

WAYS TO IMPROVE THE EFFICIENCY OF USING INDIRECT TAXES WHEN FORMING THE STATE BUDGET

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Abstract: The article examines the main directions for improving the efficiency of indirect taxes in the process of forming the state budget. The advantages and disadvantages of indirect taxation, its impact on budget revenues, and the economic behaviour of business entities are analysed. Particular attention is paid to international experience in optimizing indirect taxes and the possibilities of its adaptation within the national tax system. The paper proposes measures to improve tax policy to increase tax collection, reduce the shadow economy, and ensure sustainable budget balance.

Keywords: indirect taxes, tax policy, state budget, fiscal efficiency, tax burden, tax revenues, shadow economy, tax optimization.

Introduction. Indirect taxes play a central role in the financial system of the modern economy, serving as one of the key sources of government revenue. Unlike direct taxes, which are levied on individual incomes and corporate profits, indirect taxes are applied to goods and services, making them the foundation of consumption-based tax systems. This characteristic enables them to generate substantial revenue flows, significantly contributing to the stability of national budgets.

As governments strive to balance fiscal obligations with economic growth, indirect taxes provide a flexible tool for adapting to changes in market conditions and consumer behaviour. In addition to funding essential public services and infrastructure projects, they also fulfil an important social function by promoting fair resource distribution. However, the effectiveness of indirect taxation largely depends on its structure, administrative mechanisms, and levels of tax compliance, emphasizing the importance of sound fiscal policy and efficient management.

In this context, examining the role of indirect taxes in shaping budget revenues becomes particularly relevant. This study aims to analyse various types of indirect taxes, their impact on the budget system, and their broader implications for economic stability and growth.

Literary review. In classical economic works, it was noted that taxation should be fair, simple, and efficient [1]. Indirect taxes, such as value-added tax (VAT) and excise duties, are considered relatively neutral instruments compared to direct taxes, as they do not directly affect the incomes of individuals and legal entities [2]. Modern research confirms that VAT is the most effective form of indirect taxation, contributing to the mobilization of budgetary resources [3]. The work of B. Qadirov, examine the specifics of indirect taxation in Uzbekistan, its impact on budget formation, and the country's economic development [4].

Various mechanisms are employed globally to improve the efficiency of indirect taxation. For example, in EU countries, a system of differentiated VAT rates has been introduced, allowing for a reduction in the tax burden on socially significant goods and services [5]. In developing countries such as Brazil and India, efforts are being made

to unify tax regimes to reduce administrative costs and improve tax collection efficiency [6]. In the context of Uzbekistan, research by B. Khajiev highlights the need for further harmonization of national tax legislation with international standards, which would enhance the transparency of tax administration and improve the efficiency of tax revenues [7].

Despite the evident advantages of indirect taxes, their administration remains a complex task. Research by Bahl & Wallace emphasizes the need for tax system modernization, the implementation of digital technologies for monitoring tax revenues, and measures to combat tax evasion [8]. The introduction of automated control systems, such as electronic invoices and blockchain technologies, contributes to enhancing the transparency of the tax system [9].

Research Methodology. This study employs various methods, including analysis, induction, deduction, and observation. Data were collected from official statistical sources, and their processing and interpretation were carried out using graphical analysis. This approach enabled a comprehensive examination of the subject and the identification of key patterns.

Analysis and results. In the Republic of Uzbekistan, indirect taxation is represented by the value-added tax (VAT) and excise tax.

Indirect taxes perform both fiscal and regulatory functions, with the mechanism of indirect taxation being the most convenient means of generating revenue for the state treasury. This ensures a fast and stable inflow of substantial amounts into the state budget. In particular, indirect taxation enables economic influence by stimulating or restricting production in certain areas and regulating consumption. Additionally, it allows for operational responses to economic processes.

The advantages of indirect taxes are primarily linked to their role in shaping budget revenues:

1. They ensure a rapid inflow of funds into the budget.
2. Since they apply to consumer goods, the likelihood of full tax collection is significantly higher.

3. Consumption is evenly distributed across regions, reducing disparities in interregional income distribution.

4. Indirect taxes directly affect consumers.

Currently, Uzbekistan has two types of indirect taxes: VAT and excise tax.

VAT is considered preferable to direct taxes for several reasons:

- It is harder to evade since it is more difficult to conceal taxable turnover than to underreport or hide income.
- The VAT collection process does not involve major difficulties, reducing administrative costs.
- VAT is not dependent on the outcomes of economic activity and provides stable revenue inflows.

The primary function of excise taxation is fiscal, as it was originally intended to provide the government with significant and stable sources of revenue. However, in recent years, there has been a shift towards utilizing excise taxation as an economic regulatory tool [10].

The regulatory function of excise tax manifests in the following aspects:

- Impact on the volume of production and consumption of excise-taxed goods.
- Influence on the structure of production, stimulating efficiency growth, improving product quality, and enhancing consumer properties.
- Regulation of the profitability of excise-taxed goods' production.

In most developed countries, the regulatory function of excise taxation is prioritized. The use of excise tax solely as a fiscal tool is considered undesirable in civilized economies.

Table 1. Volume, Share, and Dynamics of Tax Revenues in the Consolidated Budget of the Republic of Uzbekistan for 2023–2024 (billion UZS) [11]

Revenues	2023 year	2024 year	Change				
	billion UZS	Share, %	billion UZS	Share, %	billion UZS	%	
Total	231720,70	100	274423,90	100	42703,20	18,4%	
Direct Taxes	73103,60	31,55	90833,00	33,09	17729,40	24,3%	

Corporate Income Tax	40778,90	17,60	52619,70	19,17	11840,80	29,0%
Turnover Tax	2407,30	1,04	2829,50	1,03	422,20	17,5%
Personal Income Tax	29917,40	12,91	35383,90	12,89	5466,50	18,3%
Indirect Taxes	83325,70	35,96	88342,10	32,19	5016,40	6,0%
Value Added Tax (VAT)	57885,30	24,98	59281,20	21,60	1395,90	2,4%
Excise Tax	15834,40	6,83	19059,90	6,94	3225,60	20,4%
Customs Duties	9606,10	4,15	10001,00	3,64	394,90	4,1%
Resource and Property Taxes	28079,50	12,12	36362,60	13,25	8283,10	29,5%
Property Tax	5097,70	2,20	6804,70	2,47	1707,00	33,5%
Land Use Tax	6890,10	2,97	8215,60	2,99	1325,50	19,2%
Subsoil use tax	15300,30	6,60	20169,60	7,34	4869,30	31,8%
Water resource tax	791,40	0,34	1172,70	0,42	381,30	48,2%
Other Revenues	47 211,90	20,37	58886,20	21,45	11674,30	24,7%

The table presents comprehensive data on tax revenues in Uzbekistan's consolidated budget for the years 2023 and 2024. It details the absolute volume (in billion UZS), the percentage share of each revenue category, and the annual change both in monetary and percentage terms. Broadly speaking, the total tax revenues experienced significant growth, with notable increases observed particularly in direct taxes and resource and property taxes.

The table indicates that Uzbekistan's total tax revenues experienced a significant increase in 2024 compared to 2023. Specifically, total revenues rose from 231,720.7 billion UZS to 274,423.9 billion UZS, reflecting an 18.4% growth. This increase was largely driven by direct taxes, which saw the most notable expansion both in absolute terms and in their share of the consolidated budget. The volume of direct taxes increased by 17,729.4 billion UZS (24.3%), causing their share to rise from 31.5% in

2023 to 33.09% in 2024. The corporate income tax emerged as the leading component within this group, surging by 29% to reach 52,619.7 billion UZS and boosting its share from 17.6% to 19.17%. Personal income tax also grew by 18.3%, although its share slightly declined to 12.89%, indicating that its growth rate was slightly below the average increase in overall revenue.

In contrast, the indirect taxes category exhibited slower growth, increasing by only 6.1%, from 83,325.7 to 88,387.1 billion UZS. This resulted in a noticeable drop in its share of the total - from 35.9% to 32.1% - highlighting a relative decline in its budgetary role. Among the indirect taxes, the Value Added Tax (VAT) remained the largest contributor, increasing marginally by 2.5% to 59,281.2 billion UZS. However, its share of total revenues dropped significantly from 24.9% to 21.6%. Excise tax revenues, on the other hand, grew robustly by 20.4%, while customs duties experienced a slight increase of 4.1%, reflecting a stable trend in foreign trade-related collections.

Resource and property taxes showed the highest percentage growth among all categories, expanding by 29.5% to reach 36,362.6 billion UZS in 2024. This growth lifted their share of the total budget from 12.12% to 13.25%. The most dynamic subcategory was the subsoil use tax, which grew by an impressive 31.8%, followed closely by the property tax at 33.5%. The land use tax and water resource tax also registered substantial increases of 19.2% and 48.2%, respectively, signaling the government's increasing focus on monetizing the use of natural resources and property.

Lastly, other revenues increased significantly by 24.7%, amounting to 58,856.2 billion UZS in 2024. This category's share in the total budget grew modestly from 20.37% to 21.45%, contributing meaningfully to overall fiscal expansion. The consistent growth across nearly all categories, with especially strong performance in direct and resource-based taxation, suggests an active and diversified approach to public revenue generation in Uzbekistan's fiscal strategy for 2024.

Figure 1. VAT receipts to the budget system of the Republic of Uzbekistan in 2012-2024, billion UZS. [12]

The line graph illustrates the dynamics of value-added tax (VAT) revenues collected in Uzbekistan between 2012 and 2024, measured in billion Uzbek soums. Overall, VAT receipts demonstrated a steady upward trend over the twelve-year period, with occasional fluctuations, most notably during the years 2019 and 2020. Despite these short-term drops, the general trajectory points to significant growth in VAT contributions to the state budget.

In 2012, the volume of VAT revenues stood at 5,966.6 billion UZS. Over the next four years, this figure grew gradually, reaching 11,891.6 billion UZS by 2016. A noticeable acceleration occurred in 2017 and 2018, particularly in the latter year, when VAT income more than doubled from the 2016 level to hit 27,876.5 billion UZS. This surge continued into 2019, with a further rise to 33,809.8 billion UZS, marking a clear shift in the scale of tax collection.

However, in 2020, the trend briefly reversed as VAT receipts dipped to 31,177.4 billion UZS. This decline may be attributed to the economic disruptions caused by the global COVID-19 pandemic. Nonetheless, recovery was swift: by 2021, the figure had increased to 38,439 billion UZS, followed by a sharp rise in 2022 to 52,189.4 billion UZS, suggesting renewed economic activity and effective tax administration reforms. The growth continued in 2023, with collections reaching 57,885.3 billion UZS, and culminated at 59,281.2 billion UZS in 2024 — the highest point in the entire period.

In conclusion, the data reveals that VAT revenues in Uzbekistan have grown nearly tenfold from 2012 to 2024. The trend underscores the increasing fiscal importance of VAT in the national budget and reflects both economic expansion and improvements in tax compliance and enforcement over the years.

Figure 2. Excise tax receipts to the budget system of the Republic of Uzbekistan in 2012-2024, in billion UZS. [12]

The line graph illustrates the trends in excise tax revenues collected in Uzbekistan between 2012 and 2024, expressed in billion UZS. Overall, the graph reveals a consistent upward trajectory in excise tax collections throughout the period, with

particularly strong growth in the most recent years, reflecting increased fiscal mobilization and possibly the expansion of taxable goods and services.

In 2012, the amount of excise tax collected stood at 3,175.9 billion UZS. This figure rose steadily in the following years, reaching 4,941.1 billion UZS by 2014. From 2015 to 2017, the upward trend persisted, with revenues increasing from 5,618.4 billion to 7,449.2 billion UZS. A more noticeable jump occurred in 2018, when receipts grew sharply to 9,702.2 billion UZS, indicating a possible policy shift or an expansion in the scope of excisable goods.

From 2018 onward, the growth continued at a steady pace. By 2020, excise tax revenues had risen to 11,697.3 billion UZS, followed by a further increase to 13,086.5 billion UZS in 2021 and a marginal rise to 13,455 billion in 2022. The most substantial increases occurred in the last two years of the observed period. In 2023, the figure climbed to 15,834.4 billion UZS, and by 2024, it had reached a peak of 19,059.9 billion UZS — almost six times higher than the level recorded in 2012.

In summary, the data demonstrates that excise tax revenues in Uzbekistan have shown strong and consistent growth over the twelve-year period. This pattern suggests the government's increasingly effective tax policy and potentially a broadening base of taxable consumption, particularly in sectors related to fuel, alcohol, tobacco, or luxury goods that typically fall under excise taxation.

Thus, the high fiscal and budgetary role of VAT and excise taxes in Uzbekistan's tax and budget system is indisputable.

However, the system of indirect taxation in Uzbekistan is not without its problems.

The first problem is that indirect taxes act as a factor restraining the growth of domestic production and investment in fixed capital. Solving this problem requires changes in tax legislation to encourage investment activity.

The second problem is the increase in inflation due to indirect taxation. The optimal solution could be reducing the main and reduced VAT rates, as well as eliminating certain exemptions from its payment.

The third problem is the illegal refund of VAT on export operations. To address this issue, it is recommended to eliminate some tax benefits.

The fourth problem is related to the increase in excise tax rates, which has a particularly strong impact on one of the state's primary tasks—preserving public health. In this regard, the following approach is necessary: first, fostering a “drinking culture” among the population by setting lower excise rates on less harmful products, and only then gradually increasing excise taxes on other types of goods.

The fifth problem is the increase in excise tax on gasoline. Further raising excise taxes on gasoline may negatively impact the prices of most goods.

The sixth problem is the complexity of VAT administration, difficulties in justifying tax benefits and VAT refunds, which hinders Uzbek companies from entering the global market.

The seventh problem is excessive tax burden. To achieve maximum efficiency and reduce the load on the least wealthy taxpayers, it is necessary to lower not only the base rate but also the preferential rate.

Conclusion. The analysis of the indirect taxation system in the Republic of Uzbekistan allows us to draw several conclusions regarding its fiscal and regulatory role, as well as the identified challenges.

Firstly, indirect taxes, such as Value Added Tax (VAT) and excise tax, play a key role in shaping the revenue structure of the state budget, providing a significant portion of fiscal inflows. Their share in Uzbekistan's consolidated budget remains high, and the annual increase in revenues demonstrates their stability and reliability as sources of budgetary income.

Secondly, indirect taxes influence not only the fiscal system but also economic processes, including production, investment, and consumption. However, the identified shortcomings—such as the discouraging effect on investment activity, impact on inflation, and administrative complexities—necessitate measures to improve tax policy.

Based on the conducted analysis, the following measures are proposed to optimize the indirect taxation system:

1. Encouraging investment activity – introducing amendments to tax legislation aimed at reducing fiscal pressure on domestic production and attracting investments in fixed capital.
2. Reducing inflationary pressure – revising the standard and reduced VAT rates, as well as possibly eliminating certain tax exemptions to enhance tax administration efficiency.
3. Improving the VAT refund mechanism for export operations – strengthening control over the legality of tax refunds and possibly limiting certain benefits to reduce tax abuses.
4. Differentiating excise tax rates – setting lower rates on less harmful goods to shape a responsible consumption culture among the population and then gradually increasing rates on products with high social and health risks.
5. Balanced policy on fuel excise taxes – moderate increases in rates, considering potential effects on prices and inflation, along with developing compensatory measures for socially vulnerable groups.
6. Simplifying VAT administration – improving tax control procedures, eliminating bureaucratic barriers, and implementing digital technologies to enhance the transparency of tax operations.
7. Optimizing the tax burden – reviewing not only basic but also preferential tax rates, which will help balance fiscal policy and reduce excessive pressure on taxpayers, particularly small and medium-sized businesses.

Implementing the proposed measures will improve the efficiency of Uzbekistan's tax system, enhance the investment climate, reduce inflationary risks, and ensure sustainable state budget revenues.

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