

## **Modernization of the Tax System of Uzbekistan: Tasks, Achievements and Prospects**

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**Abstract:** The article examines the key aspects of modernization of the tax system of Uzbekistan in the context of globalization and digitalization of the economy. It analyzes the main directions of reforms, including reducing the tax burden, simplifying tax administration and introducing digital technologies. Highlights the problems associated with the lack of experience of state bodies and the low level of tax culture among the population. adaptation of international experience to national conditions. The article emphasizes the need for a comprehensive approach to reforming the tax system to ensure sustainable economic growth and increase the investment attractiveness of the country.

**Keywords:** tax system, modernization, tax administration, digitalization, tax burden, tax culture, shadow economy, reforms, Uzbekistan, investments.

### **Introduction**

Modernization of the tax system of Uzbekistan is one of the key challenges facing the country in the context of globalization and the development of the digital economy. Given the increasing integration into the global economy, tax policy plays a central role in ensuring the financial stability of the state, maintaining the competitiveness of business and stimulating economic growth. In recent years, the Government of Uzbekistan has taken significant steps to reform the tax system, focusing on international experience and domestic needs.

Despite the reforms, Uzbekistan's tax system faces a number of serious challenges. One of the key problems is the high tax burden on business, which hinders the development of entrepreneurship, especially small and medium-sized businesses, and reduces the investment attractiveness of the country. The lack of efficiency in tax administration also remains a serious challenge: there is a shortage of digital solutions in the system, which makes it difficult to manage tax flows and increases the cost of meeting tax obligations. In addition, the level of tax culture among the population and entrepreneurs remains low, which leads to unscrupulous fulfillment of tax obligations and contributes to the development of the shadow economy.

In the context of digitalization of the economy and global challenges, the modernization of the tax system is becoming a necessary step for sustainable economic development. The purpose of the study is to identify priority areas for reforming the tax system of Uzbekistan to increase its efficiency and transparency.

## Methods

Various approaches and methods of analysis were used for the study. The main tool was the study of regulatory documents of the Republic of Uzbekistan, such as the Tax Code and Presidential Decrees on the country's development strategies for 2017-2021 and 2022-2026. These documents determine the priorities of tax policy, including reducing the tax burden, simplifying tax administration and stimulating innovation.

A literature review was also conducted, within the framework of which the works of domestic and foreign researchers devoted to the modernization of tax systems were considered. The article by Zaripova S.Z. considers the importance of modernizing the tax system of Uzbekistan with an emphasis on the need to reduce the tax burden and improve tax administration. Zaripova analyzes the current state of the tax system and proposes strategies aimed at stimulating innovation and investment activity, which is a key element in the country's long-term development strategy [4].

The article by B.B. Nomazov examines in more detail the tasks of tax policy from the point of view of theoretical foundations and the need to improve the conceptual framework of the tax system. The author identifies two main areas of reform: improving tax culture and introducing digital technologies in tax administration. Nomazov's research focuses on the problems of the administrative and organizational aspects of the tax system, proposing measures to optimize tax regulation and support economic growth [5; 6].

The methodological basis of the study is the analysis of existing theoretical approaches to tax reform, including the development of the conceptual foundations of the tax system, the choice of the optimal tax burden, as well as the determination of the tax base and rates.

## Results

One of the key areas of modernization of the tax system of Uzbekistan was the reduction of the tax burden and the simplification of the tax system. This decision meets the challenges of the current stage of economic development, stimulates entrepreneurial activity and attracts investment. Within the framework of the "Development Strategy of New Uzbekistan for 2022-2026", reducing the tax burden and improving administration are identified as priority tasks aimed at supporting small and medium-sized businesses, as well as improving the investment climate [1].

Another important result is the introduction of digital technologies in tax administration. According to the research of Sh.Zh. Borotov, digitalization makes it possible to increase the efficiency of tax authorities by automating tax processes, which reduces administrative barriers for business and improves the interaction of taxpayers with government agencies [3]. The introduction of information systems and software packages has improved tax control and reduced opportunities for corruption.

These changes have led to an increase in tax revenues to the budget and an improvement in the country's financial stability. The simplification of the tax system, in particular, the replacement of some taxes and the introduction of incentives for investors, contributes to an increase in income, which has a positive effect on supporting key sectors of the economy, such as education, health care and the real sector [2].

Despite the progress made, the challenges to implementing tax reforms remain significant. One of the main problems is the lack of experience of state bodies in the field of modern tax administration. This leads to difficulties in the full-scale implementation of digital technologies and an adequate assessment of tax risks. As a result, many taxpayers face difficulties in meeting their tax obligations, which reduces the overall efficiency of the tax system.

Another important problem is the low tax culture of the population. Insufficient understanding of tax obligations and a low level of trust in the tax authorities complicate the implementation of reforms and contribute to the development of the shadow economy. This phenomenon is especially pronounced among small and medium-sized businesses, where compliance with tax rules is often considered

burdensome. Without active educational programs and tax literacy measures, reforms may be less effective.

In addition, the fight against the shadow economy remains one of the most difficult tasks. While the introduction of digital control over tax transactions and increased transparency of tax procedures have become important steps, hidden economic transactions continue to have a negative impact on budget revenues and slow down the process of establishing a fair and transparent tax system.

Thus, despite the positive results of reforms, such as increased budget revenues and simplification of tax procedures, further improvement of tax administration and improvement of tax culture among the population is necessary to achieve full success.

## **Discussion**

The modernization of Uzbekistan's tax system shows significant achievements, but also highlights several aspects that require additional attention. One of the key achievements is the reduction of the tax burden, which gave impetus to business development, especially in the small and medium-sized business sectors. This is in line with global tax reform trends, where tax facilitation and business support are central strategies. An example is the experience of countries such as Singapore and Ireland, where tax cuts have helped attract significant foreign investment and stimulate domestic economic growth.

However, in addition to positive changes, the reform faces challenges, including insufficient digitalization of tax administration. Although the implementation of information systems has already begun, the level of process automation and the use of digital tools remain limited. In advanced economies such as Estonia and South Korea, the full digitalization of tax systems has significantly reduced administrative costs and improved the transparency of tax transactions. Uzbekistan, following this example, should continue to develop its digital infrastructure in order to maximize the efficiency of tax administration.

Another important aspect is the role of tax culture. Studies show that a lack of trust in tax authorities and a low level of understanding of tax obligations lead to unfair implementation of tax rules. In this context, educational programs to raise awareness among entrepreneurs and the population can be an important tool in the fight against the shadow economy. Countries such as Sweden have demonstrated successful examples of large-scale education campaigns that have helped to improve the perception of the tax system and increase the level of voluntary tax compliance.

Continuing the topic of tax culture, it is important to emphasize that in order to successfully modernize the tax system, Uzbekistan needs to focus on increasing the level of trust in the tax authorities. The introduction of transparent tax control and reporting mechanisms will improve interaction between taxpayers and government agencies. An example is the experience of New Zealand, where the state actively involves citizens and entrepreneurs in the process of tax planning, which helps to build trust and reduce the level of the shadow economy.

Another important task remains the fight against the shadow economy. As research has shown, despite the introduction of digital technologies and increased control over the payment of taxes, a significant part of economic activity remains out of sight of the tax authorities. The introduction of special tax regimes and tax amnesties for businesses that seek to come out of the shadows can be one of the solutions to this problem. Such measures have been successfully applied in Latin America and Southern Europe, which has led to an increase in the tax base and an increase in budget revenues.

Another challenge is the adaptation of international experience to local conditions. While international examples of successful tax reforms provide important benchmarks, copying them directly may not always be effective. Uzbekistan should take into account its unique socio-economic characteristics and national priorities when implementing tax changes. This requires constant monitoring and evaluation of ongoing reforms, which will allow timely adjustments and adaptation of mechanisms to the local context.

Thus, the success of the modernization of the tax system depends on a comprehensive approach that combines further reduction of the tax burden, increased transparency of tax procedures, development of tax culture and active fight against the shadow economy.

## Conclusion

Modernizing Uzbekistan's tax system is a complex and multifaceted process aimed at creating a more efficient, fair, and sustainable tax system. The reforms carried out, such as reducing the tax burden, simplifying tax administration and introducing digital technologies, have shown positive results. In particular, entrepreneurial activity has improved, tax revenues to the budget have increased, and measures to combat corruption and the shadow economy have been strengthened.

However, despite significant progress, there remain significant challenges that need to be addressed in order to make further progress. One of the key issues is the lack of experience of government agencies in effective management of tax processes and the use of digital tools. Full automation and digitalization of tax administration is the next step that will reduce administrative barriers, reduce the cost of fulfilling tax obligations and increase the transparency of the system. To do this, Uzbekistan can learn from the experience of countries such as Estonia and South Korea, which have made significant strides in the digitalization of public services.

Improving the tax culture among the population and entrepreneurs remains an important area. A lack of understanding of tax obligations and a low level of trust in the tax authorities remain obstacles to successful modernization. Tax awareness programs and training initiatives will help improve attitudes towards the tax system and reduce the size of the shadow economy. Countries such as Sweden have successfully implemented such programs, which can serve as an example for Uzbekistan.

The fight against the shadow economy requires additional efforts. Despite the introduction of digital technologies and improved control over tax transactions, a significant part of the economy remains outside the legal field. Introducing special tax regimes, amnesties, and programs for businesses seeking to legalize can be an effective way to increase the tax base. At the same time, it is important that these measures are accompanied by strict control over compliance with tax legislation and increased responsibility for tax evasion.

One of the most important lessons that can be learned from international experience is the need to adapt reforms to local conditions. Models that have been successfully applied in other countries cannot always be directly transferred to Uzbekistan without taking into account national characteristics and context. Therefore, it is extremely important to constantly monitor and evaluate the effectiveness of reforms in order to make timely adjustments and adapt measures to the real needs of the economy and society.

Thus, the modernization of the tax system of Uzbekistan is a long-term strategic task that requires an integrated approach. Successful implementation of reforms depends on the coordination of efforts to reduce the tax burden, introduce digital technologies, improve tax literacy and combat the shadow economy. These measures will create conditions for sustainable economic growth, improving the investment climate and improving the well-being of citizens.

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