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# DYNAMICS AND ANALYSIS OF VALUE ADDED TAX REVENUES IN THE STATE BUDGET OF UZBEKISTAN

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**Abstract:** The article analyzes the role of Value Added Tax (VAT) revenues and annual growth rates in the state budget of the Republic of Uzbekistan. The dynamics of VAT revenue of 2017-2024 was considered on the basis of Statistics and covered the importance of this type of tax in ensuring the maintenance of fiscal policy. the share of VAT in the revenues of the state, state performance, its structural changes and support of the general form have been deeply analyzed. The article will analyze the existing problems and develop practical recommendations for more effective VAT management and receipts.

**Key words:** Value Added Tax, state budget, tax revenues, fiscal stability, VAT rates, tax base, domestic consumption, budget revenues, structural analysis, economic stagnation.

## INTRODUCTION

In the current era of increasing complexity of the world economy, the economic independence and financial stability of each state are gaining strategic importance. Changes in global political and economic processes, including geopolitical conflicts, volatility in energy prices, disruptions in logistics chains, require the formation of new factors of financial stability. This, in turn, makes the formation of state budget revenues based on stable and predictable sources an urgent issue.

Since today the main part of state budget revenues is formed at the expense of indirect taxes, it is necessary to deeply analyze their impact on the economy and budget stability. Especially in the post-pandemic period, sources such as VAT and excise tax serve as a financial support for the state in restoring economic stability and fiscal balance. The role of indirect taxes in the economic and fiscal system is that they are also used by the state as a tool to regulate production and consumption. VAT and excise taxes not only raise revenue, but also have the potential to influence consumption patterns, specific sectors, or product types. For example, excise taxes are widely used to limit products that are harmful to health, while VAT is widely used to finance government spending.

Empirical analyses are important in determining how these taxes are related to economic variables, as well as in assessing their fiscal efficiency. By studying the impact of indirect taxes on income through regression, correlation, panel and factor analyses, directions for improving economic policy are identified. This creates the basis for transforming public finances into a predictable and manageable system. In addition, empirical analyses can determine the relationship between factors such as economic growth, inflation rate, population consumption and tax rates and indirect tax revenues. This information will serve as the main criterion for determining tax rates, introducing or abolishing tax incentives in the future.

Also, as a result of reforms in state financial policy aimed at digitization and improving tax administration, VAT and excise tax revenues have increased. The level of tax compliance is increasing through electronic invoicing and automated monitoring systems, which strengthens the role of indirect taxes in budget stability. Indirect taxes, by their nature, are consumption-based and directly depend on the real income of the population, economic activity and the level of inflation. Therefore, constant monitoring of their dynamics and assessment based on empirical analysis is an important direction in state policy. The article studies the impact of indirect

taxes, such as VAT and excise tax, on the stability of state budget revenues based on empirical data. The fiscal significance of these taxes in the conditions of Uzbekistan, their relationship with economic growth, tax rates and the level of tax compliance are analyzed. Also, existing problems are identified and proposals are developed to eliminate them. This not only ensures the financial stability of the state, but also serves socio-economic development.

## LITERATURE REVIEW

Research on value-added tax is devoted to the issues of the impact of taxes on the economy and the share of budget revenues. Musgrave and Musgrave emphasized the importance of stabilizing state revenues by regulating the tax system. Stiglitz studied the impact of VAT on stimulating consumption and economic growth. Tanzi and Zee conducted an in-depth analysis of the social and economic impact of VAT in developing countries.

In local studies, Gulamov's work is the main source for studying the economic efficiency of VAT in the conditions of Uzbekistan. Also, the information provided by the World Bank and the International Monetary Fund is of valuable importance in taking into account international experience.

## METHODOLOGY

A number of statistical and economic analysis methods were used to empirically assess the impact of indirect taxes (in particular, value added tax and excise tax) on the stability of state budget revenues.

Econometric and statistical analysis methods: the regression model was used as the main analytical tool to determine the impact of indirect taxes on budget revenues. This method studied the relationship (correlation) between tax revenues and budget stability, and the relative degree of influence of variables was also determined using factor analysis. These approaches were important in obtaining analytical results based on available statistical data and interpreting them in economic logic.

Panel data analysis: panel regression models were used to study the impact of indirect taxes on fiscal stability in a more in-depth manner in time and cross-sectional dimensions (for example, by year or by region). This method allows us to compare how indirect taxes have affected the level of sustainability over time.

Analysis in the fiscal model and political and social context: The impact of tax policy and macroeconomic factors on the sustainability of state budget revenues was comprehensively assessed. This method analyzed the role of indirect taxes in fiscal policy, the process of transforming tax revenues into state financial resources, and the mechanisms for their redistribution by the state.

Studying the characteristics of the tax system: In order to deeply understand the impact of indirect taxes, a comprehensive analysis was conducted of the regulatory and legal framework, rates, composition of the tax base, and level of administration of this tax system. This method served to determine the institutional impact of the tax system on the sustainability of state budget revenues.

Analysis of numerical and empirical data: based on official statistical data (State Statistics Committee, Ministry of Finance reports, etc.), the volume, growth rates, and share of indirect tax revenues in budget revenues were studied. The results of the economic analysis were precisely substantiated using this empirical data.

## ANALYSIS AND ANALYSIS RESULTS

Value added tax (VAT) occupies an important place in the structure of state budget revenues of the Republic of Uzbekistan. The dynamics of changes in VAT revenues, their share in total budget revenues, and annual growth rates for 2017–2024 were analyzed. Also, factors affecting tax revenues in connection with changes in VAT rates, changes in domestic consumption and trade volumes, as well as economic activity indicators, are studied in depth.

During 2017–2024, the growth rates of total tax revenues and main types of taxes in the state budget of the Republic of Uzbekistan demonstrated stable high dynamics. Total tax revenues increased from 83.61 trillion soums in 2017 to 199.7 trillion soums in 2024, showing more than a two-fold increase during this period. In particular, total revenues increased by 108.3% in 2024, which indicates high fiscal activity and strengthened tax administration (figure 1).

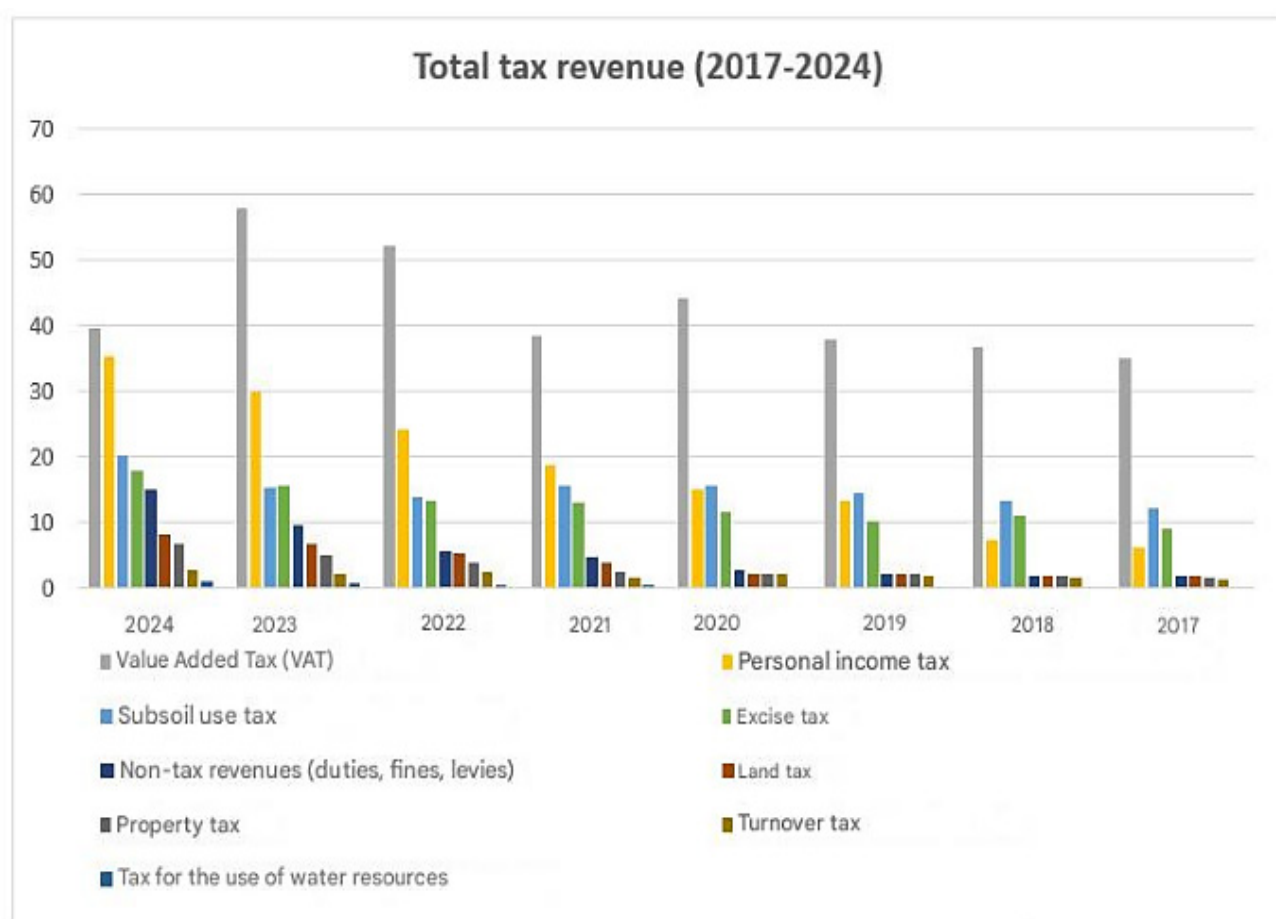


Figure 1. Total tax revenues to the Budget in 2017-2024.<sup>1</sup>

According to the analysis, profit tax amounted to 52.7 trillion soums in 2024, an increase of 129.5% compared to the previous year. The sharp growth in this type of tax is likely due to an increase in the income of large enterprises and an expansion of the tax base. VAT revenues decreased from 57.9 trillion soums in 2023 to 39.6 trillion soums in 2024 (growth rate - 68.4%), which indicates that tax incentives were provided for certain goods and services or domestic consumption decreased.

Personal income tax has grown steadily, reaching 35.4 trillion soums in 2024, an increase of 118.4%, remaining the largest source of revenue after VAT. Revenues from subsoil use also recorded positive growth, amounting to 20.2 trillion soums, an increase of 132%. At the same time, excise tax revenues amounted to 17.8 trillion soums in 2024, an increase of 117% compared to the previous year.

Positive growth rates were also observed in other types of taxes. Non-tax revenues (duties, fines, fees) amounted to 15 trillion soums in 2024, an increase of 156.3%. Land tax amounted to 8.2 trillion soums (an increase of 120.3%), property tax amounted to 6.8 trillion soums (an increase of 133.7%), which is explained by the increase in the efficiency of property use and the improvement of the property valuation system. Turnover tax amounted to 2.8 trillion soums, an increase of 116.7%, which indicates that small businesses are being involved in taxation. Water resource use tax reached 1.2 trillion soums, an increase of 150%, indicating a tightening of tax policy towards environmental resources.

During the period under review, there have been significant positive changes in the composition and volume of tax revenues of the state budget. This indicates the stability of fiscal policy, the expansion of the tax base, and the improvement of tax administration. At the same time, the decline in VAT revenues in recent years indicates existing problems and the need for reforms.

Value-added tax (VAT) revenues in the state budget of the Republic of Uzbekistan during 2017–2024 had variable dynamics. In 2017, VAT revenues amounted to 34.9 trillion soums, while in 2018–2019 this figure reached 36.6 and 37.9 trillion soums, respectively.

<sup>1</sup> Independently compiled by the author based on information from the Tax Committee.

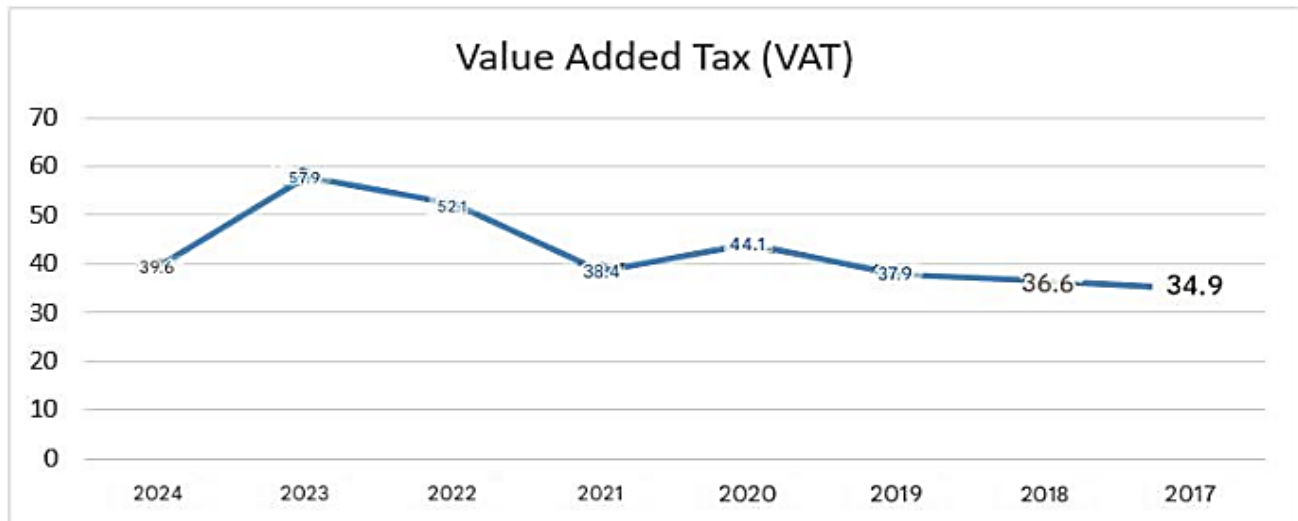


Figure 2. Value Added Tax Revenue 2017-2024<sup>2</sup>

In 2020, VAT revenues increased sharply to 44.1 trillion soums, indicating the beginning of the post-pandemic economic recovery. In 2021, there was a slight decrease in VAT revenues - 38.4 trillion soums, but this situation was short-lived, and starting in 2022, VAT revenues increased sharply again: in 2022 they amounted to 52.1 trillion soums, and in 2023 - 57.9 trillion soums. In 2024, VAT revenues decreased slightly to 39.6 trillion soums, but this change is explained by possible rate optimization, the introduction of VAT exemptions for certain goods and services, or significant shifts in domestic consumption. In general, the dynamics of VAT revenues are directly related to the effectiveness of tax policy, the level of economic activity, and domestic consumption, which remains crucial for the stability of the state budget (figure 2).

## CONCLUSION

Research conducted on the basis of empirical analysis shows that indirect taxes, especially value added tax (VAT) and excise tax, are important fiscal sources for the stability of state budget revenues of the Republic of Uzbekistan. While during periods of economic growth, an increase in domestic consumption and investment led to an increase in revenues from these taxes, during periods of economic crisis or recession, tax revenues decreased, negatively affecting budget stability. The results of the analysis proved that changes in VAT and excise tax rates directly affect state budget revenues. However, it was found that excessive increases in rates can reduce domestic market activity, reduce consumption and investment. Therefore, empirical analysis has shown the need to determine optimal tax rates and set them in accordance with the macroeconomic situation.

Also, the breadth of the tax base has a significant impact on VAT and excise tax revenues. The analysis has shown the potential for increasing revenues, in particular by expanding the scope of taxable goods and services. However, this process must be carried out carefully so as not to put pressure on the living standards of the population. It has been empirically confirmed that low tax compliance has a negative impact on budget revenues. This situation requires raising taxpayer awareness, strengthening control mechanisms, and creating a reliable tax environment.

Most importantly, the digitalization of the tax system has played a significant role in increasing VAT and excise tax collections. Tax reporting, electronic invoices, and real-time tracking systems based on digital technologies have significantly increased tax compliance and increased efficiency in ensuring the stability of budget revenues. The importance of indirect tax revenues generated through VAT and excise taxes in the state budget is increasing year by year. Their effective management, adaptation of tax policy to the economic cycle, careful expansion of the tax base, and full use of digitalization opportunities can ensure the stability of budget revenues.

### PROPOSALS

1. Regulate value-added tax rates in accordance with the economic cycle, that is, maintain rates during periods of economic growth, and stimulate domestic consumption by introducing temporary relief in certain areas during periods of crisis.

2. Update the list of products subject to excise duty, that is, increase revenues and serve social goals by increasing the number of products that are harmful to health and environmentally unsafe.

<sup>2</sup> Independently compiled by the author based on information from the Tax Committee.

3. Increase VAT revenues by expanding the tax base, including by canceling certain benefits and involving informal service activities in taxation.

4. Introduce a simplified VAT calculation mechanism for taxpayers, and increase tax discipline through simplified calculation procedures for small and medium-sized businesses.

5. Increase excise duty rates in line with inflation and real income growth, thereby maintaining budget revenues.

6. Create an incentive system to attract entities operating in the informal sector to taxation, that is, provide tax breaks and other incentives to legalized entrepreneurs.

7. Improve the forecast of VAT revenues based on indicators that determine domestic consumption, thereby increasing the accuracy of fiscal planning.

8. Simplify and accelerate the VAT refund system for goods and services, and encourage exporting enterprises by reducing liquidity problems.

9. Stabilize tax legislation and make tax policy more predictable, thereby increasing the confidence of business entities and strengthening tax compliance.

10. Develop differential tax approaches based on an analysis of VAT and excise tax revenues across regions, that is, ensure revenue stability by developing a tax policy that is appropriate to the economic potential of each region.

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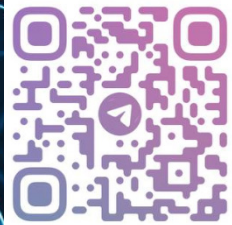
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