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Taxation System for The Use of Water Resources and Subsoil

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Abstract: This article provides a comprehensive analysis of the theoretical and practical aspects of taxation for the use of water resources and subsoil. In particular, it examines the economic essence of these taxes, their role in forming the state budget, and their importance in encouraging the rational use of natural resources. The study also reviews the tax rates applied for the use of water resources and subsoil in the Republic of Uzbekistan, as well as the procedures for their calculation and collection, and the existing legal framework. Furthermore, within the context of recent tax reforms implemented in the country, the article analyzes measures aimed at improving the efficiency of natural resource utilization, ensuring environmental safety, and promoting resource conservation. Based on statistical data and practical experience, the research identifies existing problems in the use of water and subsoil resources and proposes ways to address them. The article develops scientifically grounded conclusions and recommendations aimed at improving natural resource taxation, increasing its economic efficiency, ensuring environmental sustainability, and enhancing state budget revenues.

Keywords: Water Resources, Subsoil, Natural Resource Taxes, Tax System, Environmental Sustainability, State Budget, Tax Policy, Rational Use of Resources, Tax Rates, Uzbekistan's Economy, Tax Reforms

Introduction

Today, the rational and efficient use of natural resources has become one of the most pressing economic and environmental issues worldwide. In particular, water resources and subsoil wealth serve as key strategic factors in ensuring the sustainable development of any country. As the population continues to grow, industrial production expands, and the demand for water in agriculture increases, the volume of natural resource utilization is rising year by year. Therefore, the importance of tax mechanisms in regulating the efficient use of these resources is steadily increasing[1].

In the Republic of Uzbekistan, the use of water resources and subsoil is also considered one of the priority directions of state policy. The country's annual water resources amount to approximately 50–60 billion cubic meters, of which nearly 80 percent is used in agriculture. At the same time, about 20–25 percent of available water resources come from internal sources, while the remaining portion depends on transboundary rivers. This situation necessitates the improvement of effective management and economic incentive mechanisms, including the tax system, for the use of water resources[2].

Subsoil resources, particularly mineral deposits, constitute an important component of Uzbekistan's economy. The country ranks among the world's leading nations in terms of gold reserves and also possesses significant potential in copper, uranium, natural gas, and other mineral resources. For instance, Uzbekistan's proven gold reserves are estimated at over 5,000 tons, while annual natural gas production approaches 50 billion cubic meters. The efficient utilization of these resources not only ensures economic growth but also generates substantial revenues for the state

budget[3].

The tax system is one of the most important economic instruments for regulating the use of natural resources. In particular, taxes on the use of water resources and subsoil not only contribute to the formation of state budget revenues but also encourage the rational use of resources. According to the Tax Code of the Republic of Uzbekistan, these taxes are determined based on the volume, type, and economic efficiency of resource use. In recent years, as a result of ongoing tax reforms, the rates of natural resource taxes have been gradually improved, enhancing their transparency and effectiveness.

According to statistical data, in 2023, taxes on the use of natural resources constituted a significant share of state budget revenues, accounting for approximately 10–12 percent of total revenues. This indicator clearly demonstrates the important role of these taxes in the national economy. At the same time, environmental challenges—such as water scarcity and the excessive exploitation of subsoil resources—highlight the need for further improvement of these taxes[4].

The main objective of this article is to study the theoretical foundations and practical significance of the taxation system for the use of water resources and subsoil, analyze their role in the economy, and identify existing problems. In addition, the research aims to develop scientifically grounded proposals and recommendations for improving these taxes, promoting efficient resource use, and ensuring environmental sustainability.

As a result, further improvement of the tax system regulating the use of water and subsoil resources will serve as an important factor in ensuring the country's economic development, increasing state budget revenues, and preserving natural resources for future generations[5].

Literature Review

In the scientific work of B. Z. Islomov, the issues of improving tax policy in Uzbekistan's economy are analyzed in a comprehensive manner. The author provides an in-depth justification of the interrelationship between the modernization of the tax system, optimization of the tax burden, and the stimulation of economic growth. In particular, the study emphasizes that it is possible to develop entrepreneurial activity by gradually reducing tax rates and simplifying tax administration. Furthermore, the author scientifically substantiates that improving tax policy can ensure a stable increase in budget revenues while simultaneously reducing the share of the shadow economy. This approach can also be applied to natural resource taxation and serves as an important theoretical foundation for increasing its effectiveness[6].

In the research conducted by D. A. Raxmonov, particular attention is given to improving economic efficiency in the use of water resources. The author analyzes the current state of water resource utilization, highlighting the high level of water consumption and existing losses, especially in agriculture. The study emphasizes that rational use of resources can be ensured through the improvement of economic mechanisms, including tax and payment systems related to water use. In addition, it is scientifically demonstrated that efficiency can be enhanced through the introduction of water-saving technologies, economically justified water pricing, and the application of differentiated tax rates[7].

The scientific views of both authors are complementary: while one focuses on improving general tax policy, the other concentrates on increasing the efficiency of using a specific natural resource—water. Their conclusions indicate that properly designed tax mechanisms can contribute not only to improving economic efficiency but also to ensuring environmental sustainability.

Research Methodology

In this study, a comprehensive approach was applied to examine the taxation system for the use of water resources and subsoil. First, the method of theoretical analysis was used to explore tax policy, natural resource taxation, and their role in the economy based on scientific sources. At the same time, statistical analysis was employed to examine the dynamics of tax revenues over the period 2020–2024.

In addition, a comparative analysis method was used to compare tax revenues across different

years and to assess their growth rates. Furthermore, a logical-systematic approach helped to reveal the interrelationship between tax policy, environmental factors, and economic efficiency. Through the use of inductive and deductive methods, general conclusions were drawn from specific indicators, and theoretical perspectives were reinforced with empirical data.

As a result, the applied research methods made it possible to evaluate the efficiency of using water and subsoil resources, identify existing problems, and develop scientifically grounded conclusions and recommendations for their improvement.

Results and Discussion

In the Republic of Uzbekistan, the taxation system for the use of water resources and subsoil has significantly developed in recent years and has become an important source of state budget revenues. In particular, revenues from subsoil use taxes account for a substantial share, which is directly related to the country's rich mineral resource base[8].

The table below presents the dynamics of revenues from water and subsoil taxes over the period 2020–2024:

Table 1. Revenues from Natural Resource Taxes (in billion UZS)

Yil	Suv resurslari solig'i	Yer solig'i
2020	1200	5200
2021	1450	6100
2022	1680	7200
2023	1950	8600
2024	2200	9800

As can be seen from the table data, revenues from both types of taxes have been increasing year by year. In particular, water resource tax revenues increased from 1,200 billion UZS in 2020 to 2,200 billion UZS in 2024, representing an approximate growth of 83 percent. Meanwhile, subsoil tax revenues rose from 5,200 billion UZS to 9,800 billion UZS over the same period, showing nearly a twofold increase. This trend can be explained by the growing volume of resource utilization as well as the ongoing improvement of tax policy[9].

The diagram clearly illustrates a stable upward trend in revenues from both water and subsoil taxes. Notably, subsoil tax revenues are growing at a faster rate, indicating the increasing share of the extractive industry in the economy [Diagram 1][10].

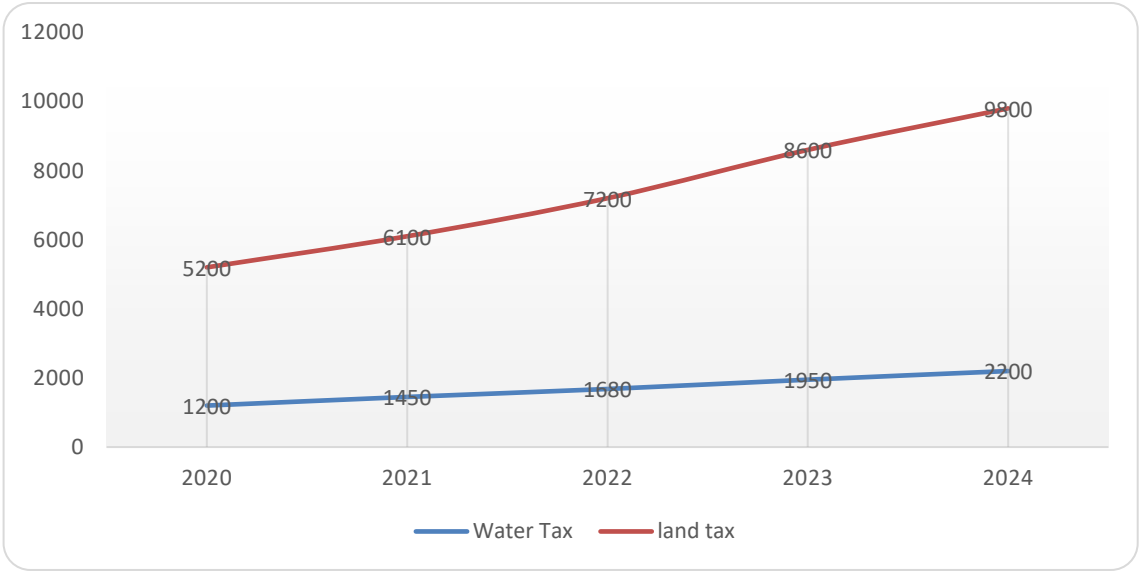

Figure 1. Dynamics of Natural Resource Tax Revenues

Firstly, natural resource taxes serve as an important fiscal instrument ensuring the stability of the state budget. The high share of revenues from subsoil use taxes reflects the priority of the mining and energy sectors in the economy. At the same time, this situation also indicates the economy's dependence on raw materials, which, in the long term, necessitates diversification[11].

Secondly, although revenues from water resource taxes are relatively lower, their environmental and social significance is extremely high. In the context of the Republic of Uzbekistan, the limited availability of water resources (50–60 billion cubic meters per year) and the fact that the majority is used in agriculture require strengthening the incentive role of these taxes. In practice, the efficiency of water use remains low, with significant losses observed in irrigation systems[12].

Thirdly, increasing or differentiating tax rates has a direct impact on the rational use of resources. For example, in recent years, raising tax rates on certain types of mineral resources has not only increased state budget revenues but also contributed to more efficient resource utilization. However, it is important to ensure that such measures do not negatively affect the investment climate[13].

Fourthly, insufficient consideration of environmental factors remains a significant issue. The current tax system is mainly focused on fiscal objectives and does not fully incorporate mechanisms to compensate for environmental damage. For instance, additional economic measures addressing excessive water consumption or subsoil degradation are not yet sufficiently developed[14].

Fifthly, digitalization processes are playing an important role in the administration of these taxes. The introduction of electronic accounting systems has increased transparency in tax revenues and contributed to reducing the shadow economy. At the same time, there is a need to further strengthen monitoring and control systems[15].

Conclusion

In the Republic of Uzbekistan, the taxation system for the use of water resources and subsoil is emerging as an important fiscal instrument for regulating the economy. In particular, during 2020–2024, revenues from water resource taxes increased from 1,200 billion UZS to 2,200 billion UZS, representing an approximate growth of 83 percent, while revenues from subsoil use taxes rose from 5,200 billion UZS to 9,800 billion UZS, increasing by nearly 1.9 times. These figures confirm the growing importance of these taxes in the state budget. Overall, natural resource taxes account for an average of 10–12 percent of total budget revenues, indicating that they are a stable source of financial income.

At the same time, it is evident that the efficiency of water resource utilization remains insufficient, with high levels of water losses in irrigation systems and the persistence of water scarcity issues. In terms of subsoil use, alongside the increase in extraction volumes, the environmental burden is also rising. This highlights the need to improve existing tax mechanisms not only from a fiscal perspective but also from an environmental standpoint.

Further development of the taxation system for water and subsoil resource use can simultaneously achieve three key objectives: increasing state budget revenues, promoting the rational use of resources, and ensuring environmental sustainability. From this perspective, optimizing tax rates on a scientific basis, strengthening environmental considerations, and expanding the implementation of digital monitoring systems remain priority directions in this field.

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