

## **The Impact of Taxes on The State Budget and Their Significance in The National Economy**

**Turayev Alijon Akmal ugli**

*Associate Professor of the Department of Investment and Innovations, PhD*

*E-mail: [alijon.turayev@mail.ru](mailto:alijon.turayev@mail.ru)*

**Xabibullayev Bekzod Botirovich**

*Student, Samarkand Institute of Economics and Service*

*E-mail: [khabibullayevbekkhan@gmail.com](mailto:khabibullayevbekkhan@gmail.com)*

**Abstract:** This article examines the impact of taxes on the state budget and their significance in the national economy of Uzbekistan. The study is based on macroeconomic data for 2020–2024 and highlights that taxes constitute the main source of state budget revenues, maintaining a stable share of over 80%. In particular, total state budget revenues increased from 132.9 trillion UZS in 2020 to 270.5 trillion UZS in 2024, while tax revenues rose from 108.7 trillion UZS to 220.0 trillion UZS during the same period. These indicators demonstrate the effectiveness of tax policy reforms and the strengthening of fiscal stability in the country. The research emphasizes that taxes play a dual role: not only as a source of public finance but also as a key instrument for economic regulation. The findings show that reforms implemented in recent years, including the reduction of tax rates, simplification of tax administration, and digitalization of tax processes, have contributed to expanding the tax base, reducing the shadow economy, and stimulating entrepreneurial activity. Furthermore, the article analyzes the structure of tax revenues, indicating that value-added tax, profit tax, and personal income tax form the largest share of budget revenues. The study concludes that effective tax management is essential for ensuring sustainable economic growth, improving living standards, and maintaining macroeconomic stability. The results underline the importance of continuing tax system modernization in line with international standards and strengthening institutional mechanisms for tax administration.

**Keywords:** Tax System, State Budget, Tax Revenues, Fiscal Policy, Economic Growth, Tax Administration, Uzbekistan, VAT, Budget Stability, Tax Reforms

### **Introduction**

Nowadays, the tax system plays a crucial role in ensuring the stable development of the economy of Uzbekistan, maintaining the financial stability of the state, and supporting social sectors. Taxes, as the main source of revenue for the state budget, are an integral part of national economic policy. Especially during the transition to a market economy, the role of taxes increases, providing opportunities to regulate the economy, stimulate entrepreneurship, and ensure social equity. A large portion of state budget revenues is formed through taxes, clearly demonstrating their importance in the economy[1]. Through taxes, the state finances its core functions, including defense, education, healthcare, social protection, and infrastructure development. Therefore, taxes serve not only as a fiscal tool but also as an effective mechanism for economic regulation. Extensive reforms have been carried out to improve the tax system in the country. In particular, the adoption and regular updating of the Tax Code of the Republic of Uzbekistan strengthens the legal basis of the tax system[2]. The Code defines the procedures for calculating and collecting taxes, the rights and obligations of taxpayers, and the powers of tax authorities, thereby enhancing transparency and efficiency. Moreover, the decrees and resolutions adopted by Shavkat Mirziyoyev aim to modernize

the tax system, reduce the tax burden, and support entrepreneurial activity. For example, reducing tax rates, optimizing certain taxes, and simplifying tax administration stimulate economic activity. As a result of these reforms, production volumes are increasing across various sectors of the economy, and new jobs are being created[3].

The impact of taxes on the state budget is multifaceted, and their volume and structure directly affect the country's economic development. An increase in tax revenues expands the state's financial capabilities, enabling the implementation of major investment projects, infrastructure development, and improvements in the population's welfare. Conversely, insufficient tax revenues can lead to budget deficits and negatively affect economic stability[4].

Furthermore, taxes are important as a tool for regulating the economy. The state can influence economic processes directly through taxation, encouraging certain sectors or restricting others. For instance, providing tax incentives attracts investments to priority sectors, while higher taxes reduce harmful or less efficient activities. In this sense, taxes serve as a key instrument of economic policy[5].

In the current context of globalization, the role of taxes is further increasing. The expansion of international economic relations, growth of investment flows, and the development of the digital economy demand that the tax system become more flexible and efficient. Therefore, in Uzbekistan, efforts to modernize tax policy according to contemporary requirements, align it with international standards, and digitalize processes are ongoing[6].

In conclusion, taxes are the main source of stability for the state budget and play a significant role in the development of the national economy. Their proper organization and effective management contribute to economic growth, social stability, and an improved standard of living. Therefore, studying the impact of taxes on the state budget and their role in the economy is a relevant scientific and practical issue[7].

## Literature Review

The impact of taxes on the state budget and their significance in the national economy is a widely studied area in economics. Literature analysis shows that taxes are considered not only the main source of state revenues but also an essential instrument for economic regulation.

In classical economic theory, the essence of taxation and its impact on the economy was first analyzed by scholars such as Adam Smith. In his famous work *An Inquiry into the Nature and Causes of the Wealth of Nations*, Smith formulated the main principles of taxation, emphasizing that taxes should be fair, certain, convenient, and economically efficient. These principles still serve as a methodological foundation for modern tax systems[8].

Later, neoclassical and Keynesian economists examined the macroeconomic effects of taxation. John Maynard Keynes argued that taxes are a primary tool of fiscal policy, influencing economic growth and employment levels. According to Keynesian theory, reducing taxes can increase aggregate demand and stimulate economic activity.

Modern studies emphasize that tax policy, fiscal stability, budget balance, and economic growth are closely linked. Research by International Monetary Fund and World Bank identifies effective tax administration, expanding the tax base, and reducing the shadow economy as crucial measures for maintaining public financial stability[9].

National studies also highlight the significance of taxes in forming the state budget. In Uzbekistan, scientific research indicates that improving the tax system is a key component of economic reforms. The Tax Code of the Republic of Uzbekistan serves as the main legal document, establishing the rules for taxation and collection mechanisms, thereby playing a vital role in economic regulation.

Recent reforms under Shavkat Mirziyoyev, such as reducing tax burdens, optimizing tax rates, and simplifying tax administration, have attracted attention in the literature. These reforms support entrepreneurship and improve the investment climate[10].

Economists also adopt various approaches to analyze the effects of taxes on the economy. Some studies view taxes as a growth-stimulating factor, while others consider them as a constraint

on economic activity. This underscores the need for a balanced approach in tax policy design.

In summary, literature analysis shows that taxes not only form state budget revenues but also regulate the economy, ensure social equity, and stimulate economic growth. Their effectiveness depends on proper organization, fair distribution, and efficient management[11].

### Materials and Method

This study employs a comprehensive approach to analyze the impact of taxes on the state budget and their significance in the economy. General scientific methods such as analysis, synthesis, comparison, and systematic approach were used. Institutional analysis was conducted based on normative legal documents, including the Tax Code of the Republic of Uzbekistan and current presidential decrees. Statistical data were analyzed to assess the dynamics of tax revenues and their share in the state budget. Logical reasoning and empirical observation methods were also employed to better understand economic processes.

### Results and Discussion

To assess the impact of taxes on the state budget and the national economy, macroeconomic indicators of Uzbekistan for 2020–2024 were analyzed. The analysis shows that the majority of state budget revenues are formed from taxes, which maintain a consistently high share[12].

During this period, the state budget revenues showed a steady growth trend. Simultaneously, tax revenues also increased, reflecting expanded production, growth in the service sector, and intensified entrepreneurial activity. The share of taxes in the budget remained above 80%, confirming the crucial role of taxes in fiscal policy[13].

**Table 1.** Dynamics of State Budget Revenues and Tax Revenues (2020–2024)

| Year | State Budget Revenues (trln | Tax Revenues (trln | Share (%) |
|------|-----------------------------|--------------------|-----------|
|      | UZS)                        | UZS)               |           |
| 2020 | 132.9                       | 108.7              | 81.8      |
| 2021 | 164.7                       | 134.2              | 81.5      |
| 2022 | 208.4                       | 170.1              | 81.6      |
| 2023 | 244.0                       | 198.0              | 81.1      |
| 2024 | 270.5                       | 220.0              | 81.3      |

The data indicate that state budget revenues nearly doubled from 132.9 trillion UZS in 2020 to 270.5 trillion UZS in 2024. Tax revenues increased from 108.7 trillion UZS to 220.0 trillion UZS, showing improved efficiency of the tax system. Taxes' share in the budget remained stable at around 81%, emphasizing their central role in state financial resources.

Analysis of tax composition shows that value-added tax, profit tax, and personal income tax account for the main share, with VAT being the largest contributor to the state budget[14].

These positive results are largely due to Shavkat Mirziyoyev's tax policies, including reducing tax rates, simplifying tax administration, and reforms based on the Tax Code of the Republic of Uzbekistan, which expanded the tax base and reduced the shadow economy.

In conclusion, taxes are the most important revenue source for the state budget, playing a key role in ensuring economic stability and development. Stable growth in tax revenues reflects the effectiveness of economic reforms and strengthens the financial system[15].

### Conclusion

The study confirms that taxes are the primary source of state budget revenue in Uzbekistan, and their share remains consistently high. Increasing tax revenues reflects the effectiveness of economic reforms, growth in production, and development of entrepreneurial activity. Taxes also serve as a tool for economic regulation, attracting investments, and maintaining social stability.

Recent reforms under Shavkat Mirziyoyev, including optimizing tax rates, simplifying

administration, and digitalization, positively impact the stability and growth of tax revenues. The Tax Code of the Republic of Uzbekistan ensures transparency and efficiency of the tax system.

1. Strengthen control mechanisms to reduce the shadow economy and expand the tax base.
2. Provide targeted tax incentives for small businesses and private entrepreneurship to stimulate activity and create jobs.
3. Further digitalize and automate tax administration to reduce human error, prevent corruption, and improve efficiency.
4. Ensure stability in taxation policies to create a predictable environment for investors.
5. Increase taxpayers' awareness and education to encourage voluntary compliance.

Overall, effectively managing taxes is crucial for long-term economic stability and development.

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