



Proposals and recommendations for changes to tax policy in 2026 to effectively utilize tax incentives

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ABSTRACT

This article studies the theoretical and practical aspects of the effective use of tax incentives. Proposals and recommendations for possible reforms in tax policy in 2026 were developed. The study analyzed the impact of incentives on the efficiency of business entities, the investment climate, and the development of competition. On this basis, the need to simplify the system of incentives, target groups, and strengthen their monitoring mechanism was justified. The proposed measures are aimed at making tax policy more effective, stabilizing budget revenues, and improving the business environment.

Keywords:

Tax policy, tax revenues, risk analysis, risks, efficiency, digital platform, methods and tools, analysis, optimization, tax incentives, tax rate.

Introduction. In a market economy, tax incentives are one of the important tools for implementing the state's economic policy. They can activate investment processes, stimulate the activities of business entities, and develop a competitive environment. At the same time, the ineffective or aimless use of incentives can also have a negative impact on budget revenues. Therefore, improving tax policy, effective use of incentives, and determining them based on clear criteria are among the urgent issues of today.

Within the framework of the tax policy reforms planned for 2026, it is important to review the system of incentives, target them to target groups, and strengthen monitoring and control mechanisms. This study analyzes the scientific and theoretical foundations and practical mechanisms for the rational use of tax incentives, as well as develops specific proposals and recommendations for amending tax policy in 2026.

Literature review.

A. Fedorov. [1] believes that "he proposed measures to improve tax administration that would reduce the administrative burden and

stimulate the investment activity of large taxpayers, developed methods and techniques for stimulating the investment activity of large taxpayers through taxes, significantly expanding and supplementing the existing tax benefits and increasing their investment sources, and assessed their effectiveness."

V.G. Bayborodina [2] defines "tax reform as a limited or radical change in tax relations based on a large-scale restructuring of the tax system and a change in its management mechanism."

I.A. Mayburov [3] emphasizes that "tax reform is a radical change in the tax system, adapting it to the new content of state tax policy."

N.M.Dementeva [4] emphasizes that tax policy is a reflection of the state's economic policy, that it has an independent significance and should be based on the scientific theory of taxes. "The results of the implemented tax policy largely determine what adjustments the state is obliged to make to its economic policy, how to build the tax system" .

Karp M.V. [5] Tax policy is a component of the general financial policy of the state in the medium and long term, and includes such concepts as the concept of state activity in the

tax sphere, the tax mechanism, and tax system management.

According to O.Sitnikova, [6] “when entering a consolidated group of taxpayers, it is necessary to recognize or specifically revalue its assets, a procedure for transferring losses of the enterprise before entering the group should be developed, special attention should be paid to the international recognition of the financial and economic activities of the consolidated taxpayer as a subject of the same value”.

Yu. Darkina [7], referring to the characteristics of large taxpayers, states that “large taxpayers are characterized by the following features: large cash flows, extensive document turnover, the use of integration of various structural divisions subject to taxation under the simplified system, and the presence of cooperation with various companies both domestically and abroad.”

Analysis and discussion of results.

In accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated July 15, 2019 No.

589, the Decree of the President of the Republic of Uzbekistan dated June 30, 2017 No. PF-5099 and other regulatory legal acts, residents of the Technological Park of Software Products and Information Technologies (hereinafter referred to as the Technopark) are provided with privileges and preferences until January 1, 2028 and are required to transfer an allocation to the Technopark in the amount of one percent of their total income. As of September 15 of this year, 3,002 enterprises with the status of Technopark residents were operating, which is an increase of 2,843 compared to 2019 (159 enterprises in 2019).

As a result of the increasing number of Technopark residents, they have moved from being regular taxpayers to being users of benefits and preferences provided to residents, as a result of which tax revenues are decreasing year by year, causing a budget deficit.

Although the limited amount of the deficit of the consolidated budget of the Republic of Uzbekistan for 2025 is set at 3 percent of GDP, over the first 6 months of this year, Technopark residents have used tax benefits in the amount of 2.9 trillion soums (of which VAT is 1,330.2

billion soums, profit is 758.8 billion soums, social and income tax is 852.4 billion soums). By the end of 2025, the amount of benefits is expected to exceed 5.9 trillion soums.

For example: in 2024, the number of Technopark residents increased by 975 compared to 2023, and the amount of tax benefits used increased by 4.2 trillion soums, or 56% compared to 2023.

In 2019-2025, a total of 12.0 trillion soums of tax benefits were provided, and Technopark residents were exempted from all types of taxes until January 1, 2028. At the same time, by the Decree of the President of the Republic of Uzbekistan No. PF-157 dated October 14, 2024, these tax benefits were extended until January 1, 2040 for residents who exported 50% of their total income.

Technopark residents are exempt from VAT, profit, turnover, land, water, property, and social taxes, and pay income tax at a rate of 7.5 percent (such a rate is provided only for this Technopark).

Also, by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 303 dated May 29, 2024, from October 1, 2024, minimum export indicators for Technopark residents with total income of 100 billion soums and above during the calendar year and, based on these indicators, a differentiated amount of deductions from their total income to be transferred to the Technopark were introduced. At the same time, the amount of the allowance is set at one percent if the income from the export of services (goods) at the end of the quarter is 10 percent of the total income for this period, starting from October 1, 2024, 20 percent from January 1, 2026, and 35 percent from January 1, 2027.

In cases where the income from the export of services (goods) constitutes:

the amount of the allowance is set at one percent;

in cases where the income does not constitute: the amount of the allowance is set at two percent.

The number of Technopark residents registered in the Technopark in 2024 was 2,018, and they allocated an average of 231.8 billion soums to the Technopark.

When analyzing the funds allocated to the Technopark by residents in the coming years, it is projected to be 395.3 billion soums in 2025 and 522.2 billion soums in 2026. For information: in 2024, the number of residents who met the requirements of the above resolution was 7, in 2025 it is projected to be 13, and in 2026 it is projected to be 15.

In practice, income exceeding 100 billion soums:

- if exports exceed 20 percent (2026), the deduction is 1 percent or if less, 2 percent.

- if exports exceed 35 percent (2027), the deduction is 1 percent or if less, 2 percent.

Proposal: Income exceeding 100 billion soums:

- if exports exceed 20 percent (2026), the deduction is 1 percent or if less, 4 percent.

- if exports exceed 35 percent (2027), the deduction is 1 percent or if less, 4 percent.

Proposal: Income exceeding 100 billion soums:

- if exports exceed 30 percent (2026), the deduction is 1 percent or if less, 4 percent.

- if exports exceed 50 percent (2027), the deduction is 1 percent or if it is less, 4 percent.

Proposal: With income exceeding 50 billion soums:

- if exports exceed 30 percent (2026), the deduction is 1 percent or if it is less, 4 percent.

- if exports exceed 50 percent (2027), the deduction is 1 percent or if it is less, 4 percent.

The share of exports in this table is stable, but relatively low (22–24%). Therefore, it is advisable to increase membership deductions in cases where the minimum requirement is not met. In 2026, instead of the current 522.26 billion soums, it is proposed to increase it to 889–966 billion soums, which will create additional significant financial resources for the development of the IT sector. The allocation of 20% of the deduction to startups is important in stimulating innovation and new projects. Equal distribution for the state budget and IT park will ensure a systematically stable distribution of funds.

A sharp reduction in benefits and deductions will lead to an increase in tax revenues. This will have a positive impact on the state budget, but may cause financial difficulties for IT industry enterprises. A decrease in the number of enterprises from 3,850 to 1,226 will

significantly reduce the resident base of the IT park, leaving only enterprises developing high-value software. Tax revenues are expected to exceed 2 trillion soums in 2026, which will ensure financial stability for the state. If this proposal is implemented, IT service companies may exit residency. As a result, the number of services may decrease, but specialization in the production of high-tech products may increase. Based on the above, in order to increase the State budget revenue, it is proposed to apply the requirements established by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 303 dated May 29, 2024 to all participants, regardless of their total income, and to exclude residents who do not meet the requirements from the list of Technopark residents.

The mechanisms for the effective use of tax incentives are as follows:

1. Targeted targeting:

Efficiency will be higher if incentives are targeted at specific sectors or priority sectors (innovation, export, small business, startups). For example, IT, agricultural processing, export-oriented production sectors.

2. Temporary and conditional application:

Incentives should be granted for a limited period of time (for example, 3–5 years). If the enterprise does not achieve the specified results, the incentive will be canceled.

3. Tax control and monitoring:

The reporting of enterprises that have used the incentive is monitored via an electronic platform. The results are analyzed every quarter and their effectiveness is assessed.

4. Linking with investments and jobs

Requirements for investment and job creation are included in the conditions for obtaining benefits. For example: "Create at least 50 new jobs to receive benefits".

5. Ranking and sorting of tax benefits

It is calculated which of the benefits will have the greatest impact on the budget and which on the economy. Benefits with low results will be phased out.

6. High-quality electronic reporting system:

Enterprises will enter the status of using benefits online. An automated analysis will create a "benefit - result" system.

7. Replacing benefits with alternative measures: Sometimes, a general reduction in the tax rate or the provision of loans and grants may be more effective than a tax benefit.

Conclusion: In order to effectively use tax incentives, it is necessary to provide them in a targeted, conditional and timely manner, conduct electronic monitoring and constantly assess their economic effectiveness. This will create a stable and fair system for both the state budget and entrepreneurship.

The functions of effective use of tax incentives are as follows:

1. Incentive function

Encourages enterprises to invest, increase exports, and introduce new technologies. For example: granting a temporary tax exemption when opening a new manufacturing enterprise.

2. Economic development function

Develops the national economy by supporting priority sectors (IT, agriculture, innovative production).

3. Social function

Tax incentives help create new jobs and ensure employment. They also encourage socially important projects (education, healthcare, startups).

4. Regional development function

Development of production and services in underdeveloped regions through tax incentives. This reduces economic disparities between regions.

5. Competition enhancement function

Through incentives, small businesses and new entrepreneurs can compete on equal terms with large companies.

6. Function of positive impact on the budget (in the long term)

Initially, benefits may reduce budget revenues, but over time, the volume of production and the tax base expand. As a result, budget revenues increase.

Tax benefits are used in the Republic of Uzbekistan as an important tool to support the economy. However, the current system has a number of problems - the abundance and disorganization of benefits, weak monitoring, negative impact on budget revenues, imbalances between regions, and insufficient mechanisms for assessing effectiveness.

Therefore, a new approach to the system of using benefits is necessary in the process of improving tax policy in 2026.

Proposals and recommendations:

Regulate incentives. Each tax incentive should be set with clear terms and conditions and regularly reviewed.

Limit excessive tax breaks by introducing the principle of "one enterprise - one incentive".

Strengthen efficiency monitoring. Create a unified electronic monitoring system for analyzing jobs created as a result of tax incentives, investment volume and export indicators. Establish a mechanism for canceling the incentive if its effectiveness is low.

Ensure territorial balance. Direct tax incentives mainly to regions with a weak economy. Expand incentives in special economic zones and diversify production regionally.

Ensure budget stability. Conduct a preliminary financial assessment of the impact on budget revenues when granting tax incentives.

Introduce a "phased cancellation" mechanism to increase budget revenues after the benefits expire.

Ensure that domestic entrepreneurs, along with foreign investors, can equally benefit from the benefits. Create a competitive business environment through tax incentives.

Focus on priority sectors

Expand targeted tax incentives for sectors such as IT, renewable energy, export-oriented manufacturing, agro-industry and tourism.

General recommendation: In 2026, tax policy should review the benefits based on the principles of efficiency, purposefulness and temporary nature. This will stimulate economic growth, ensure budget stability and create a fair environment for entrepreneurial activity.

Conclusions and suggestions.

We believe that the above-mentioned proposal, further improving tax administration and implementing digitalization in Uzbekistan in 2026, will lead to the development of tax administration.

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