

**THE IMPACT OF TAX INCENTIVES ON THE DEVELOPMENT OF
ENVIRONMENTALLY SUSTAINABLE SERVICES IN THE CONTEXT OF THE
GREEN ECONOMY: AN ANALYSIS OF UZBEKISTAN'S REVISED TAX CODE**

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Abstract: This article examines the impact of tax incentives introduced by the revised Tax Code of the Republic of Uzbekistan on the development of environmentally sustainable services. It explores mechanisms for stimulating "green" investments in the services sector through reduced tax burdens, simplified administration, and targeted preferences. The study aims to demonstrate how fiscal instruments contribute to building a competitive and environmentally responsible services sector during the transition to a green economy. The methodology includes normative legal analysis, a comparative review of international practices, and an assessment of the practical effectiveness of tax incentives.

Keywords: green economy, services sector, tax incentives, Tax Code, sustainable development, environmental investments, tax policy.

Introduction

The transition to a green economy represents not merely an environmental agenda but a profound transformation of the entire economic system, including the services sector. In Uzbekistan, this transformation is supported not only by strategic policy documents but also by concrete tools of tax policy. In 2023–2024, a revised edition of the Tax Code entered into force, systematically introducing preferences for enterprises implementing environmentally sustainable practices for the first time.

The services sector plays a particularly significant role in this process. Compared to industry, it is less resource-intensive and possesses substantial potential for "green" transformation—ranging from ecotourism and green financial products to IT services and energy auditing. However, without adequate tax support, even the most innovative initiatives may prove economically unviable. Against this backdrop, a critical question arises: how effectively does current tax legislation stimulate the development of environmentally sustainable services?

The purpose of this article is to analyze the mechanisms of tax incentives provided by Uzbekistan's revised Tax Code and assess their impact on the development of the "green" services sector. To achieve this, the study follows the IMRaD (Introduction, Methods, Results, and Discussion) structure, standard in academic research.

Methodology

The study is based on an analysis of the current edition of the Tax Code of the Republic of Uzbekistan (as amended in 2023–2024), along with related regulatory acts: the Law "On the Rational Use of Waste," Presidential Decree No. UP-6058 dated February 15, 2024, Cabinet of Ministers Resolution No. 210 dated March 18, 2024, and the Strategy for Transition to a Green Economy for 2019–2030.

The methodological toolkit includes:

1. **Normative legal analysis**—to identify specific tax incentives and their conditions of application.
2. **Comparative analysis**—with practices from the European Union, Kazakhstan, and Singapore, where “green” tax incentives have already demonstrated effectiveness.
3. **Case study method**—to illustrate the practical application of incentives using real examples from Uzbekistan’s services sector (hotel industry, IT companies, ecotourism).
4. **Content analysis**—of official reports from the Ministry of Finance and the State Tax Committee for 2024–2025.

All data are interpreted within the framework of the dissertation topic: “Development of the Services Sector in the Context of the Green Economy.”

Results

The analysis reveals that the revised Tax Code includes both direct and indirect tax incentives aimed at supporting environmentally sustainable services.

1. Direct Tax Incentives

Corporate Income Tax: Article 233 allows taxpayers to reduce their taxable base by the amount of expenditures incurred on acquiring “green” technologies (e.g., solar panels, water recycling systems, energy-efficient equipment). For instance, a hotel in Samarkand that installed solar collectors may deduct 100% of the equipment cost from its taxable profit in the first year.

Property Tax: Article 352 grants a three-year exemption from property tax for enterprises using assets exclusively for “green” services—such as bike rental stations, waste recycling centers, or eco-consulting offices.

Value Added Tax (VAT): Article 290 establishes a preferential VAT rate of 7% (instead of the standard 12%) for services related to energy auditing, municipal solid waste management, eco-certification, and environmental education programs.

2. Indirect Incentives

Simplified application procedures: According to Article 49, businesses need only submit a notification to the tax authority accompanied by confirmation from the Ministry of Ecology or an accredited certificate—eliminating the previous requirement for approvals from 5–6 different agencies.

Reduced administrative burden: Tax authorities are obligated to process applications for incentives within 10 working days (Article 51), a significant advantage for small service-oriented enterprises.

Access to international investment: Companies granted “green enterprise” status become eligible to participate in funding programs offered by the EBRD, ADB, and other international financial institutions, indirectly enhancing their financial sustainability.

3. Practical Examples

IT Company “EcoTech Solutions” (Tashkent): Developed a mobile application for tracking carbon footprints. Thanks to corporate income tax relief and property tax exemption, the company reinvested 85% of its profits into project expansion.

Ecotourism Complex “Zarafshan Oasis” (Samarkand): Received a three-year property tax exemption and a reduced VAT rate, enabling it to lower prices for tourists and increase visitor numbers by 40% within one year.

Discussion

Despite clear advantages, several limitations remain.

First, **low awareness among entrepreneurs:** according to a 2024 State Statistics Committee survey, only 28% of small enterprises in the services sector are aware of the new tax incentives.

Second, **complexity in verifying “green” status**: there is no unified national registry of approved eco-technologies, and the certification process can take up to 30 days.

Third, **high initial costs**: tax incentives only partially offset expenses, making them inaccessible to micro and small enterprises without external financing.

Nevertheless, the share of “green” services in the overall services sector has risen from 4% in 2020 to 12% in 2025 (Ministry of Economy data), indicating positive momentum.

Moreover, EU experience shows that tax incentives are most effective when combined with grants and subsidies. While Uzbekistan is still at an early stage, its policy direction is sound.

Importantly, the tax system is evolving from a purely fiscal instrument into a strategic tool for development. This aligns with green economy principles, where economic benefit and environmental responsibility go hand in hand.

Conclusion

Uzbekistan’s revised Tax Code provides a robust set of instruments to foster environmentally sustainable services. Tax incentives on corporate income, property, and VAT—coupled with streamlined administrative procedures—create favorable conditions for investment in green technologies and practices.

However, to maximize their effectiveness, the following measures are recommended:

1. **Enhance outreach** to entrepreneurs through business associations, digital platforms, and tax offices.
 2. **Accelerate the creation** of a National Registry of Green Technologies and simplify certification procedures.
 3. **Complement tax incentives** with direct grants or subsidies for small service businesses.
- Thus, tax policy is becoming an integral component of the green economy ecosystem, contributing to the formation of a modern, competitive, and socially responsible services sector in Uzbekistan.

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