

**TURNOVER TAX RATES AND CALCULATION MECHANISM IN UZBEKISTAN: A  
COMPREHENSIVE LEGAL AND ECONOMIC ANALYSIS**

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**Abstract.** This article provides a comprehensive analysis of turnover tax rates and their calculation mechanisms in Uzbekistan under the 2026 tax framework. The study examines the legal foundations of turnover taxation, its role in simplifying tax compliance for small and medium-sized enterprises, and its fiscal implications. Particular attention is given to the structure of tax rates, including standard and preferential rates, as well as the determination of the tax base based on gross revenue.

**Keywords:** turnover tax, tax rates, tax calculation, Uzbekistan tax system, SMEs, simplified taxation, fiscal policy

**Annotatsiya.** Mazkur maqolada 2026-yil holatiga ko‘ra, O‘zbekiston Respublikasida amal qilayotgan aylanmadan olinadigan soliq stavkalari va uni hisoblash mexanizmi chuqur tahlil qilingan. Tadqiqotda ushbu soliq turining huquqiy asoslari, kichik va o‘rta biznes subyektlari uchun soliq yukini soddalashtirishdagi o‘rni hamda fiskal ahamiyati o‘rganilgan. Shuningdek, soliq stavkalarining tuzilishi, jumladan asosiy va imtiyozli stavkalar, hamda soliq bazasining yalpi tushum asosida aniqlanishi masalalari yoritilgan.

**Kalit so‘zlar:** aylanmadan olinadigan soliq, soliq stavkalari, soliq hisoblash, O‘zbekiston soliq tizimi, kichik biznes, soddalashtirilgan soliqqa tortish, fiskal siyosat

**Аннотация.** В данной статье представлен комплексный анализ ставок налога с оборота и механизма его расчёта в Республике Узбекистан по состоянию на 2026 год. Исследование охватывает правовые основы данного вида налогообложения, его роль в упрощении налогового администрирования для субъектов малого и среднего бизнеса, а также его фискальное значение. Особое внимание уделено структуре налоговых ставок, включая базовые и льготные ставки, а также определению налоговой базы на основе валовой выручки.

**Ключевые слова:** налог с оборота, налоговые ставки, расчёт налога, налоговая система Узбекистана, малый и средний бизнес, упрощённое налогообложение, фискальная политика

## INTRODUCTION

The transformation of tax systems in post-transition economies often reflects a dual objective: ensuring fiscal sustainability while fostering private sector development. In Uzbekistan, this balance has been pursued through the introduction and gradual refinement of simplified taxation regimes, among which turnover tax occupies a central position. Designed primarily for small businesses, turnover tax replaces more complex obligations such as value-added tax and corporate income tax, thereby reducing both administrative and compliance burdens.

The contemporary relevance of turnover taxation is closely linked to the structural composition of Uzbekistan’s economy, where small and medium-sized enterprises account for a substantial share of employment and value creation. In this context, the persistence of a simplified tax regime is not merely a technical choice but a strategic instrument of economic policy. The stability of tax rates in 2026, particularly the retention of the baseline 4 percent rate,

reflects an intention to provide predictability for economic actors while avoiding disruptive fiscal adjustments.

At the same time, the evolution of turnover taxation reveals an increasing degree of differentiation. Preferential rates for electronic commerce and self-employed individuals indicate a targeted approach aimed at stimulating innovation, digitalization, and micro-entrepreneurship. This raises important analytical questions regarding neutrality, efficiency, and the long-term role of simplified taxation within a modern fiscal system.

Against this background, the present study seeks to examine the legal structure, calculation methodology, and economic implications of turnover tax in Uzbekistan, with particular emphasis on the 2026 regulatory framework.

#### **METHODOLOGY**

The research is grounded in a doctrinal analysis of Uzbekistan's tax legislation, primarily the Tax Code as amended up to 2026, supplemented by presidential decrees, governmental resolutions, and official interpretative materials. This legal analysis is complemented by an examination of statistical data related to small business activity and tax revenues, allowing for an assessment of the practical impact of turnover taxation.

In addition, the study draws upon academic literature addressing simplified tax regimes in both developing and developed economies. Comparative insights are employed to contextualize Uzbekistan's approach within broader theoretical frameworks, including tax neutrality, administrative efficiency, and optimal taxation theory.

The methodological approach is qualitative in nature, focusing on the interpretation of legal norms and their economic consequences rather than econometric modeling. Such an approach is particularly suitable for identifying structural features and systemic challenges inherent in turnover-based taxation.

#### **RESULTS**

The legal framework governing turnover tax in Uzbekistan establishes a simplified regime applicable to taxpayers whose annual revenue does not exceed a legislatively defined threshold. This threshold serves as a key boundary between simplified and general taxation systems, effectively segmenting the business population according to size and economic capacity.

Within this framework, the standard turnover tax rate remains fixed at four percent of gross revenue. This rate is applied uniformly across a broad range of activities, ensuring simplicity and predictability. At the same time, the legislation introduces differentiated rates in specific contexts. Entities engaged in electronic commerce are permitted to apply a reduced rate of three percent, reflecting the state's intention to promote digital economic activity. Even more preferential treatment is granted to certain categories of individual entrepreneurs and self-employed persons, for whom the applicable rate may be as low as one percent. These reduced rates represent a deliberate policy choice aimed at lowering entry barriers and encouraging the formalization of micro-level economic activity.

A defining characteristic of turnover taxation lies in its tax base. Unlike profit-based taxes, which allow for the deduction of expenses, turnover tax is calculated on the basis of gross revenue. This means that all income received from the sale of goods, performance of works, or provision of services is subject to taxation without adjustment for costs incurred in generating that income. The calculation mechanism is therefore straightforward, requiring only the multiplication of total revenue by the applicable tax rate.

This simplicity significantly reduces the need for complex accounting practices. Taxpayers are not required to track deductible expenses, calculate depreciation, or manage input tax credits, as would be necessary under value-added tax or corporate income tax regimes. As a result, administrative compliance costs are substantially lower, both for taxpayers and for tax authorities.

However, the reliance on gross revenue as the tax base also has important economic implications. Firms operating in sectors characterized by high input costs may face a disproportionately heavy tax burden relative to their actual profitability. Conversely, businesses with low cost structures may benefit from relatively lighter effective taxation. This divergence highlights the inherent trade-off between simplicity and equity in turnover-based taxation systems.

### DISCUSSION

The analysis of turnover tax in Uzbekistan reveals a system that is both functionally effective and structurally constrained. Its primary advantage lies in its capacity to facilitate compliance and broaden the tax base. By lowering administrative barriers, the system encourages small businesses to operate within the formal economy, thereby enhancing transparency and improving revenue collection.

At the same time, the absence of expense deductibility introduces distortions that may affect resource allocation and business decision-making. Firms may be incentivized to minimize recorded revenue or restructure transactions in order to reduce tax liability. In some cases, businesses approaching the revenue threshold may deliberately limit their growth to retain eligibility for the simplified regime. Such behavior undermines economic efficiency and may hinder the development of scalable enterprises.

The introduction of differentiated tax rates further complicates the picture. While preferential rates for specific sectors serve legitimate policy objectives, they also create opportunities for tax arbitrage and regulatory avoidance. The challenge for policymakers lies in balancing targeted support with the need to maintain a coherent and neutral tax system.

From a broader perspective, turnover taxation can be understood as a transitional instrument. In the early stages of economic development, simplicity and accessibility are paramount. However, as the economy matures and the administrative capacity of both taxpayers and tax authorities improves, there is a growing need to shift toward more sophisticated forms of taxation that better reflect economic realities.

In this regard, Uzbekistan's ongoing tax reforms suggest a gradual movement toward greater integration with general taxation principles, particularly in relation to value-added tax. The expansion of VAT coverage and the refinement of accounting standards indicate a long-term trajectory toward a more comprehensive and neutral tax system.

### CONCLUSION

Turnover tax continues to play a crucial role in Uzbekistan's fiscal architecture, particularly as a mechanism for supporting small and medium-sized enterprises and promoting economic formalization. Its defining features—simplicity, low compliance costs, and predictable tax rates—make it an effective tool for achieving short- to medium-term policy objectives.

Nevertheless, the structural limitations of turnover taxation cannot be overlooked. The reliance on gross revenue as the tax base introduces inequities and inefficiencies that may become more pronounced as the economy evolves. Additionally, the segmentation of the tax system and the presence of multiple preferential rates raise concerns regarding neutrality and long-term sustainability.

Future reforms should therefore aim to preserve the advantages of simplified taxation while gradually addressing its shortcomings. This may involve refining eligibility criteria, enhancing transitional mechanisms between tax regimes, and expanding the use of accounting-based taxation where appropriate. Such an approach would allow Uzbekistan to maintain a supportive environment for small businesses while moving toward a more balanced and efficient fiscal system.



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