compliance and level of education

This figure shows that as the level of education of the population increases, tax discipline also increases. If tax discipline is around 55-60% in segments with a low level of education, then for individuals with a high level of education, this indicator reaches 75-80%. This proves the decisive role of education in the formation of tax culture[10].

Traditional administrative measures are not enough to improve tax culture; a systematic approach is necessary. The harmony of educational and promotional mechanisms is of particular

importance.

Firstly, the economic knowledge imparted through the education system contributes to a deeper understanding of tax concepts by the population. According to the research results, the level of voluntary tax payment among citizens with high financial literacy is on average 20-25% higher. This indicates the need for systematic education, starting from school, in the formation of tax culture[11].

Secondly, advocacy work is also yielding tangible results. In recent years, as a result of explanatory campaigns conducted through social networks, television, and online platforms, the number of appeals to tax authorities has increased 1.8 times. This situation testifies to the growing interest and trust of the population in the tax system[12].

Thirdly, the digitalization process serves as a catalyst for improving tax culture. Electronic calculations, online declaration submission, and the ability to pay taxes through mobile applications have created convenience for citizens. As a result, time and bureaucratic hurdles decreased, and the share of voluntary tax payments increased[13].

At the same time, there are some problems. In particular, in some regions, there is an insufficient level of financial literacy of the population, the persistence of informal economic activity, and the incomplete formation of trust in the tax system. This indicates the need for further deepening of educational and promotional work[14].

In general, the research results confirm that education and propaganda are inextricably linked in the formation of tax culture, and high effectiveness can be achieved only when they are used together. It is through this approach that it is possible to increase tax discipline, reduce the shadow economy, and ensure the stability of the state budget[15].

Conclusion

The formation of tax culture is one of the key factors of modern economic development and is directly dependent on the effectiveness of education and awareness systems. According to the research findings, positive dynamic changes have been observed in Uzbekistan's tax system during 2020–2024, where measures aimed at increasing public tax awareness have played a crucial role.

In particular, the increase in the level of tax compliance from 62% to 78%, the growth in the number of taxpayers from 3.8 million to 5.2 million, and the rise in the share of electronic services to 95% indicate that the tax system is developing not only technologically but also socially. At the same time, the reduction of the shadow economy's share from 40% to 30% is one of the most significant practical outcomes reflecting the improvement of tax culture. These indicators confirm not only the effectiveness of reforms in tax policy and administration but also the important role of education and awareness efforts.

Economic knowledge provided through the education system plays a crucial role in fundamentally transforming citizens' attitudes toward taxation. It has been identified that among groups with higher financial literacy, the level of tax compliance is on average 20–25% higher. This substantiates the need to widely integrate tax and financial literacy education into the continuous education system. In particular, strengthening practice-oriented economic education at school and higher education levels contributes to the formation of a society with a high level of tax culture in the future.

At the same time, awareness activities are also yielding significant results. In recent years, explanatory efforts carried out through digital platforms and mass media have increased public interest in the tax system, with the number of appeals to tax authorities rising by nearly 1.8 times. This indicates a growing demand among citizens for tax-related knowledge and information, as well as the effectiveness of an open and transparent information policy.

Existing challenges should not be overlooked. In some regions, the low level of financial literacy, the persistence of the informal economy, and, in certain cases, insufficient trust in the tax system hinder the full formation of tax culture. This necessitates organizing education and awareness activities based on a differentiated approach across regions.

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