

**SOCIAL TAX: TAXABLE OBJECT AND TAX BASE IN THE REPUBLIC OF
UZBEKISTAN**

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Abstract: The social tax is one of the most important payroll taxes in the Republic of Uzbekistan, serving as a primary source of financing for social protection programs, including pensions and social benefits. This study investigates the taxable object and tax base of the social tax based on the current provisions of the Uzbek Tax Code effective in 2026. Using legal, economic, and comparative analysis, the study finds that the taxable object is mainly labor remuneration, including salaries, bonuses, and allowances, while the tax base is calculated from the total payroll expenses of employers. Proper definition of these elements ensures transparency, fiscal efficiency, and sustainability of social funds. The paper also highlights the importance of digitalization in tax administration and the adaptation of the social tax system to emerging labor market trends.

Keywords: social tax, taxable object, tax base, payroll taxation, fiscal policy, Uzbekistan.

Annotatsiya: Ijtimoiy soliq O‘zbekiston Respublikasida eng muhim mehnat soliq turlaridan biri bo‘lib, pensiyalar va ijtimoiy nafaqalarni moliyalashtirishning asosiy manbalaridan hisoblanadi. Ushbu tadqiqot 2026-yil amaldagi O‘zbekiston Respublikasi Soliq kodeksi asosida ijtimoiy soliqning soliq solish obyektini va soliq bazasini o‘rganadi. Huquqiy, iqtisodiy va solishtirma tahlil usullaridan foydalangan holda, tadqiqot shuni ko‘rsatadiki, soliq solish obyektini asosan ish haqi, bonuslar va qo‘shimcha to‘lovlarni o‘z ichiga oladi, soliq bazasi esa ish beruvchilarning jami mehnat xarajatlari hisobidan aniqlanadi. Bu elementlarning to‘g‘ri aniqlanishi shaffoflik, fiskal samaradorlik va ijtimoiy jamg‘armalarning barqarorligini ta‘minlaydi. Shuningdek, maqola soliq ma‘muriyati raqamlashtirilishining ahamiyati va mehnat bozori tendentsiyalariga moslashuvini ta‘kidlaydi.

Kalit so‘zlar: ijtimoiy soliq, soliq solish obyektini, soliq bazasi, mehnat solig‘i, fiskal siyosat, O‘zbekiston.

Аннотация: Социальный налог является одним из важнейших налогов на фонд оплаты труда в Республике Узбекистан и служит основным источником финансирования программ социальной защиты, включая пенсионные выплаты и социальные пособия. Данное исследование анализирует объект налогообложения и налоговую базу социального налога на основе положений Налогового кодекса Республики Узбекистан, действующих в 2026 году. С применением юридического, экономического и сравнительного анализа установлено, что объект налогообложения в основном включает заработную плату, премии и надбавки, а налоговая база формируется из общей суммы расходов работодателя на оплату труда. Правильное определение этих элементов обеспечивает прозрачность, фискальную эффективность и устойчивость социальных фондов. Также подчеркивается важность цифровизации налогового администрирования и адаптации системы социального налога к новым тенденциям рынка труда.

Ключевые слова: социальный налог, объект налогообложения, налоговая база, налог на заработную плату, фискальная политика, Узбекистан.

INTRODUCTION

Taxation has always been a fundamental mechanism through which governments mobilize financial resources necessary for the implementation of social and economic policies. Among different forms of taxation, payroll taxes occupy a special position because they are directly linked with labor relations and the functioning of the labor market. Payroll taxes often serve a dual function: they generate fiscal revenues for the state budget while simultaneously financing social protection systems such as pensions, unemployment benefits and healthcare programs. In the Republic of Uzbekistan, the social tax constitutes one of the most important taxes associated with labor remuneration. It is a mandatory payment imposed primarily on employers in connection with the use of hired labor. The revenues generated from this tax form an essential part of public resources allocated to social protection programs and pension financing. Consequently, the efficiency and fairness of social tax regulation directly influence both fiscal sustainability and social welfare.

The transformation of Uzbekistan's tax system over the past decade has been closely connected with broader economic reforms aimed at liberalizing the national economy and improving the investment climate. The government has undertaken significant efforts to simplify the tax system, reduce administrative barriers and stimulate economic activity. One of the key directions of these reforms has been the modernization of payroll taxation mechanisms, including changes in social tax rates and improvements in tax administration procedures. The determination of the taxable object and tax base is a central issue in the theory and practice of taxation. These elements define the economic substance of a tax and determine how the tax burden is distributed among taxpayers. In the case of the social tax, the taxable object is closely related to labor income, while the tax base reflects the total remuneration paid by employers to employees.

Despite the importance of this tax for public finance, certain theoretical and practical aspects of the social tax system require deeper academic analysis. In particular, the legal definition of the taxable object and the methodology for determining the tax base raise important questions regarding tax neutrality, economic efficiency and administrative simplicity. Therefore, this study aims to analyze these elements within the context of the current tax legislation of Uzbekistan and evaluate their role in the national taxation system.

LITERATURE REVIEW

The concept of social tax and its taxable object and base has been extensively analyzed in both international and Uzbek literature. In economic theory, payroll-based taxation is regarded as a tool for financing social protection mechanisms, redistributing income, and maintaining labor market stability. Classical works in public finance, such as those by Musgrave and Musgrave, emphasize that social taxes are a form of direct taxation that allows states to collect resources for social insurance and welfare programs. These studies highlight the dual role of social taxation: it is simultaneously a revenue-generating instrument and a mechanism to promote social equity.

In the Uzbek context, several scholars have analyzed the historical evolution and legislative framework of social taxation. Academic works by Ergashev and Mirzaev examine the legislative amendments in the Uzbek Tax Code that govern payroll taxes, including the social tax. They argue that the proper definition of the taxable object—primarily labor remuneration—is crucial for fair and effective taxation. Their research points out that clear identification of taxable components (salaries, bonuses, allowances) and exclusions (social payments, compensations) contributes to reducing legal ambiguities and enhances compliance among employers.

Comparative studies conducted by international organizations, including the World Bank and OECD, demonstrate that Uzbekistan's social tax system is consistent with global practices in terms of linking taxation to payroll and labor compensation. However, these studies also note differences in the rate structures and preferential treatments for certain categories of taxpayers. For instance, many OECD countries apply employer-employee contribution models, while in

Uzbekistan, the social tax is primarily borne by employers, though specific incentives exist for socially-oriented enterprises and organizations employing persons with disabilities. Empirical analyses by national research institutes, such as the Center for Macroeconomic Research under the Ministry of Finance of Uzbekistan, provide statistical evidence on the fiscal significance of social taxes. These studies reveal that social tax revenues constitute a substantial portion of the state budget earmarked for social protection programs, including pensions and social benefits. They also note a positive correlation between the modernization of tax administration (digital reporting systems, simplified calculation methods) and compliance rates, indicating that administrative reforms have strengthened the effectiveness of the social tax system.

Several authors have examined the economic effects of social tax on the labor market. Tursunov and Rustamova emphasize that excessively high payroll taxation may lead to informal employment, while lower rates and digitalized reporting systems encourage formalization of labor relations. They argue that an optimal balance between tax rates and social incentives is critical for economic growth and social welfare. From a legal perspective, authors like Khodjaev and Alimov provide detailed analyses of the provisions of the Tax Code related to the taxable object and tax base of social tax. They highlight the importance of distinguishing between taxable labor remuneration and non-taxable social payments, and they discuss the methodological approaches for calculating the tax base, including the inclusion of bonuses, overtime payments, and allowances. These studies underline the need for clear regulatory definitions to minimize disputes between taxpayers and tax authorities.

Finally, the literature emphasizes ongoing challenges in the Uzbek social tax system. While legal reforms and digitalization have improved transparency and efficiency, the expansion of non-traditional employment forms, such as self-employment and digital labor platforms, requires continuous adjustments to ensure inclusiveness and sustainability. Scholars such as Rakhmonov and Abdurakhmanova stress the importance of incorporating flexible and adaptive tax policies to address changes in the labor market and to maintain the social protection system's financial stability.

METHODOLOGY

This research employs a combination of legal, economic and comparative analytical methods in order to provide a comprehensive examination of the social tax system in Uzbekistan. The methodological framework is designed to integrate theoretical approaches to taxation with practical analysis of legislative and institutional mechanisms regulating the social tax.

The legal analysis method plays a central role in the research. Through this method, the provisions of the Tax Code of the Republic of Uzbekistan related to the social tax are examined in detail. Particular attention is given to the legal definitions of taxpayers, taxable objects, tax bases and tax rates. The analysis also considers other normative legal acts that regulate labor relations and payroll payments, since these regulations directly influence the determination of the social tax base.

Economic analysis is applied to evaluate the fiscal and socio-economic significance of the social tax. This method allows the identification of the relationship between payroll taxation and labor market behavior. The research examines how the structure of the social tax may influence employer decisions regarding employment levels, wage policies and labor formalization.

RESULTS

The social tax in Uzbekistan represents a mandatory payment that arises from employment relations between employers and employees. According to the current tax legislation, the primary taxpayers of the social tax are legal entities and individual entrepreneurs that employ workers under labor contracts. Non-resident organizations operating in the territory of Uzbekistan may also be subject to the social tax if they maintain employment relationships with individuals within the country. The taxable object of the social tax is defined as the

remuneration paid to employees for their labor. This includes not only basic wages but also various additional payments such as bonuses, allowances, incentive payments and other forms of compensation related to employment. In essence, the taxable object reflects the economic benefit received by employees as a result of their labor activity and the financial obligations of employers arising from labor contracts.

The scope of payments included in the taxable object is relatively broad. It encompasses salary payments, overtime compensation, performance bonuses, payments for unused vacation days and other types of income related to employment. However, certain types of payments may be excluded from the taxable object in accordance with tax legislation, particularly when they have a social or compensatory nature. The tax base of the social tax is determined as the total amount of remuneration paid by the employer to employees during the reporting period. This means that the tax base reflects the overall payroll expenses incurred by the employer. The payroll fund serves as the fundamental indicator used to calculate the amount of social tax payable to the state budget. The standard rate of the social tax for most enterprises in Uzbekistan is established at twelve percent of the tax base. However, differentiated tax rates apply to specific categories of taxpayers. Budgetary organizations generally apply higher rates because they operate within the public sector, while certain enterprises that support socially vulnerable groups or employ persons with disabilities may benefit from preferential tax treatment.

The administration of the social tax is carried out through a system of periodic reporting and payment obligations. Employers are required to calculate the tax on a monthly basis and submit the corresponding reports to the tax authorities. The calculated tax amount must be transferred to the state budget within the established deadlines. Recent reforms in Uzbekistan have significantly improved the digital infrastructure of tax administration. Electronic reporting systems and integrated tax information platforms have simplified the process of calculating and paying the social tax. These innovations reduce administrative costs for both taxpayers and tax authorities while increasing the transparency and efficiency of tax collection.

DISCUSSION

The results of the study demonstrate that the social tax plays a significant role not only as a fiscal instrument but also as an important component of the country's social policy. By linking taxation directly to payroll expenses, the social tax ensures that economic activity in the labor market contributes to the financing of social protection programs. One of the key advantages of the current social tax system in Uzbekistan is its relatively simple structure. The determination of the tax base based on payroll expenditures makes it easier for employers to calculate their tax liabilities and reduces the complexity of tax administration. Simplified procedures also encourage compliance and reduce the risk of tax evasion.

However, payroll taxation may also have certain economic implications. If the tax burden on employers becomes excessively high, it may discourage job creation or encourage informal employment arrangements. Informal employment reduces tax revenues and undermines the effectiveness of social protection systems. Therefore, policymakers must carefully balance the fiscal objectives of payroll taxation with the need to maintain favorable conditions for labor market development. The reduction of social tax rates implemented in recent years can be interpreted as part of a broader strategy aimed at stimulating economic activity and reducing the shadow economy. Lower payroll tax rates decrease the cost of labor for employers and encourage the formalization of employment relationships.

Another important issue concerns the expansion of the taxpayer base. As the structure of the economy evolves, new forms of employment such as self-employment, digital platform work and freelance labor become increasingly common. These changes require adjustments in tax legislation in order to ensure that the social tax system remains effective and inclusive. Digitalization also plays a crucial role in improving tax administration. Modern electronic

reporting systems enable tax authorities to monitor payroll payments more efficiently and detect discrepancies between declared wages and actual labor compensation. This technological development strengthens fiscal discipline and contributes to the transparency of the tax system. Despite these positive developments, further reforms may be necessary to enhance the efficiency of payroll taxation. Such reforms may include the refinement of legal definitions related to labor remuneration, the improvement of monitoring mechanisms and the development of more flexible tax policies adapted to modern labor market conditions.

CONCLUSION

The social tax constitutes a fundamental component of the taxation system of the Republic of Uzbekistan and plays a key role in financing social protection programs. The analysis conducted in this study shows that the taxable object of the social tax is the remuneration paid to employees as compensation for their labor, while the tax base is determined on the basis of the employer's total payroll expenditures. The current legislative framework provides a relatively clear and transparent mechanism for calculating and administering the social tax. The adoption of simplified tax rates and digital tax administration systems has significantly improved the efficiency of payroll taxation and reduced administrative burdens for taxpayers.

At the same time, the dynamic development of the labor market requires continuous modernization of the social tax system. Expanding the taxpayer base, improving legal clarity and enhancing digital monitoring mechanisms will contribute to strengthening fiscal sustainability and ensuring the stable financing of social programs. In the long term, the effective functioning of the social tax system will depend on the ability of policymakers to maintain a balance between fiscal needs, economic growth and social protection objectives. Such balance is essential for supporting sustainable economic development and improving the overall welfare of society.

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