



TAX ANALYSIS: THEORETICAL FOUNDATIONS, INTERNATIONAL EXPERIENCE, AND PRACTICAL APPROACH ON THE EXAMPLE OF UZBEKISTAN

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Received: 28 th December 2025 Accepted: 24 th February 2026	The paper provides an in-depth examination of key issues such as methodologies for assessing tax system efficiency, the impact of tax burden on economic growth, and the fiscal effectiveness of tax incentives. Special attention is given to the large-scale tax reform implemented in the Republic of Uzbekistan since 2017. Based on a comparison of Uzbekistan's tax burden with OECD countries and developing economies, several strategic recommendations are proposed. The findings indicate that the ongoing tax reforms in Uzbekistan contribute to the stabilization of budget revenues and the stimulation of economic growth; however, challenges remain in the areas of tax administration and ease of tax compliance.

Keywords: tax analysis, fiscal policy, tax burden, tax efficiency, taxpayers, tax incentives, Uzbekistan tax system, international tax comparison, tax reform, budget revenues

INTRODUCTION.

Taxation is one of the main instruments that plays an important role in the economic, social and political life of the state, which is not only a source of budget revenue, but also performs the functions of regulating economic activity, reducing social inequality and financing state spending. Therefore, the analysis of the tax system is one of the important foundations for developing any economic policy.

In modern economic theory, tax analysis has been formed as a broad direction, in which micro- and macroeconomic approaches, mathematical modeling, historical analysis and comparative legal approaches are comprehensively used. The scientific heritage, starting from the basic principles of taxation of Adam Smith (1776), to the theory of externalities of A. Pigou (1920), the views of J.M. Keynes (1936) on fiscal policy and modern optimal tax theories, shows that this field has deep roots.

Globalization processes and the liberalization of international capital movements have created new problems in the field of taxation. On the one hand, tax competition between countries has intensified, and some countries have begun to seek to attract foreign investment through low tax rates. On the other hand, the problem of tax base reduction by large transnational corporations through transfer pricing methods and the use of offshore territories has arisen. This situation has led to the emergence of the Base Erosion and Profit Shifting (BEPS) initiative developed by the Organization for Economic Cooperation and Development (OECD).

After independence, the Republic of Uzbekistan has implemented phased reforms to adapt its tax system to the principles of a market economy. The adoption of the new Tax Code in 2019 was an important step on this path, in which tax rates were optimized, tax types were reduced, and tax administration was improved based on modern digital approaches. Nevertheless, some problems related to the level of tax compliance, the share of the informal economy, and the effectiveness of tax incentives still remain relevant.

LITERATURE REVIEW.

The scientific foundations of tax theory were formed by the classical economic school. Adam Smith (1776) in his work "The Nature and Causes of the Wealth of Nations" scientifically substantiated four main principles of taxation: justice, certainty, convenience of payment and economy. These principles have retained their relevance for more than two centuries and serve as the main criterion for evaluating modern tax systems (Musgrave and Musgrave, 1989).

In the 19th century, classical economists, in particular David Ricardo and James Mill, began to study the distribution of the tax burden among economic entities, that is, the transfer of the tax burden. Ricardo's analysis of the taxation of rent serves as one of the first theoretical foundations of the theory of the transfer of the tax burden (Ricardo, 1817).

In the first half of the 20th century, two main scientific directions were formed in the development of fiscal policy theory. The first is the theory of externalities and



social costs developed by A. Pigou (1920), which later formed the basis of the concept of "Pigouvian taxation". The second is the macroeconomic theory put forward by J.M. Keynes (1936), which substantiates the role of the tax system as a stabilizing tool in the economy. According to Keynes, during periods of economic decline, aggregate demand can be stimulated by reducing taxes or increasing government spending. The foundations of modern optimal tax theory were formed in the works of F. Ramsay (1927) and J. Mirrlees (1971). According to Ramsay's model, the tax burden should be distributed among goods depending on their elasticity of demand: applying lower taxes to goods with high elasticity and higher taxes to goods with low elasticity increases overall economic efficiency. This approach is known in the economic literature as the "rule of inverse elasticity". Mirrlees studied the problem of optimizing income taxes under conditions of information asymmetry and was awarded the Nobel Prize for his fundamental work in this field.

In recent decades, behavioral economics has become an important direction in the study of tax policy. The concept of "nudge" (light guidance) put forward by Thaler and Sunstein (2008) demonstrates the possibility of shaping the decision-making behavior of taxpayers through institutional design. For example, automated registration systems, simplified tax reporting, and psychologically convenient payment deadlines are considered effective tools for increasing tax compliance. In developing countries, the literature on tax policy has developed as a separate direction. Tanzi and Zee (2000) for the International Monetary Fund identified the main principles of tax policy in developing countries, and identified the large informal sector, weak tax administration, and political factors as the main obstacles to broadening the tax base.

Bird and Zolt (2005) analyzed the practice of progressive income taxes in developing countries and noted that, although the structure is formally progressive, its effectiveness in practice is limited. This is mainly explained by the high share of the informal economy and institutional weaknesses in tax administration.

Studies conducted on transition economies, including Uzbekistan and Central Asian countries (Dixon and Rabanal, 2009; Dabla-Norris and Koeda, 2008), show that the success of tax reforms depends on a number of factors. These factors include a technically sound legislative framework, modernization of tax administration, increased tax payers' literacy, and the presence of political will.

RESEARCH METHODOLOGY.

This article is based on a multi-method approach. The study used comparative analysis, statistical analysis, document analysis, and case analysis methods. Through comparative analysis, tax systems of different countries were compared. Statistical analysis studied changes in tax indicators. Document analysis examined tax legislation and reforms. Case analysis was used to study tax reforms in Uzbekistan.

ANALYSIS AND DISCUSSION OF RESULTS.

Tax is understood as a mandatory gratuitous payment established by this Code, paid to the State Budget of the Republic of Uzbekistan or a state trust fund. (Tax Code of the Republic of Uzbekistan, 2019).

In economic theory, four main functions of taxes are distinguished. The fiscal function serves to form state budget revenues. Through the regulatory function, taxes direct economic activity: they stimulate through benefits and restrict through high rates.

The redistribution function is aimed at reducing social inequality, and income is redistributed through a progressive tax system. The control function serves to monitor economic processes and reduce the informal economy.

For a modern tax system to function effectively, it must meet a number of basic principles. These principles are not only theoretically important, but also determine the stability of tax policy in practice and its impact on economic growth.

Firstly, the tax system should not put excessive pressure on the economy. That is, taxes should not slow down investment processes, limit entrepreneurial activity, and negatively affect production decisions. Otherwise, an increase in the tax burden can lead to a decrease in economic activity.

Secondly, the principle of fairness is one of the most important foundations of the tax system. According to this principle, persons in the same economic situation should pay the same amount of tax (horizontal fairness). At the same time, income redistribution in society is ensured by individuals and organizations with higher incomes paying more taxes (vertical justice). This approach plays an important role in balancing social equality.

Thirdly, the tax system should be simple and understandable. The more complex the tax rules, the more difficult it is for taxpayers to understand and implement them. This can increase additional administrative costs and lead to tax evasion. Therefore, simplicity is an important factor ensuring the effectiveness of the tax system.

Fourthly, the stability of tax rules is of great importance. Frequent and unexpected changes in the tax system



make the investment environment uncertain, complicate long-term economic planning, and reduce the level of confidence of business entities.

Fifthly, the tax system must provide a sufficient source of revenue for the state budget. That is, taxes should be sufficient to cover the social, economic and infrastructure costs of the state. At the same time, it is

also important that these revenues are stable and predictable.

The ratio of total tax revenues to GDP is used as the main standard measure for comparing the tax burden internationally. According to OECD Revenue Statistics, the average tax burden in OECD countries in 2022 was 34.1 percent of gross domestic product (2023 data).

Table 1.

Tax burden of OECD and selected countries (% of GDP, 2022)
(OECD Revenue Statistics 2023; Tax Committee of Uzbekistan, 2024)

Country	Tax burden (% of GDP)	Key features
Denmark	46,9%	Highest tax burden
France	45,4%	Extensive social protection
Belgium	44,8%	High social insurance
Sweden	42,6%	Universal social services
OECD average	34,1%	Base of comparison
USA	27,7%	Relatively low federal taxes
Ireland	21,8%	Low corporate taxes
Mexico	16,9%	Large informal sector
Uzbekistan (2023)	~22–24%	Under reform

Table 1 shows that the significant international variation in tax burdens is related to the social model, level of economic development and political system of the countries. In particular, the high tax burden in the Scandinavian countries (42–47%) is explained by the need to finance their large-scale welfare state model. These countries have highly developed education, health and social protection systems, and high tax revenues are required to sustainably finance these sectors.

One of the important approaches to this issue in economic theory is the Laffer curve. According to this theory, put forward by the English economist Arthur Laffer (1974), when tax rates exceed a certain threshold, tax revenues may decrease. This is explained by the fact that a high tax burden reduces economic activity and increases tax evasion.

However, empirical studies show that the exact “highest point” of the Laffer curve is not the same for all countries. For example, Trabandt and Uhlig (2011) estimate that this point is around 70 percent for capital income and 80 percent for labor income.

The tax systems of developing countries are characterized by a number of common problems. The most important of these is the narrowness of the tax base. This is due to the existence of a large informal sector, insufficiently developed tax administration, and the use of numerous tax incentives. According to the International Monetary Fund, developing countries, on average, only realize 60–70 percent of their tax

potential, i.e., there is a 30–40 percent difference in tax collection (tax gap).

In sub-Saharan Africa and South Asia, the number of taxpayers remains low relative to the general population and the economically active population. In many countries, taxpayers account for 20–30 percent of the economically active population (Bird and Zolt, 2005). This situation leads to a large tax burden falling mainly on a small segment of the formal sector, which leads to a violation of the principle of fairness in the tax system. In Latin American countries, value-added tax has become the main source of tax revenues. In most countries, this type of tax accounts for 40–50 percent of total tax revenues (ECLAC, 2023). This trend is also characteristic of Central Asian countries, including Uzbekistan, where value-added tax is also one of the main sources of budget revenues.

After the Republic of Uzbekistan gained independence (1991), the process of reforming the tax system in accordance with the requirements of a market economy began. The first stage (1991–2001) was mainly focused on creating the necessary legal and institutional foundations for the transition from the Soviet-era economic system to new market relations. During this period, the main types of taxes were introduced, such as income tax, profit tax, value added tax, and excise tax.

During the second stage (2001–2010), attention was paid to improving the tax system and strengthening tax administration. Tax rates were gradually reduced, tax



legislation was systematized, and the institutional capacity of tax authorities was increased.

The third stage (2010–2018) is characterized by the modernization and digitalization of the tax system. An electronic tax reporting system was introduced, a personal account system for taxpayers was launched, and financial statements were brought into line with international standards.

The fourth stage (from 2018 to the present) is the period of the most comprehensive reforms. The new Tax Code, adopted in 2018, entered into force on January 1, 2019, initiating fundamental changes in the tax system.

One of the main directions of the 2019 reforms was the optimization of tax rates. The personal income tax was reduced from 22.5% to 12%, the profit tax was changed from 14% to 15%, and the value added tax was reduced from 20% to 12%. At the same time, some tax benefits were revised and the system was simplified. One of the important aspects of the reforms is the “tax maneuver” strategy, which is aimed at reducing tax rates while simultaneously expanding the tax base and improving tax administration. This approach is comparable to some foreign experiences, including tax reforms in the Russian Federation.

As a result of the reforms, the number of officially registered taxpayers has increased significantly: from approximately 400 thousand in 2018, it has exceeded 1 million by 2023. State budget revenues have also increased - the ratio of tax revenues to gross domestic product (GDP) was 20.3 percent in 2019, and reached 22.8 percent in 2023 (Ministry of Finance of the Republic of Uzbekistan, 2024).

The impact of the tax burden on economic growth is one of the most important and controversial issues in economics. It is difficult to draw a clear and unified conclusion in this area, since the experience of different countries shows different results. For example, although the Scandinavian countries have a high tax burden (42–47 percent of GDP), they have a high quality of life, low corruption levels, and stable economic growth. This refutes the simplistic view that “high taxes always lead to low growth.”

The impact of the tax burden is determined not only by its amount, but also by its composition. In a study conducted by Kneller, Bleaney, and Gemmell (1999) on the example of 22 OECD countries, it was found that income taxes and taxes on capital have a more negative impact on economic growth. Arnold et al. (2011), comparing the types of taxes based on OECD data, showed that real estate taxes have the least negative impact on economic growth, while income taxes have a relatively greater impact. On this basis, it was noted that

optimizing the tax structure can stimulate economic growth. In the conditions of Uzbekistan, the impact of tax reforms on economic growth has also been observed. After the tax reforms in 2019, economic growth rates in the country remained at an average of 5–6 percent. Despite the impact of the COVID-19 pandemic, the economy grew by 7.4 percent in 2021 (World Bank, 2022). This suggests that a reduction in the tax burden and an improvement in the tax system can support economic activity.

However, this relationship is not constant and direct. How tax revenues are spent is also very important. If tax revenues are directed to effective public services, then a high tax burden may not have a negative impact on the economy, but on the contrary, it may have a positive effect. For example, the experience of Sweden and Denmark shows that despite a high tax burden, these countries maintain a high level of economic competitiveness and quality of life (IMD, 2023).

Tax incentives are a system of tax exemptions, reductions in tax rates, extension of payment terms, or other benefits granted by the state to certain taxpayers on the basis of law in order to support certain sectors or types of activity. In developing countries, tax incentives are mainly used to attract foreign investment, diversify the economy, and stimulate production.

The effectiveness of tax incentives has been a controversial issue for many years. According to a study by James (2013) of 150 countries, the impact of tax incentives on investment is not the same in all cases. In some countries, they have a significant positive effect, while in others this effect is very weak. The general conclusion is that tax incentives are not the main factor of investment; more important factors for investors are political stability, legal protection, and the quality of infrastructure.

The system of tax incentives in Uzbekistan was previously quite extensive and complex. Before the 2019 reforms, the country had more than 100 types of tax incentives, some of which were practically ineffective. With the adoption of the new Tax Code, the number of benefits was reduced, but the main benefits were retained in strategic areas - free economic zones, the information technology sector, agriculture and export-oriented production.

According to 2023 data, the annual fiscal value of tax benefits in Uzbekistan is approximately 20-25 trillion soums, which is equivalent to 3-4 percent of gross domestic product (Ministry of Finance, 2024). This indicator indicates the need for a systematic analysis of tax benefits, assessment of their effectiveness, and a gradual reduction of ineffective benefits.



In international practice, a number of practices are used to effectively manage tax benefits. In particular, the fiscal value of all benefits is separately calculated and publicly announced by forming a "tax expenditure budget". Also important is the practice of temporarily introducing benefits, revising them after a certain period, annually assessing their effectiveness, and abolishing ineffective benefits.

The effectiveness of a modern tax system depends not only on the quality of tax legislation, but also on the level of tax administration. Tax administration is the set of processes by tax authorities to implement tax laws, register taxpayers, receive and verify declarations, maintain tax records, and collect tax debts.

In recent years, digitalization has led to significant changes in tax administration. The introduction of electronic reporting systems has significantly simplified the reporting process for taxpayers and reduced time spent. For example, the experience of Brazil shows that the transition to electronic reporting has led to a reduction in reporting time by more than 50 percent (Okunogbe and Policuen, 2022). In South Korea, the introduction of an electronic invoicing system has contributed to an increase in value-added tax revenues and strengthened tax control.

A number of areas for digitalization of tax administration are also being implemented in Uzbekistan. The first direction is the development of the taxpayers' personal account system (my.soliq.uz), the number of which exceeded 2 million in 2023, and the ability to carry out basic tax transactions online was created.

The second direction is the introduction of an electronic invoicing system. This system serves to digitize transactions between legal entities, clarify the calculation of value-added tax and strengthen tax control.

The third direction is the introduction of online cash registers, which made it possible to monitor trade transactions in real time and had a positive effect on increasing tax revenues.

The fourth direction is the use of artificial intelligence and big data technologies in tax control. This allows tax authorities to identify and analyze risky taxpayers.

According to the World Bank, although there has been no significant change in the time spent on the tax payment process in Uzbekistan, there are positive developments in other areas of tax administration. This shows the need to deepen digitization processes in the field.

CONCLUSIONS AND SUGGESTIONS

Our research was aimed at a comprehensive analysis of the role of the tax system in the economy, the factors

affecting its effectiveness, and the essence of the tax reforms being implemented in Uzbekistan. The analysis shows that the modern tax system is not only a means of revenue collection, but also an important institution that ensures economic growth, social justice, and state stability.

The following conclusions were drawn based on the analysis.

First of all, the effectiveness of the tax system is determined not by the high or low tax burden, but by its compliance with the economic environment, the quality of tax administration, and the strength of institutions. In particular, the experience of Scandinavian countries shows that it is possible to achieve sustainable economic growth even in conditions of high tax burden, which is associated with strong institutions and a low corruption environment.

Secondly, it was found that the tax reforms being implemented in Uzbekistan are generally in a positive direction. Measures such as optimizing the tax burden, expanding the tax base, and digitizing administration are contributing to the sustainable maintenance of economic growth.

Thirdly, there is still a need to improve the system of tax benefits. Due to the insufficient development of the system for assessing the effectiveness of certain benefits, losses may be observed in the use of budget resources.

Fourthly, digitization is emerging as a decisive factor in modernizing the tax system. At the same time, making digital services more convenient and understandable for all segments of the population, including small businesses, is of great importance.

As a final conclusion, it can be noted that the tax system is one of the most important instruments of economic policy, and its effectiveness depends on an integrated approach. The reforms being implemented in Uzbekistan are the right steps in this direction, bringing the country closer to a modern, effective, and sustainable tax system.

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