



## Ways to improve tax administration in the development of tourism in Uzbekistan (Based on foreign experience)

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### ABSTRACT

This article analyzes the importance of tourism in economic development, the work being done on the development of the tourism sector in our country. The work on improving the tax administration in the development of the tourism sector has been analyzed. On the basis of legal comparative analyzes of developed foreign countries and advanced experience, a proposal was developed to determine the existing economic problems in the organization of tax administration related to the development of tourism in our country, to develop scientific and practical recommendations related to their solutions, and to improve them.

### Keywords:

Tourism, visa, visa-free regime, tourists, infrastructure, guide activity, resource tax of foreign countries, budget, tax administration, tax potential, tax reporting, tax revenues, tax benefits, tax rate.

**Enter.** In the world, the tourism sector is embodied as a socio-economic phenomenon that directly and indirectly affects the development of all infrastructures. Modern tourism is based on a high level of development of transport, social and service sectors, which ultimately makes it a highly profitable sector of the economy. In the Republic of Uzbekistan, from the first days of our independence, the state support of the tourism industry, the creation of incentives for enterprises engaged in this industry, as well as the formation of the infrastructure for the tourism industry, are being continued at a rapid pace.

As one of the important directions of reforms in the administrative, economic, and tax system in our republic, today the tax system aimed at improving the tax administration in the development of the tourism industry in our republic is being improved. In particular, in the development of this field, the improvement of the tax administration requires further improvement of the procedure of taxation,

taking into account advanced foreign experience and involving experts, the procedure of calculating the tax for the use of subsoil.

**Research methodology.** Theoretical methods such as scientific abstraction, induction-deduction and observation, statistical analysis, vertical and horizontal analysis and methods are widely used in researching the foundations of tax administration improvement in the development of the tourism sector.

### Analysis of literature on the topic

In order to achieve the goal of developing the relevant sector, it is not enough to provide tax incentives, but it is important to constantly evaluate their effectiveness. After all, if the tax costs arising from tax credits exceed the benefits, it can have a negative impact on both the state and the recipients of tax credits (James, 2014; Steshenko & Tikhonova, 2018). Several studies have been conducted in the scientific literature to assess the effectiveness of tax incentives.

Hungerford et al. (2006), in order for tax credits to be effective, they should be (1) the size of the budget revenue lost due to the tax credit, (2) the simplicity of the administration of the tax credit and the enforcement of legal requirements, (3) the impact of market failures, and (4) the reduction of externalities. must have aspects. Also, Toder et al. According to (2002), tax incentives should have a clear goal, criteria for evaluating its success should be defined, and their direct budget costs should be preferred to achieve the goals through the introduction of tax incentives. Kujel Yu. In his textbook, he revealed the role of tourism in the socio-economic development of the country. In this, it is necessary to pay special attention to tourism as the fastest growing sector of the country [5]. According to Russian scientists N. Morozova and M. Morozov, the modern tourism industry has undergone great changes with the introduction of new computer technologies. It is practically impossible for any organization to operate successfully in the tourist business market without the use of modern information technology [6].

### **Analysis and results.**

Improving tax administration in the development of the tourism sector in Uzbekistan is very important to ensure sustainable growth and maximize revenues. Here are some ways to achieve this:

Simplify tax procedures for tourism businesses, including registration and filing. Streamlined processes can encourage compliance. Consider offering tax incentives, such as reduced VAT rates or tax holidays, to tourism-related businesses to encourage investment in the sector. Promote electronic tax filing and payment systems to reduce paperwork, improve efficiency and minimize the risk of tax evasion.

Ensuring transparency in tax administration. Taxpayers should have clear information about tax rules, deadlines and procedures. Providing information on tax obligations and benefits to tax payers in the field of tourism. This will help reduce tax evasion and increase voluntary compliance. Implement a risk-based audit strategy to target entities with a high

likelihood of compliance, reducing the burden on compliant entities.

Development of a tax policy adapted to the specific needs and problems of the tourism sector. Differentiated tax rates are being considered for various tourism-related activities. Use data analytics to detect tax evasion and fraud in the tourism industry. Advanced technologies help detect violations more effectively.

Encourage informal tourism enterprises to formalize their activities by offering incentives and simplified registration processes. Consider using the tourist report to identify unregistered or underreported businesses and potential tax evasion. Creation of a system for monitoring and evaluating the effectiveness of improving the tax administration in the field of tourism. Adjustments were made based on the results. These strategies should be adapted to the specific needs and conditions of the tourism industry of Uzbekistan. In addition, constant assessment and correction of tax policies and administration practices is essential to ensure their effectiveness in sustainable tourism development.

In particular, the decision PQ-104 of the President of the Republic of Uzbekistan dated January 27, 2022 "On additional measures for the development of the service sector" was made. As a result of the implementation of the program for the development of the service sector in the Republic of Uzbekistan in 2021-2023, the volume of service provision increased by almost 20% in 2021. At the same time, there are opportunities to increase the volume of market services by 1.5 times in 2022 and create an additional 1.5 million new jobs by introducing new approaches to the development of the service sector. Based on the specific characteristics of the regions, it was adopted in order to develop the service sector based on special approaches, provide business entities with financial resources and infrastructure, and introduce a favorable tax regime for them.

In the document, additional measures were defined for the development of the service sector, providing business entities with financial resources and infrastructure, and introducing a favorable tax regime for them.

Including:

a) from April 1, 2022 to January 1, 2025:

social tax rate for business entities that provide retail trade and public catering, hotel (accommodation) services, passenger and cargo transportation by motor vehicles, vehicle repair and maintenance, computer services, household appliance repair, agricultural and veterinary services, and entertainment facilities It was set at 1 percent.

This tax benefit is applied if the income of business entities from the implementation of these types of activities is at least 60% of the total income at the end of the current reporting (tax) period.

In this case, when cases of concealment of the number of employees by those engaged in the above-mentioned activities are detected, the validity of this tax benefit will be suspended and financial sanctions established by the legislation will be applied.

b) From January 1, 2022 to January 1, 2027, a hotel (accommodation facilities) with an area of 5 thousand square meters. for commercial complexes (including land plots occupied by them) above:

- rates of land tax and property tax levied on legal entities are reduced by 90 percent. In this case, this privilege will be used for the period of 5 years from the month of their commissioning in relation to the objects that will be newly built until January 1, 2027 (including the plot of land occupied by them);

- the right to deduct the value of buildings as depreciation expenses for two years when calculating profit tax;

v) from April 1, 2022 to January 1, 2025, for business entities registered in the tourism areas determined by the district and cities according to the list and providing catering, hotel (accommodation), trade, entertainment, tour operator and travel agent services in this area:

- turnover tax rate - 1 percent;

- the amount of tax and land tax imposed on the property of legal entities on the objects in these areas and the land plot occupied by them was determined in the amount of 1 percent of the amount calculated on these taxes.

g) when the residential facilities located along inter-neighborhood commercial and service streets are transferred to the category of non-residential facility according to the types of services listed in paragraph "a" by January 1, 2024, the rate of property tax and land tax set for individuals shall be maintained. ;

d) from January 1, 2022, the excise tax rate for mobile operators was set at 10 percent;

e) from April 1, 2022, antenna-mast metal structures in rural areas, the structures installed on them and which are an integral part of them, and the plots of land occupied by them were exempted from tax on the property of legal entities and from land tax.

**Table 1**

**Analysis of the amount of benefits expected to be used for property and land taxes in 2022 based on the decision of the President of the Republic of Uzbekistan PQ 104 (in million soms)**

№	Territory name	Hotel and accommodation service					
		Company number	Total income	Current procedure		Privilege on the decision	
				depreciation expense	Tax base	Tax base	tax amount
<b>by republic</b>		<b>432</b>	<b>377384,1</b>	<b>37 405,7</b>	<b>57562,6</b>	<b>40737,6</b>	<b>6 110,6</b>
<b>1</b>	Karakalpakstan R.	16	4 344,7	463,5	1 334,6	1 334,6	200,2
<b>2</b>	Andijan region	9	8 939,2	476,1	1 768,3	1 768,3	265,2
<b>3</b>	Bukhara region	48	15 051,6	1 864,3	1 350,0	1 251,2	187,7
<b>4</b>	Jizzakh region	19	822,7	86,1	46,7	46,7	7,0
<b>5</b>	Kashkadarya region	23	13 583,6	313,8	3 805,5	136,7	20,5
<b>6</b>	Navoi region	19	14 451,5	997,1	1 433,3	588,1	88,2
<b>7</b>	Namangan region	11	5 343,6	343,5	432,0	432,0	64,8

8	Samarkand region	52	16 471,8	2 577,2	3 499,8	2 323,6	348,5
9	Surkhandarya region	25	5 460,4	328,2	1 257,6	59,2	8,9
10	Syrdarya region	10	820,9	20,5	130,6	130,6	19,6
11	Tashkent region	36	38 971,9	2 694,4	8 326,5	8 326,5	1 249,0
12	Fergana region	34	8 449,8	697,8	1 146,0	1 146,0	171,9
13	Tashkent city	96	217629,0	23 374,5	26969,5	22757,1	3 413,6
14	Khorezm region	34	27 043,3	3 168,6	6 062,2	436,8	65,5

Consider offering tax incentives, such as reduced VAT rates or tax exemptions, for tourism-related businesses, especially those investing in less-developed regions or engaging in environmentally sustainable practices. This can stimulate investment in the sector. Promote electronic tax filing and payment systems for businesses in the tourism sector. This reduces paperwork, enhances efficiency, and minimizes the risk of tax evasion. Ensure transparency in tax administration by providing clear and accessible information on tax regulations, deadlines, and procedures. Taxpayers, especially small businesses, should easily understand their obligations. Launch taxpayer education programs targeting businesses in the tourism industry. Educated taxpayers are more likely to comply voluntarily. Establish specialized tax units or departments dedicated to the tourism sector. These units can better understand the sector's unique needs and challenges. Implement risk-based audit strategies to target businesses in the tourism sector that have a higher likelihood of non-compliance. This approach is more efficient and minimizes the burden on compliant businesses. Utilize data analytics to detect tax evasion and fraud in the tourism sector. Advanced technologies can help identify irregularities more efficiently. Foster collaboration between tax authorities and the tourism industry. Regular dialogue can help address sector-specific issues and promote compliance. Align tax administration with international best practices to attract foreign investment and tourists. This includes simplifying VAT refund processes for tourists. Invest in the capacity building of tax officials. Training programs can enhance their understanding of the tourism sector and its unique tax challenges. Leverage feedback from

tourists to identify unregistered or underreported businesses and potential tax evasion. Tourists can serve as "tax inspectors" by reporting irregularities. Establish a system for monitoring and evaluating the effectiveness of tax administration improvements in the tourism sector. Make adjustments based on the results. Implement anti-corruption measures within tax administration to reduce opportunities for bribery and corruption. Develop tax policies tailored to the tourism sector's specific needs and challenges. Consider differentiated tax rates for different tourism-related activities. Promote tourism domestically and internationally to increase the number of tourists and, subsequently, tax revenue. Encourage the use of digital platforms for booking and payment by tourists. This can help track transactions more effectively. Consider implementing a tourist accommodation tax, where tourists pay a small fee per night. This can generate revenue directly from tourists. These strategies should be adapted to Turkey's specific circumstances and the needs of its tourism industry. A dynamic and evolving approach to tax administration can help ensure its effectiveness in supporting sustainable tourism development.

Tax administration plays a crucial role in supporting the development of tourism in Germany. Here's how tax administration works in this context:

Germany offers a VAT refund scheme for tourists visiting the country. Foreign tourists who make purchases in Germany can claim a refund of the VAT paid on eligible goods when they depart the country. Tax authorities oversee this process to ensure that tourists receive their refunds promptly. This VAT refund encourages tourists to shop in Germany, boosting the retail sector.

In some German cities, tourists are

required to pay a local tourist tax, often referred to as a "city tax" or "bed tax." This tax is collected by accommodations providers and remitted to local tax authorities. The revenue generated from this tax is typically reinvested in tourism-related infrastructure, such as improving public transportation or maintaining tourist attractions. Germany also imposes an accommodation tax, commonly known as the "room tax" or "lodging tax," on overnight stays in hotels, hostels, and other accommodations. Tax authorities oversee the collection and remittance of this tax, which helps fund local tourism initiatives and cultural programs. Taxation policies affecting tourism-related businesses, such as hotels, restaurants, and travel agencies, are crucial in shaping the competitiveness of the tourism sector. Germany's tax administration ensures that these businesses comply with corporate tax regulations and benefit from any available tax incentives. Tax authorities may work alongside tourism boards and associations to promote tourism. They can provide tax incentives to attract international events, conferences, and conventions, which can stimulate tourism and boost local economies. Ensuring tax compliance among businesses in the tourism sector is essential. Tax authorities conduct regular audits and inspections to prevent tax evasion and ensure that businesses correctly report their earnings and pay the appropriate taxes.

In recent years, there has been a growing emphasis on sustainable tourism. Germany has introduced environmental taxes and incentives to promote eco-friendly tourism practices. Tax administration plays a role in ensuring that businesses comply with these regulations. Tax authorities in Germany have embraced digitalization to simplify tax processes for businesses in the tourism sector. Electronic filing and payment systems make it easier for businesses to comply with tax regulations. Tax authorities may monitor tourist spending patterns to gain insights into tourism trends and adapt taxation policies accordingly. This data can inform decisions about tax rates and incentives. Given the international nature of tourism, Germany may engage in international tax cooperation to prevent double taxation and promote tourism-related investments. In

summary, tax administration in Germany supports the tourism sector by implementing VAT refund schemes, collecting local tourist taxes, and ensuring tax compliance among tourism-related businesses. These measures help fund tourism promotion, infrastructure development, and sustainability initiatives, ultimately contributing to the growth of the tourism industry in Germany.

### **Conclusion and suggestion.**

In order to improve the tax administration in the development of tourism in Uzbekistan, the following conclusions and suggestions can be considered:

Tourism is an important factor in economic growth and job creation in Uzbekistan. The sector has enormous potential and a strategic focus on its development is essential. The tourism industry faces unique taxation challenges, including collecting value added tax (VAT) and ensuring tax compliance among tourism-related businesses. Local and accommodation taxes: Local tourism taxes and accommodation taxes can be a valuable source of income for local authorities. It is important to ensure that these taxes are collected and used transparently in tourism-related improvements. Tax authorities to work with tourism boards to promote Uzbekistan as a tourist destination. This includes providing tax incentives for international events and conventions. Given the global importance of sustainable tourism, Uzbekistan should introduce environmental taxes or incentives to encourage environmentally friendly practices in this sector.

### **Offers:**

Investing in digital tax administration systems to simplify tax processes for tourism-related businesses. This may include electronic filing and payment options. Ensure transparency in the collection and use of tourism-related taxes, such as local and accommodation taxes, to build trust between tourists and businesses. Increase training programs and educational resources for tourism businesses to increase their understanding of tax regulations and compliance. It is necessary to monitor tourism expenditures to gain insight into tourism trends that can

inform tax policy decisions and tourism development strategies. Additionally, promote sustainability in the tourism industry and consider tax incentives for businesses that use environmental practices. Encourage domestic tourism to diversify its sources of income and reduce the sector's reliance on international visitors, especially during times of global uncertainty such as the pandemic. Regular audits are necessary to prevent tax evasion and to ensure that businesses report their income correctly and pay the appropriate taxes.

In conclusion, Uzbekistan has the potential to significantly develop the tourism sector, but effective tax administration is essential for its sustainable growth. Implementing a transparent tax policy, supporting tourism-related business and ensuring stability will help develop the developing tourism industry in Uzbekistan.

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