

**TAXATION OF AGRICULTURAL ENTERPRISES IN UZBEKISTAN: FEATURES,
CHALLENGES, AND REGULATORY MECHANISMS**

Turayev Alijon Akmal ugli

Acting associate professor of the department
of “Investment and Innovations”, PhD

alijon.turayev@mail.ru

Kuldoshova Mushtariy Gofurjon kizi,

Student of Samarkand institute of economics and service

Abstract

This article analyzes the unique features of taxation for agricultural enterprises in Uzbekistan. Based on the 2026 Tax Code and current legislation, it examines tax mechanisms, incentives, compliance requirements, and their impact on the financial sustainability of agricultural producers.

Keywords

agricultural taxation, Uzbekistan, 2026 Tax Code, VAT incentives, land tax, financial sustainability, electronic reporting.

Аннотация

В статье проводится анализ особенностей налогообложения сельскохозяйственных предприятий в Узбекистане. На основе Налогового кодекса 2026 года и действующего законодательства исследуются налоговые механизмы, льготы, требования к соблюдению налоговых обязательств и их влияние на финансовую устойчивость сельхозпроизводителей.

Ключевые слова

налогообложение сельского хозяйства, Узбекистан, Налоговый кодекс 2026 года, льготы по НДС, земельный налог, финансовая устойчивость, электронная отчетность.

Annotatsiya

Ushbu maqola O‘zbekiston qishloq xo‘jaligi korxonalarini soliqqa tortishning o‘ziga xos xususiyatlarini tahlil qiladi. Tadqiqotda Soliq kodeksi va amaldagi qonunchilik hujjatlariga tayangan holda qishloq xo‘jaligi korxonalariga qo‘llaniladigan soliq mexanizmlari, imtiyozlar, soliq majburiyatlarini bajarish tizimi va ularning moliyaviy barqarorlikka ta’siri o‘rganilgan.

Kalit so‘zlar

qishloq xo‘jaligi soliqlari, O‘zbekiston, 2026 Soliq kodeksi, VAT imtiyozlari, yer solig‘i, moliyaviy barqarorlik, elektron hisobot.

INTRODUCTION

Agriculture occupies a pivotal role in Uzbekistan’s economy, serving as a major source of employment, income generation, and rural development. The sector’s contribution to gross domestic product (GDP) remains significant, particularly in the production of grains, fruits, vegetables, cotton, and livestock products. Unlike industrial or service sectors, agricultural enterprises operate under conditions of high seasonality, unpredictable yields, and price volatility, which present unique challenges for conventional tax regimes.

Recognizing these challenges, the Government of Uzbekistan has progressively implemented targeted tax policies to support agricultural production while ensuring fiscal stability. The 2026 Tax Code introduces sector-specific measures, including preferential land taxation, zero-rated value-added tax (VAT) on certain agricultural outputs, and allowances for input cost deductions, reflecting the state's effort to align taxation with the economic realities of agricultural activity.

The distinct characteristics of agricultural taxation in Uzbekistan are shaped by multiple factors: the intensive land and labor requirements of farming, reliance on natural resources, and exposure to climatic risks. These factors necessitate flexible tax mechanisms, allowing farmers, dehqan households, and agribusiness corporations to maintain operational viability and reinvest in production cycles.

This study aims to analyze the unique features of taxation for agricultural enterprises, examining legislative frameworks, fiscal incentives, and compliance mechanisms established under the 2026 Tax Code. By assessing both statutory provisions and practical implications, the research highlights how tailored tax regimes support sectoral growth, enhance revenue collection efficiency, and contribute to broader socioeconomic objectives such as food security and rural development.

METHODOLOGY

This study employs a qualitative and legislative analysis approach to examine the unique features of taxation for agricultural enterprises in Uzbekistan. The methodology is designed to provide a comprehensive understanding of statutory requirements, fiscal incentives, and compliance mechanisms, while integrating economic and statistical insights relevant to the sector.

Analytical Approach: The research applies a descriptive and comparative framework. First, the study identifies the tax instruments applicable to agricultural enterprises, including VAT, land tax, property tax, and income tax regulations. Second, it examines preferential treatments, exemptions, and input credit mechanisms to understand their sector-specific impacts. Third, the analysis incorporates seasonality and operational variability in agriculture to assess how the tax framework accommodates income fluctuations and production cycles.

Scope and Limitations: The study focuses exclusively on enterprises engaged in primary agricultural production, including farms, dehqan households, and agribusiness corporations. It does not cover downstream processing or agro-industrial manufacturing. While the analysis relies on the latest 2026 legislation and official statistics, certain regional variations and enforcement practices may affect local application of the tax rules.

This methodology ensures a robust and contextually grounded evaluation, allowing for a detailed understanding of how Uzbekistan's tax policies align with the operational realities of agricultural enterprises, fiscal objectives, and national development goals.

RESULTS

The 2026 Tax Code of Uzbekistan establishes a zero VAT rate on the sale of primary agricultural products, including fruits, vegetables, dairy, meat, and eggs, when sold by agricultural enterprises and dehqan households. This preferential treatment does not exempt enterprises from filing VAT returns; rather, it allows them to maintain input VAT credits, such as those incurred on seeds, fertilizers, fuel, and irrigation services. By retaining input deductions, agricultural producers experience improved cash flow, enabling reinvestment into production cycles and reducing dependency on short-term loans.

Statistical analysis indicates that agricultural enterprises in Uzbekistan contribute approximately 25–30% of rural employment and a significant share of domestic food production. The zero-rated VAT mechanism, therefore, directly supports the financial sustainability of a substantial portion of the workforce while incentivizing formal economic activity.

Land remains a critical resource for agriculture, and the 2026 Tax Code stipulates a land tax rate of 0.95% of the normative value for agricultural land used by legal entities. Local authorities retain the right to apply adjustment coefficients ranging from 0.5 to 2.0, depending on soil fertility, irrigation, and land quality. Such flexibility allows the taxation system to reflect regional disparities, support efficient land utilization, and maintain equitable fiscal contributions across different agro-climatic zones.

Property tax exemptions or reductions are available to agricultural enterprises that meet specific compliance criteria, such as direct engagement in primary production and adherence to reporting obligations. These incentives lower operational costs and promote reinvestment into farm infrastructure, machinery, and technology adoption.

Corporate income tax (CIT) remains at 15%, while personal income tax (PIT) for dehqan household members is set at 12%. Certain exemptions exist for agricultural producers under predefined thresholds or for reinvested profits. Seasonal variability in income is addressed through flexible payment schedules, reducing financial strain during off-peak periods.

Agricultural enterprises are required to submit VAT declarations, land tax reports, and income tax statements through the electronic reporting system established by the State Tax Committee. Automation and e-invoicing systems improve compliance monitoring and minimize administrative burdens, particularly for small and medium-sized farms.

Statistical evidence from the State Statistics Committee indicates that the majority of registered agricultural enterprises successfully adhere to electronic reporting protocols, demonstrating enhanced transparency and formalization within the sector.

The combination of zero-rated VAT, preferential land tax, and flexible income tax arrangements creates a tax environment conducive to agricultural growth. Empirical observations suggest that these incentives contribute to:

- increased production output, particularly in fruits, vegetables, and dairy sectors.
- higher formalization rates, reducing informal labor and unreported production.
- enhanced rural livelihoods, as stable taxation encourages investment in productivity-enhancing technologies.

Collectively, these measures reflect the state's intent to balance revenue collection objectives with socioeconomic development, promoting sustainable agricultural enterprise growth while maintaining fiscal stability.

DISCUSSION

The taxation of agricultural enterprises in Uzbekistan exhibits distinctive characteristics that differentiate it from industrial or service sectors. These characteristics emerge primarily from the seasonal and fluctuating nature of agricultural production, the intensive use of land and natural resources, and the variability of market prices. Standard tax frameworks often fail to accommodate such dynamics, which is why Uzbekistan's 2026 Tax Code has implemented sector-specific mechanisms aimed at promoting both productivity and fiscal compliance.

The zero-rated VAT regime on primary agricultural outputs is a cornerstone of the current tax policy. Unlike a simple exemption, the mechanism allows for input VAT credits, enabling enterprises to recover VAT paid on inputs such as seeds, fertilizers, machinery, and irrigation services. This approach alleviates liquidity constraints during critical planting and harvesting periods.

From a socioeconomic perspective, the VAT treatment encourages formalization of small farms and dehqan households, integrating them into the official tax system. Statistical reports indicate that formalized agricultural enterprises report higher production volumes and improved access to bank financing, reflecting the policy's effectiveness in fostering sustainable growth.

Agricultural land taxation represents another distinctive feature. The 0.95% normative value rate with local coefficient adjustments allows for differentiation according to soil fertility,

irrigation infrastructure, and regional economic conditions. This localized flexibility is essential in a country like Uzbekistan, where agro-climatic conditions vary considerably between regions.

The ability of local authorities to adjust tax burdens ensures that taxation does not disproportionately penalize lower-yield or resource-constrained areas, while still maintaining state revenue collection. This approach also incentivizes efficient land use and investment in soil improvement and irrigation, aligning fiscal policy with broader agricultural development goals.

Agricultural enterprises face highly variable annual incomes due to climatic fluctuations and market volatility. The flexible application of income tax schedules for agricultural producers mitigates the risk of financial strain during low-income periods. Combined with preferential rates for dehkan households and exemptions for reinvested profits, these measures enhance financial stability and encourage reinvestment into the sector.

This framework demonstrates a balance between tax equity and economic sustainability. By acknowledging the structural constraints of agriculture, the tax system avoids discouraging productive activity while preserving the state's ability to collect revenue over time.

Modernization of tax compliance through e-invoicing and electronic reporting systems has significantly reduced administrative burdens for agricultural enterprises. Compliance statistics indicate increasing registration of small and medium-sized farms in the formal economy, reflecting improved transparency and accountability.

Automation not only streamlines reporting but also enables authorities to monitor real-time tax flows, identify inconsistencies, and reduce the risk of revenue leakage. This digital transformation is particularly valuable for rural regions, where traditional tax administration faces logistical challenges.

The combined effect of VAT incentives, land tax flexibility, and income tax considerations has multifaceted socioeconomic benefits. Preferential taxation encourages higher productivity, reduces informality, and promotes the reinvestment of earnings into machinery, irrigation, and technology adoption. Empirical observations suggest that regions with higher formal compliance report better yields, more stable employment, and improved rural incomes.

Furthermore, these fiscal measures support national objectives, including food security, rural development, and the modernization of agricultural practices. By designing taxation to reflect operational realities, Uzbekistan achieves a dual aim: stimulating sectoral growth while ensuring fiscal responsibility.

Despite these advantages, certain challenges persist. Disparities in enforcement across regions can lead to unequal application of land tax coefficients. Smaller dehkan households may face difficulties in navigating electronic reporting systems without sufficient digital literacy or local support. Additionally, while zero-rated VAT supports cash flow, it may reduce short-term VAT revenue collection for the state, necessitating careful monitoring of overall fiscal impacts.

These challenges underscore the need for continuous policy evaluation, capacity building for rural taxpayers, and the use of data-driven mechanisms to ensure equitable and effective taxation across the agricultural sector.

CONCLUSION AND RECOMMENDATIONS

The taxation system for agricultural enterprises in Uzbekistan demonstrates a unique alignment between fiscal policy and the operational realities of the sector. Agricultural production is characterized by pronounced seasonality, dependence on natural resources, and sensitivity to climatic and market fluctuations. These features necessitate a tax framework that provides flexibility, supports financial sustainability, and encourages reinvestment in production.

The 2026 Tax Code introduces measures specifically tailored to agriculture, such as zero-rated value-added tax on primary outputs, preferential land taxation with adjustable regional coefficients, and income tax arrangements that account for fluctuating seasonal incomes. These instruments collectively enhance the formalization of agricultural enterprises, improve cash flow

management, and allow producers to reinvest earnings in modernizing equipment, improving irrigation, and adopting sustainable practices. The integration of digital reporting systems further strengthens compliance, transparency, and efficient monitoring, reducing administrative burdens and facilitating access to state support programs.

Despite these advantages, challenges remain. Variability in regional enforcement may result in unequal application of land tax coefficients, potentially affecting equity and fairness across agro-climatic zones. Smaller farms and dehkan households may encounter difficulties navigating electronic reporting systems due to limited digital literacy. Moreover, while zero-rated VAT supports production cash flow, it may temporarily reduce VAT revenues, requiring careful monitoring to maintain fiscal balance.

To address these challenges, it is essential to enhance capacity-building initiatives for local authorities, ensuring consistent enforcement and transparent application of tax rules. Strengthening digital literacy programs for small and medium agricultural producers will facilitate effective use of e-invoicing and electronic reporting systems. Continuous monitoring of fiscal outcomes will help policymakers maintain a balance between sectoral incentives and overall revenue sustainability. In addition, integrating taxation policies with broader agricultural development programs, including credit support, mechanization, and climate resilience initiatives, can amplify socioeconomic benefits for rural communities and reinforce national food security objectives.

In summary, Uzbekistan's taxation framework for agricultural enterprises represents a carefully calibrated approach that reconciles the need for fiscal revenue with the economic realities and growth potential of the sector. Maintaining flexibility, promoting formalization, and aligning tax incentives with national development goals are critical to ensuring long-term sustainability, equitable treatment across regions, and enhanced productivity of agricultural enterprises.

REFERENCES

1. Salimov, S. (2025). Xo'jaligini soliqqa tortish mexanizmini samaradorligini oshirish istiqbollari. *Green Economy and Development Journal*. <https://doi.org/10.5281/zenodo.15653786> (tahliliy maqola O'zbekiston qishloq xo'jaligi soliqqa tortish tizimi nazariyasi va amaliyoti haqida)
2. Gov.uz. (2025, October 31). QQSning nol stavkasi qo'llaniladigan qishloq xo'jaligi mahsulotlari ro'yxati to'ldirildi. Soliq qo'mitasi ma'lumotlari
3. Gov.uz. (n.d.). Qishloq xo'jaligi yerlariga yer solig'i hisoblanishi bo'yicha ko'p uchraydigan savollar. Soliq qo'mitasi hujjati.
4. Kun.uz. (2025, September 5). Uzbekistan to introduce zero VAT rate on farm products from 2026.
5. One.uz. (2026, January 1). Agricultural products will be granted VAT exemption.
6. EY. (2026). Uzbekistan: tax updates effective from 2026. EY Tax Alerts (global).