

ASSESSMENT OF THE IMPACT OF THE TAX BURDEN ON ECONOMIC ACTIVITY

Turayev Alijon Akmal ugli

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

alijon.turayev@mail.ru

Murodullayev Murodjon,

Student of Samarkand institute of economics and service

Annotation

This article analyzes the impact of the tax burden on economic activity based on theoretical approaches and empirical data. The study examines the relationship between taxation and economic development, as well as the influence of the tax system on investment, business activity, and economic growth. Particular attention is paid to the tax policy reforms implemented in Uzbekistan and the role of the current tax legislation in creating a favorable business environment. The research is based on statistical indicators, legal documents, and scientific literature.

Keywords

tax burden, taxation, economic activity, tax policy, fiscal policy, economic growth, tax system, Uzbekistan.

Annotatsiya

Mazkur maqolada soliq yukining iqtisodiy faoliyatga ta'siri nazariy yondashuvlar va empirik ma'lumotlar asosida tahlil qilingan. Tadqiqotda soliqqa tortish tizimi va iqtisodiy rivojlanish o'rtasidagi bog'liqlik, shuningdek soliqlarning investitsiya jarayonlari, tadbirkorlik faolligi hamda iqtisodiy o'sishga ta'siri o'rganilgan. Maqolada O'zbekistonda amalga oshirilayotgan soliq siyosati islohotlari hamda amaldagi soliq qonunchiligining biznes muhitini yaxshilashdagi o'rni alohida ko'rib chiqilgan. Tadqiqot statistik ma'lumotlar, normativ-huquqiy hujjatlar va ilmiy adabiyotlar asosida olib borilgan.

Kalit so'zlar

solliq yuki, solliqqa tortish, iqtisodiy faoliyat, solliq siyosati, fiskal siyosat, iqtisodiy o'sish, solliq tizimi, O'zbekiston.

Аннотация

В данной статье анализируется влияние налоговой нагрузки на экономическую активность на основе теоретических подходов и эмпирических данных. В исследовании рассматривается взаимосвязь между системой налогообложения и экономическим развитием, а также влияние налогов на инвестиционную деятельность, предпринимательскую активность и экономический рост. Особое внимание уделено налоговым реформам, реализуемым в Узбекистане, и роли действующего налогового законодательства в формировании благоприятной деловой среды. Исследование основано на статистических данных, нормативно-правовых документах и научной литературе.

Ключевые слова

налоговая нагрузка, налогообложение, экономическая активность, налоговая политика, фискальная политика, экономический рост, налоговая система, Узбекистан.

INTRODUCTION

Taxation plays a crucial role in the functioning of modern economies by ensuring the formation of state budget revenues and supporting economic development. The level and structure of the tax burden significantly influence business activity, investment decisions, employment growth, and the overall dynamics of the national economy. In developing economies, including Uzbekistan, the tax system is an important instrument for balancing fiscal stability and economic growth. The concept of tax burden reflects the share of taxes in economic resources generated by individuals and enterprises. A well-designed tax system should ensure sufficient revenue for the state while maintaining incentives for entrepreneurship and productive investment. Excessive tax pressure may reduce business activity and encourage informal economic behavior, whereas an optimally structured tax system can stimulate production, investment, and technological development.

Uzbekistan has implemented significant tax reforms in recent years aimed at simplifying the tax system, reducing administrative barriers, and encouraging economic activity. The current tax legislation regulates major taxes such as value added tax, corporate income tax, personal income tax, excise taxes, and property-related taxes. The main objective of these reforms has been to improve the efficiency of tax administration while supporting sustainable economic growth. Empirical evidence demonstrates that tax revenues remain one of the primary sources of state budget formation. In recent years, tax revenues in Uzbekistan have shown steady growth as a result of improvements in tax administration and economic expansion. For instance, in 2024 tax payments reached approximately 199.6 trillion UZS, reflecting significant growth compared with the previous year.

At the same time, the tax-to-GDP ratio remains an important indicator for assessing the overall tax burden in the economy. International statistics show that tax revenues in Uzbekistan account for around 11–18 percent of GDP depending on the methodology and year, which places the country within the typical range of developing economies. Despite positive trends, the relationship between tax burden and economic activity remains a complex issue requiring comprehensive scientific analysis. The effectiveness of tax policy depends not only on tax rates but also on tax administration, the structure of taxes, and the level of economic development. Therefore, assessing the impact of tax burden on economic activity is essential for developing effective fiscal policy.

The purpose of this study is to evaluate the impact of the tax burden on economic activity in Uzbekistan by analyzing current tax policy, statistical indicators, and theoretical approaches presented in the economic literature.

METHODOLOGY

The research is based on a combination of theoretical and empirical methods used in economic analysis. The theoretical framework relies on the concepts of fiscal policy, optimal taxation theory, and economic growth models that explain the relationship between taxation and economic activity. A comparative and analytical approach was applied to examine the structure and dynamics of tax revenues in Uzbekistan. The study analyzes statistical data on state budget revenues, tax structure, and macroeconomic indicators. Data from national statistical sources, international financial institutions, and academic research publications were used to ensure reliability and validity.

The methodological basis of the study includes:

- analysis of national tax legislation and fiscal policy documents;
- statistical analysis of tax revenues and macroeconomic indicators;
- comparative evaluation of tax burden indicators with international benchmarks;
- synthesis of theoretical approaches related to taxation and economic growth.

Special attention is given to the relationship between tax rates, tax structure, and economic incentives. The analysis considers the impact of direct and indirect taxes on business activity, investment behavior, and consumer demand.

RESULTS

The analysis of statistical data indicates that the tax system in Uzbekistan plays a significant role in financing government expenditures and supporting economic development. Tax revenues constitute the largest share of state budget income and have demonstrated stable growth in recent years.

In 2024 total state budget revenues reached approximately 274.3 trillion UZS, equivalent to about 18.9 percent of GDP, reflecting an increase compared with previous years.

A substantial portion of these revenues was generated through major taxes such as value added tax, corporate income tax, and personal income tax. VAT and other taxes on goods and services remain the dominant sources of revenue within the tax system. Consumption-based taxes constitute a significant share of tax revenues in Uzbekistan. According to international assessments, taxes on goods and services account for more than half of total tax revenues, with VAT being the largest contributor.

This structure reflects the common practice among developing economies where consumption taxes are easier to administer and provide stable revenue streams.

Direct taxes, including corporate income tax and personal income tax, also contribute substantially to fiscal revenues. Corporate income tax revenues represent a notable share of GDP compared with many emerging economies. These taxes directly affect business profitability and investment decisions, making them a critical factor in determining the level of economic activity. At the same time, tax reforms implemented in recent years have reduced several tax rates and simplified the tax system. These reforms were intended to create a more favorable business environment and stimulate entrepreneurial activity. The introduction of digital tax administration systems has further improved compliance and transparency in tax collection.

Statistical data show that improvements in tax administration have contributed to increased revenue mobilization without significantly increasing tax rates. The growth of the formal business sector and the expansion of electronic tax reporting systems have also played a role in strengthening fiscal capacity. However, the analysis also indicates that the tax burden can influence economic behavior in several ways. Higher effective tax rates may reduce incentives for investment and innovation, while excessive reliance on indirect taxes may affect consumer demand and income distribution. Therefore, maintaining an optimal balance between fiscal needs and economic incentives remains a key challenge for tax policy.

DISCUSSION

The relationship between tax burden and economic activity has been widely examined in economic theory. Classical and neoclassical economic models suggest that higher taxes can reduce incentives for production, investment, and labor supply. At the same time, modern fiscal theory emphasizes that taxation is necessary for financing public goods and infrastructure that support economic growth.

In the context of Uzbekistan, tax reforms implemented over the past decade have focused on improving the efficiency of the tax system rather than simply increasing tax rates. These reforms include simplifying tax legislation, reducing the number of taxes, and improving digital tax administration systems. The empirical evidence suggests that moderate tax rates combined with

efficient administration can create favorable conditions for economic development. When tax systems are transparent and predictable, businesses are more likely to operate in the formal economy and invest in productive activities.

Another important aspect is the structure of taxation. A balanced combination of direct and indirect taxes can help achieve both fiscal stability and economic efficiency. Excessive dependence on consumption taxes may create regressive effects, while overly high corporate taxes may discourage investment and entrepreneurship. International financial institutions have emphasized the importance of broadening the tax base and reducing excessive tax preferences. According to policy recommendations, eliminating unnecessary tax exemptions can increase budget revenues while maintaining moderate tax rates.

In addition, the development of digital tax administration systems plays a key role in reducing tax evasion and improving compliance. The implementation of electronic invoicing, digital reporting, and automated tax monitoring has significantly enhanced the effectiveness of tax administration in Uzbekistan. Overall, the analysis demonstrates that the tax burden affects economic activity through multiple channels, including investment incentives, business costs, consumer demand, and government spending. Therefore, fiscal policy should aim to maintain an optimal level of taxation that ensures both economic growth and fiscal sustainability.

CONCLUSION

The results of this study confirm that the tax burden is a significant factor influencing economic activity. In Uzbekistan the tax system serves as a fundamental mechanism for generating public revenues while also shaping the business environment and investment climate. Recent tax reforms have improved the efficiency of the tax system by simplifying tax legislation, reducing administrative barriers, and introducing digital tax administration tools. These measures have contributed to the growth of tax revenues and increased economic transparency.

Statistical evidence shows that tax revenues continue to grow alongside economic expansion, indicating that improvements in tax administration can strengthen fiscal capacity without imposing excessive tax pressure on businesses and households. Nevertheless, maintaining a balanced tax burden remains a key challenge for fiscal policy. Excessive taxation may reduce incentives for economic activity, while insufficient taxation can undermine the ability of the state to finance essential public services and infrastructure. Therefore, future tax policy should focus on optimizing the structure of taxation, expanding the tax base, and further improving tax administration efficiency. Such measures will help create a stable fiscal environment that supports sustainable economic growth and enhances the competitiveness of the national economy.

REFERENCES

1. Piketty, T., Saez, E., & Stantcheva, S. (2014). Optimal taxation of top labor incomes: A tale of three elasticities. *American Economic Journal: Economic Policy*, 6(1), 230–271.
2. Stiglitz, J. E., & Rosengard, J. K. (2015). *Economics of the public sector* (4th ed.). W. W. Norton & Company.
3. State Tax Committee of the Republic of Uzbekistan. (2025). Annual report on tax revenues and tax administration. Tashkent.
4. The World Bank. (2024). Uzbekistan public expenditure review and tax policy analysis. World Bank Publications.
5. Ministry of Economy and Finance of the Republic of Uzbekistan. (2024). State budget performance report. Tashkent.
6. Uzbekistan. (2026). Tax Code of the Republic of Uzbekistan. National database of legislation of the Republic of Uzbekistan.

JOURNAL OF MULTIDISCIPLINARY SCIENCES AND INNOVATIONS

VOLUME 5, ISSUE 03
MONTHLY JOURNALS



ISSN NUMBER: 2751-4390

IMPACT FACTOR: 9,08

7. United Nations Development Programme. (2023). Fiscal policy and sustainable development in transition economies. UNDP.