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TAX REFORMS AND TRANSFORMATION OF THE TAX SYSTEM IN NEW UZBEKISTAN (2017 – PRESENT)

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Abstract:
This article analyzes the tax reforms implemented in New Uzbekistan from 2017 to the present day, the transformation processes of the tax system, and their role in the country's economic development. The study highlights the essence of reforms aimed at improving tax administration, optimizing the tax system, introducing digital technologies, reducing the tax burden, supporting business entities, and enhancing the investment climate. Furthermore, the article evaluates the significance of these reforms in ensuring sustainable economic growth, strengthening state budget revenues, and creating a favorable business environment.

Keywords: New Uzbekistan, tax reforms, tax system transformation, tax policy, tax administration, digitalization, tax burden reduction, state budget, business support, investment climate, economic development, tax incentives.

INTRODUCTION

2017 is recognized as a turning point in the history of the tax policy of the Republic of Uzbekistan. From this period, large-scale reforms aimed at liberalizing the economy, supporting entrepreneurial activity, and improving the tax system in accordance with international standards began. As in all areas of public administration, the existing problems in the tax system were critically analyzed and special attention was paid to eliminating them, strengthening discipline, and increasing the personal responsibility and accountability of officials. As a result of these reforms, consistent measures were taken to expand the tax base, reduce the share of the shadow economy, organize tax administration based on modern methods, and create favorable conditions for taxpayers. Information and communication technologies were widely introduced into the activities of tax authorities, and modern mechanisms of tax control and administration were formed. The Strategy of Actions on Five Priority Areas of Development of the Republic of Uzbekistan for 2017–2021 identified tax policy improvement as a separate priority task. The Strategy envisaged a comprehensive set of measures aimed at gradually reducing the tax burden on the economy, simplifying the taxation system, radically improving tax administration, encouraging business entities, and further improving the investment climate. Also, during this period, work was consistently continued on bringing tax legislation closer to international experience, organizing relations between taxpayers and tax authorities on the basis of transparent and open principles, expanding the scope of electronic services, and digitizing tax administration. As a result, the efficiency of the

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tax system increased, and a more favorable legal and economic environment was created for the development of entrepreneurial activity and attracting investments.

MAIN PART

The Decree of the President of the Republic of Uzbekistan dated July 18, 2017 “On measures to radically improve tax administration, increase the collectability of taxes and other mandatory payments” was one of the important stages of tax system reform. On the basis of this Decree, large-scale measures were implemented aimed at improving tax administration, expanding the state budget revenue base, and increasing the collectability of taxes and other mandatory payments. At the same time, despite the reforms carried out, some problems remained in the formation of additional reserves of republican and local budget revenues, the wider introduction of information and communication technologies in the activities of tax authorities, and the implementation of advanced experiences of developed countries in the field of tax legislation and tax administration. This indicated the need to further improve the activities of state tax authorities and strengthen interaction with taxpayers. Identifying individuals and legal entities evading taxes, ensuring full tax collection, and implementing modern control methods were identified as one of the main tasks of tax authorities. Particular attention was paid to further improving tax and budget policy and increasing the transparency of the budget process through digitalization of tax administration, introduction of modern mechanisms for tax payment, effective control over the completeness and timeliness of receipt of revenues to the budget. As a logical continuation of these reforms, the Decree of the President of the Republic of Uzbekistan “On organizational measures to radically improve tax legislation” dated February 13, 2018 was adopted. This document set out priority tasks aimed at improving tax legislation in accordance with international standards, simplifying tax administration, increasing the efficiency of tax authorities, and forming a convenient and transparent system for taxpayers. Since 2017, special attention has been paid to the widespread introduction of information and communication technologies in the system of the State Tax Committee of the Republic of Uzbekistan. For this purpose, the position of Deputy Head of the State Tax Committee for Information and Communication Technologies and a separate main department specializing in this area were created. The main task of the new structure was to digitize the activities of tax authorities, introduce modern information systems, and increase the efficiency of tax administration. As part of these reforms, work began on establishing electronic integration between the information systems of tax authorities, regulatory agencies, and other interested ministries and organizations. As a result, a single integrated information resource base was formed, the process of information exchange between state bodies accelerated, unnecessary bureaucratic procedures were reduced, and the efficiency of tax control significantly increased. One of the main directions of the tax reforms implemented under the leadership of President Shavkat Mirziyoyev was the formation of a fair and transparent tax system. In this regard, measures were taken to gradually eliminate some tax incentives with low economic efficiency, abandon the practice of depending on the minimum wage in calculating taxes, and create equal competition conditions for all business entities. Studying

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foreign experience was also one of the important areas of tax system reform. In particular, as British tax expert Chris Wilson noted, the main goal of modern tax administration is not to maintain the existing system, but to constantly improve it. This approach was consistent with the content and priorities of the tax reforms being implemented in Uzbekistan. Also, complex tasks were set to create a favorable business environment for local and foreign investors planning to implement large investment projects in the country, to provide them with comprehensive support, and to further improve the tax system in order to increase investment attractiveness. In this regard, special attention was paid to optimizing the tax burden, simplifying tax administration, and reducing the costs of doing business. At the same time, there were a number of systemic problems in the current tax system. In particular, the high tax burden on certain categories of taxpayers, the insufficient effectiveness of value-added tax collection mechanisms, the complexity of the tax administration system, and the incomplete implementation of modern management methods in the activities of tax authorities had a negative impact on economic development. In order to eliminate these problems, the Decree of the President of the Republic of Uzbekistan "On the Concept for Improving the Tax Policy of the Republic of Uzbekistan" was adopted on June 29, 2018. This concept was developed based on the results of wide public discussions, as well as recommendations from the International Monetary Fund, the World Bank, and other international experts. The concept identified priority areas aimed at reducing the tax burden, simplifying the taxation system, digitizing tax administration, encouraging investments, and increasing the competitiveness of the economy. This document serves as a solid legal basis for a new stage of tax reforms in Uzbekistan. On June 29, 2018, the Decree of the President of the Republic of Uzbekistan No. PF-5468 "On the Concept of Improving the Tax Policy of the Republic of Uzbekistan" was adopted. This Decree initiated a new stage of fundamental reform of the tax system in the country. The Concept was developed based on wide public discussions, as well as recommendations from the International Monetary Fund, the World Bank and other international experts. It identified reducing the tax burden, simplifying the taxation system, digitizing tax administration, reducing the share of the shadow economy, encouraging investments, and creating an equal and fair competitive environment for business entities as priority tasks. This Concept later served as an important legal basis for the development and implementation of the new Tax Code.On the basis of the Concept for Improving Tax Policy, approved on June 29, 2018, a fundamental reform of the tax system began in the Republic of Uzbekistan. The main goal of this concept was to reduce the tax burden, form a simple, stable and transparent taxation system, improve tax administration, and increase the competitiveness of the economy. As part of the reforms, creating a more favorable business environment for business entities and investors, increasing investment flows, and stimulating economic activity were identified as priorities. As one of the important results of these reforms, the new Tax Code of the Republic of Uzbekistan was adopted in 2019. This code entered into force on January 1, 2020 and became the main regulatory legal document regulating the country's tax system based on modern requirements. The new Tax Code is aimed at simplifying taxation mechanisms, improving tax administration, and more reliable protection of the rights and interests of

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taxpayers. In accordance with the new Tax Code, the number of taxes and other mandatory payments was reduced from 13 to 9. In addition, simplified mechanisms were introduced that allow for deferring the payment of taxes or paying them in installments. These innovations served to strengthen the financial stability of enterprises, effectively manage their working capital, and make it easier to fulfill tax obligations. Also, in order to effectively implement the new Tax Code in practice, special attention was paid to the systematic training of tax authorities, business entities, and other taxpayers, as well as to improving their legal and economic knowledge. This was aimed at correctly understanding the content and essence of the new legislative norms, their uniform application in practice, and the development of a system of providing high-quality advice and services to taxpayers. Based on the Concept for Improving Tax Policy, approved on June 29, 2018, a fundamental reform of the tax system began in the Republic of Uzbekistan. The main goal of this concept was to reduce the tax burden, form a simple, stable and transparent taxation system, improve tax administration and increase the competitiveness of the economy. Within the framework of the reforms, the creation of a more favorable business environment for business entities and investors, increasing the flow of investments and stimulating economic activity were identified as priority tasks. As one of the important results of these reforms, the new Tax Code of the Republic of Uzbekistan was adopted in 2019. This code entered into force on January 1, 2020 and became the main regulatory legal document regulating the country's tax system based on modern requirements. The new Tax Code is aimed at simplifying taxation mechanisms, improving tax administration and more reliable protection of the rights and interests of taxpayers. In accordance with the new Tax Code, the number of taxes and other mandatory payments was reduced from 13 to 9. In addition, simplified mechanisms were introduced that allow for deferral of tax payments or payment in installments. These innovations helped strengthen the financial stability of enterprises, effectively manage their working capital, and more easily fulfill tax obligations. In addition, special attention was paid to the regular training of tax authorities, business entities, and other taxpayers, as well as to improving their legal and economic knowledge, in order to effectively implement the new Tax Code.

CONCLUSION

In conclusion, the tax reforms implemented in New Uzbekistan since 2017 have become one of the important stages on the path to modernization of the country's economy, stimulation of entrepreneurial activity and adaptation of the tax system to international standards. Improvement of tax legislation, optimization of tax types, gradual reduction of the tax burden and introduction of digital technologies in tax administration have significantly increased the efficiency of the tax system. As a result of the implemented reforms, the principles of transparency and openness in the activities of tax authorities have been strengthened, favorable conditions for taxpayers have been created, and the scope of electronic services has expanded. This has had a positive impact on simplifying the fulfillment of tax obligations, reducing the share of the shadow economy and ensuring the stability of state budget revenues. In addition, improving the investment climate, supporting the private sector, developing small and

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medium-sized businesses and creating favorable conditions for foreign investors have become one of the priority areas of tax policy. Improving the tax system based on modern management principles is an important factor in increasing the country's economic competitiveness and ensuring sustainable economic growth. In the future, to further improve the tax system, it is advisable to fully digitize tax administration, expand risk-based control mechanisms, ensure the stability of tax legislation, improve the quality of electronic services provided to taxpayers, and widely implement international best practices. These measures will serve to further develop a fair, transparent, and effective tax system in New Uzbekistan, strengthen the stability of the state budget, and ensure long-term economic development.

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