



Proposals developed for 2026 to improve tax administration in Uzbekistan

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ABSTRACT

The article summarizes the country's long-term progress in improving tax administration in the tax sphere, emphasizes the role and importance of the interregional tax inspectorate in improving large-scale reforms aimed at further strengthening the trust of business circles. Some important reforms implemented in the tax system of Uzbekistan have been studied, scientific and practical conclusions and proposals have been developed based on foreign experience and its application in our country.

Keywords:

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

Introduction. In the current process of globalization, special attention is paid to the issue of simplifying the taxation system in foreign countries, increasing budget revenues and ensuring their transparency by improving tax administration. Accordingly, today, attention is paid to scientific research in such areas as reducing the dependence of the local budget on the higher budget, expanding the revenue base of the lower budget by developing a method for determining the market value of real estate, ensuring economic development through effective tax and budgetary policy, and improving local tax calculation mechanisms.

Adabiyotlar sharhi.

Western economists "S. Fisher, R. Dornbush and R. Schmalenzi [1] argue that tax policy is not an independent concept. They approach the concept of tax policy through the concept of fiscal policy. Fiscal policy is the state's decision-making on its own revenues and expenditures." A.V. Aronov and V.A. Kashin [2] describe "the content of maximum tax policy as the main strategy of tax policy, that is, in their opinion,

increasing the number of taxes, increasing tax rates, and reducing tax benefits can be considered strategic goals of tax policy."

I.A. Mayburov [3] argues that "tax reform is a radical change in the tax system to adapt 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 the management of the tax system.

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. The digital economy requires a review of tax administration mechanisms for local taxes and the integration of digital technologies. These mechanisms are aimed at increasing the efficiency of the local tax collection process, ensuring transparency and creating convenience for taxpayers.

The main problems of tax administration in the digital economy are high costs in the tax collection process, lack of transparency in relations with taxpayers, a large share of the shadow economy, the complexity of ensuring the stability of local budget revenues, and other factors that cause the need for transformation.

The specific characteristics of the digital economy, the expansion of the scope of e-commerce and virtual services, as well as the globalization of transactions and the development of digital trade between many countries, give rise to new approaches to determining the tax base.

Also, to transform local tax administration based on digital technologies, it is necessary to expand the use of electronic tax systems, that is, electronic platforms for online receipt of tax reports and payments, and improve the electronic tax identification (e-Tax ID) system.

The use of Big Data technologies allows for data analysis and monitoring of taxpayers' financial activities to expand the tax base.

The use of blockchain technology ensures the transparency of tax payments and guarantees the non-reversibility of transactions.

Electronic invoices and audit control: invoices are received and stored in digital form. The

introduction of automated verification through electronic calculations ensures self-control in business activities.

The widespread use of automated tax collection, i.e., the system of automatic calculation and collection of taxes, and the creation of convenience for individuals and legal entities through convenient interfaces are considered effective in collecting taxes.

New mechanisms for local tax administration in the digital economy are:

a) Digital service platforms

Development of service platforms for regional tax administrations.

Real-time monitoring of taxpayer activities.

b) Special mobile applications

The ability for taxpayers to provide information and make payments through mobile applications.

c) Tax data exchange

Digital exchange of data between government agencies and banks.

Creation of an integrated database for determining taxpayer income.

d) Creation of a tax mechanism for the virtual economy

Creation of local tax mechanisms compatible with e-commerce and digital services.

Development of new rules for taxation of virtual property and income.

The positive results of the transformation of tax administration in the digital economy are as follows;

a) Increasing revenues

Reducing the share of the informal economy through digital technologies.

Increasing local budget revenues by creating new tax bases.

b) Transparency and trust

Reducing the risk of corruption by reducing the human factor in the tax process.

Strengthening mutual trust between taxpayers and government agencies.

c) Reducing administrative costs

Reducing the cost of tax collection through automated systems.

d) Increasing digital literacy

Developing taxpayers' skills in using digital technologies.

In the digital economy, the transformation of local tax administration should develop in the following areas:

Implementation of digital platforms: Widespread introduction of electronic systems for faster and more transparent tax collection.

Use of innovative technologies: Effective use of Big Data, blockchain, and artificial intelligence.

Improving the legal framework: Creating a legal basis for the taxation of e-commerce and digital services.

Creating convenience for taxpayers: Simplifying tax payments through convenient e-services and mobile applications.

Tax administration adapted to the digital economy ensures the stability of local budgets and provides a strong impetus to regional socio-economic development.

In the process of developing the digital economy in the Republic of Uzbekistan, the transformation of tax administration is one of the priority tasks. In order to increase the efficiency of local budget revenues, ensure transparency, and reduce the shadow economy, new mechanisms for managing local taxes are being introduced.

The reasons for the transformation of tax administration in the digital economy are, first of all, the updating of legislation, namely, according to the Decree of the President of the Republic of Uzbekistan No. PF-6079 dated 05.10.2020, the "Digital Uzbekistan - 2030" strategy is aimed at introducing digital technologies in all areas, and tax legislation is being adapted to the digital economy.

Also, the share of the shadow economy is around 40%, which reduces tax collections. It is important to reduce this share of the shadow economy through the widespread application of digital technologies in the sector.

The rapid growth of e-commerce in the country requires the taxation of new sources for local taxes.

The practical processes of the transformation are as follows. As a result of the introduction of the electronic tax system, the e-Soliq portal and my.soliq.uz personal account provide convenient services for taxpayers.

All tax reports are received electronically, and the work process is automated.

Using Big Data technologies, the Tax Committee has introduced modern technologies to analyze data from business entities and individuals, and the ability to identify hidden activities through Big Data has expanded.

Transparency of activities is ensured through QR-coded checks in the trade and service sectors. Online cash registers allow tax authorities to provide information in real time. Blockchain technologies are being tested in the country to make transactions transparent through the securities and property registry.

The use of electronic invoices (E-SF) in the sale of goods and services has been widely introduced. This allows for transparent and automated control of tax revenues.

The impact of the transformation of local tax administration in the Republic of Uzbekistan was manifested in the following cases:

- As a result of increased incomes of the population and business entities, revenues for local budgets are generated through digital mechanisms. In particular, revenues from property tax and land tax for individuals have increased.

- Due to the increase in e-commerce, the number of taxable objects has increased due to the reduction of the underground economy.

- Work processes have been automated through electronic systems, and administrative costs have decreased.

- As a result of improving the quality of service provision and the legal information of taxpayers through electronic services, the process of tax payments has been simplified.

The challenges in the transformation of tax administration are as follows;

- The lack of digital infrastructure (Internet) limits the digitalization of tax processes in rural areas.

- Digital literacy of the population is not equally active in using digital services.

- It is necessary to improve tax legislation and legal mechanisms adapted to the digital economy.

The following recommendations are made:

- Increase investments in the development of regional Internet networks to improve digital infrastructure;

- Strengthen special training for taxpayers and explanatory work on electronic services to increase digital literacy;
- Automate information exchange between all government agencies to integrate tax systems;
- It is necessary to develop new rules for taxes on e-commerce and digital services, using international experience in improving the mechanisms for taxing e-commerce.

Based on the above, in Uzbekistan, the transformation of local tax administration in the context of the digital economy is becoming increasingly important in increasing budget revenues and making tax payment processes more transparent. The widespread introduction of electronic systems, the use of Big Data and blockchain technologies can ensure the stability of local budgets and give impetus to regional development. Eliminating problems in the transformation process will allow increasing the full effectiveness of the digital economy.

In accordance with the Strategy "Uzbekistan-2030", in order to bring the activities of tax authorities to a new level, further improve the quality of services to taxpayers, consistently continue digitalization processes, ensure transparency in the activities of tax authorities, and increase the efficiency of human resources use, we propose the following:

Proposed amendment:

Article 46 of the Tax Code. Sale of goods and services. ...

(part three) The taxpayer's activity to receive funds in the form of distribution of fines collected from legal entities and individuals to authorized state bodies is recognized as the provision of services to an authorized state body for a fee.

Expected impact and justification of the proposed conditions: Entrepreneurs in the republic are allowed to organize activities by installing software and hardware tools for photo and video recording of traffic violations.

In particular, in 2024, the turnover of services of 25 enterprises amounted to 280 billion soums (216 billion soums in 2023, an increase of 30%). According to the resolution on the regulation of this activity (21.04.21, No. 232 of the State Duma of the Republic of Uzbekistan), it is established that entrepreneurs will be paid

based on the distribution of the amount of fines collected for the recorded traffic violations (50% for up to 2 years, and 10% thereafter). In this case, despite the fact that the entrepreneur provides services to a state body, the amount of the fine is recognized as the tax base when calculating VAT in relation to this activity (i.e., the qualification that the fine should include VAT) and this is causing numerous tax disputes (VAT not being taken into account). In order to provide entrepreneurs with the opportunity to account for VAT, it is proposed that this activity be considered by the entrepreneur as the provision of services to an authorized body and VAT be calculated for the services provided.

Proposed amendment: Article 47 of the Tax Code. Invoice

(part one) When selling goods (services), legal entities, individual entrepreneurs and self-employed persons are obliged to provide an invoice to the purchasers of these goods (services), unless otherwise provided for in this article.

Expected impact and justification of the proposed conditions: In accordance with the Resolution of the President of the Republic of Uzbekistan No. PQ-247 dated August 12, 2025, the tax rate on turnover for individual entrepreneurs and self-employed persons with an annual turnover of up to 1 billion soums is set at 1 percent.

At the same time, self-employed persons will be able to identify themselves using electronic invoices and acceptance and delivery certificates (on work performed) on digital platforms using remote biometrics. Today, 5.8 million self-employed persons are registered. At the same time, the approved list of activities that can be engaged in by self-employed persons provides for more than 100 types of activities aimed at providing services to legal entities. For example, the counterparties of self-employed persons engaged in the production of paper boxes and packages are mainly legal entities engaged in production or services. In this case, legal entities request self-employed persons to provide invoices for the goods they purchase. It is established that legal entities and individual entrepreneurs who are taxpayers of turnover tax must issue invoices. Now, according to the

resolution, self-employed persons are also considered taxpayers of turnover tax and are required to issue invoices like legal entities and individual entrepreneurs. Tax reports of self-employed persons registered on the digital platform are automatically generated by the platform based on the information from invoices and QR codes indicating their turnover. In accordance with the above, it is proposed to issue invoices by self-employed persons.

Proposed amendment: Article 60 of the Tax Code. Other concepts used in this Code. For the purposes of this Code, the following concepts are also used: ...

(twelfth paragraph) The main type of activity is the type of activity in which the share of net proceeds in the total sales of a legal entity at the end of the reporting period prevails.

Expected impact and justification of the proposed conditions: Articles 187, 206, 243, 302 of the Tax Code state that certain issues related to ensuring the fulfillment of tax obligations depend on the main type of activity of the taxpayer.

However, since this Code does not provide a definition of the term "main type of activity", Article 60 of the Tax Code is supplemented with the twelfth paragraph to this effect.

Proposed amendment: Article 75 of the Tax Code. Tax benefits ...

(part three) Unless otherwise provided for in part five of this Article, tax benefits are provided by this Code. ...

(part five) Tax benefits for certain taxes, value added tax, profit tax

To legal entities that have received the status of a participant in a special economic zone by January 1, 2026.

(Part Seventeen) Tax authorities shall send a notification to legal entities electronically to the taxpayer's personal account no later than January 20 of each year, informing them of their right to use tax benefits for the current tax period in respect of property tax and land tax levied on legal entities.

(Part Eighteen) The provisions of Part Fourteen of this Article shall apply to taxpayers newly established during the tax period, including newly granted tax benefits, as of the end of the

next tax period, with the exception of reorganized legal entities.

Expected impact and justification of the proposed conditions:

1) In accordance with paragraph 10 of Appendix 1 to the Resolution of the President of the Republic of Uzbekistan No. PQ-226 dated July 18, 2025, it is envisaged to introduce a mechanism for transitioning from income-based benefits provided to investors to expense-based benefits.

According to it, taking into account the fact that the exemption from profit tax for entrepreneurs does not directly encourage the purchase of new technological equipment and expansion of production, the International Monetary Fund, as part of its mission in June of this year, recommended the introduction of a cost-based benefit, that is, an accelerated depreciation procedure.

In this case, enterprises are given the opportunity to determine the amount of depreciation for fixed assets (equipment, buildings, etc.) in the amount corresponding to the excess of their income over current expenses in the reporting period (quarter, year).

For example, in 2024, the total income of LLC "A" in the Navoi FEZ amounted to 63 billion soums, and total expenses amounted to 52 billion soums. As of January 1, 2025, the enterprise had a fixed asset balance of 36 billion soums.

According to the proposed procedure, an enterprise will be able to apply an accelerated depreciation amount of 11 billion soums (63-52), and the taxable profit of the enterprise will be equal to "zero". In particular, the enterprise will not pay profit tax by accelerating the depreciation of about 33 billion soums (an average of 11 billion soums per year) or 91 percent of fixed assets compared to the balance as of January 1, 2025. This procedure will allow enterprises to recoup their expenses for the purchase of fixed assets in the short term without paying profit tax. In addition, this procedure will also encourage enterprises to reduce their current expenses in order to depreciate fixed assets faster. According to current legislation, entrepreneurs have the

right to deduct 20 percent of their investments in equipment from their income each year by depreciating this amount, that is, to reduce their taxable profit by this amount (20 percent).

In countries such as Georgia, Estonia and Latvia, an enterprise has the opportunity to fully deduct the cost of assets in the tax year in which the fixed assets are put into operation. The IMF recommended gradually abandoning this procedure, while maintaining the terms of the current profit tax exemptions, and not providing benefits in the form of reducing the tax rate. The amount of benefits provided by legislative acts on resource taxes amounted to 3.2 trillion soums in 2024, which is more than 2 times more than in 2023 (1.3 trillion). It accounted for almost 30 percent of resource taxes paid by legal entities (10.5 trillion). By sector, 73% of the benefits fall on agriculture (mainly property tax), special economic zone participants and directorates (23%, 735 billion), hotels and tour operators (6.9%, 219 billion), and private social sector facilities (4.5%, 141 billion). a) As a result of the work carried out to support special economic zones and the benefits provided, the turnover of zone participants using resource tax benefits in 2022-2024 increased by 1.5 times (from 27.8 trillion soums to 42.4 trillion soums), and the number of jobs created increased by 34% (from 53.7 thousand to 72 thousand). At the same time, in these zones, 88 enterprises in 2024 used resource tax benefits worth 91.3 billion soums without reporting any turnover in their tax reports, and 54 enterprises used benefits worth 8.6 billion soums without registering 1 employee or no employees at all. For example, LLC "A", which has an area of 22 hectares in the Ahangaran district and started its activities in 2020, used benefits worth a total of 927 million soums in 2024, but did not report turnover and the number of employees in its tax reports. On the contrary, the joint venture "B" LLC, which started its activities at the same time and in the same region, with an area of 10 hectares, in 2024, using incentives worth 965 million soums, realized a turnover of about 300 billion soums and created more than 600 jobs.

b) The turnover of entrepreneurs operating in the service sector in 2022-2024 increased by more than 2 times and amounted to 186 trillion

soums. However, in 2024, 208 out of 1,748 enterprises in the private education and healthcare sectors did not indicate turnover at all in their tax reports, taking advantage of resource tax incentives worth 11.9 billion soums. 125 (7 percent) used tax benefits (9.8 billion soums) more than turnover (3.5 billion soums). 34 enterprises used benefits worth about 2 billion soums and did not list their employees at all, while 79 registered 1 employee and used resource tax benefits worth 2.9 billion soums. For example, LLC "A", which started its activities in Tashkent in 2020, used benefits on land and property taxes worth about 90 million soums in 2024, but did not list its turnover and employees in its tax reports. "B", which started its activities during the same period.

c) There are 2,172 business entities engaged in hotel activities across the republic, of which 433 newly established ones benefited from resource tax benefits worth 128 billion soums (97 billion soums in 2023).

By the Resolution of the President of the Republic of Uzbekistan No. PQ-104 dated January 27, 2022, it was created an opportunity to reduce land tax and property tax rates by 90 percent for newly built hotels and shopping complexes for 5 years from January 1, 2022 to January 1, 2027. According to tax reports, the turnover of 79 hotels in 2024 (1 billion soums) is 11 times less than the used resource tax benefits (12 billion soums), and 54 of them used benefits worth 6.6 billion soums without indicating turnover at all. For example, according to the tax reports of LLC "A", which began its activities in Tashkent in 2019, in 2023 it had a turnover of 520 million soums, while in 2024 this figure decreased by 85% and amounted to 76 million soums. The benefit used in 2024 amounted to 93 million soums. Also, according to tax reports, out of 24 hotels that used resource tax incentives in 2024, 21 had 1 employee registered, while 3 did not have any employees at all. However, the incentive used by these enterprises in 2024 amounted to 2 billion soums.

For example, according to the tax reports of Hotel "A", which began its activities in the Samarkand region in 2018, only 1 employee was

listed in 2023-2024 and did not show any turnover in either year.

However, the incentive used by this hotel amounted to 137 million soums in 2023 and 183 million soums in 2024.

Proposed amendment:

Article 81 of the Tax Code. Formation and preparation of tax reports ...

(part five) Reports on property tax of legal entities, land tax from legal entities, income tax from individuals, social tax, value added tax and turnover tax are formed by tax authorities in electronic form on the basis of data available in the information system of tax authorities and entered by the taxpayer (tax agent) in the interactive service in his personal account.

(part six) If the data in the report formed by the tax authorities differ from the accounting documents of the taxpayer (tax agent), the taxpayer (tax agent) shall make and submit corrections to this report within five days, but not later than the deadline for submission of the relevant report.

(part seven) Failure to make corrections to the tax report formed by the tax authorities within the period specified in part six of this article shall indicate the tax agent's consent to the report formed by the tax authorities and shall be considered submitted as formed by the tax authorities.

(Part Eight) The procedure for compiling, amending and submitting a report prepared by tax authorities shall be determined by the Cabinet of Ministers of the Republic of Uzbekistan.

Expected impact and justification of the proposed conditions: In accordance with subparagraph a of paragraph 11 of the Decree of the President of the Republic of Uzbekistan No. PF-138 (19.08.2025), the task of compiling tax reports on property and land tax collected from legal entities, income tax collected from individuals and social tax has been transferred to tax authorities. Also, the taxpayer is given the right to make the necessary corrections to the tax reports prepared by tax authorities within five working days and submit the amended tax report. In addition, the Presidential Decree No. PQ-247 dated August 12, 2025 established the payment of turnover tax for individual

entrepreneurs and self-employed persons with an annual turnover of up to one billion soums. In this case, in accordance with the legislation, individual entrepreneurs and self-employed persons with a turnover exceeding one billion soums will be subject to VAT. In turn, they will also be obliged to submit AOS and VAT reports. In order to create favorable conditions for individual entrepreneurs and self-employed persons, to prepare and submit tax reports for them, and to reduce the impact measures (cases of administrative liability, freezing of bank accounts, suspension of VAT certificates) for failure to submit reports on time, it is proposed that tax authorities proactively form value added tax and turnover tax reports. For information: for 9 months of 2025, out of 47,523 cases of untimely submission of VAT reports, 20,923 cases were filed, and AOS reports were filed on time.

Conclusions and proposals.

The results of the study of foreign experience made it possible to formulate a multi-component author's approach to assessing the effectiveness of tax policy, in particular:

- the importance of approaching non-taxable or preferential turnover, objects, sectors and groups of individual taxpayers for a realistic assessment of the level of the tax burden on the economy as a whole;
- ensuring the forecast indicators of tax revenues in the revenue part of the state budget to ensure state activity;
- reducing tax risks;
- the quality of tax policy implemented through the use of a resource approach and a targeted approach, achieving the set goals. We believe that the above proposal will lead to the development of tax administration in Uzbekistan, further improvement of tax administration and the introduction of digitalization into practice.

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