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Navigating Tax Reforms: Lessons from Uzbekistan's Economic Journey

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Abstract: This article provides an overview of tax systems in foreign countries, focusing on the evolution and reforms undertaken in Uzbekistan. It highlights the significance of tax policies in regulating market economies and influencing economic reforms. Drawing from the experiences of developed nations, the article discusses various forms of taxes, principles of tax systems, and the role of taxes in economic development. Key aspects include the differentiation between direct and indirect taxes, tax rates, tax bases, and the implementation of tax reforms. Additionally, it explores challenges and goals in tax policy, such as reducing tax burdens, optimizing tax structures, and ensuring fairness in taxation. The article concludes with insights into the changing dynamics of tax systems worldwide and Uzbekistan's efforts to align its tax regime with international standards.

Keywords: Tax system, tax policy, economic reforms, direct taxes, indirect taxes, tax burden, tax structure, tax reform, Uzbekistan, international standards.

Taxes are one of the numerous state economic pillars that has an impact on the market economy. The tax system is one of the regulators of the political and economic aspects of the state, and it serves as the foundation for the credit and financial systems, in the context of market relations, particularly during the shift to a market economy. Tax laws in the state are frequently employed to precisely control unfavorable market developments. Like the overall tax system, each tax has the ability to be a potent tool for controlling the economy under market conditions. The quality of the tax system's construction determines how well the entire country's economy operates. The importance of tax system reform was stressed in the president of state's 1995 book, "Uzbekistan on the way to deepening economic reforms," which was published in the early years of independence. "- improving the tax system, ensuring stable replenishment of budget revenues, improving the efficiency of small and private enterprises with foreign capital, processing agricultural products and manufacturing consumer goods" were the priority measures and tax policy priorities put forward at the first stage of the market reform program. impose stringent tax laws that promote the growth of joint ventures."

In January 2005,at a joint session of the Legislative Chamber and the Senate of the Oliy Majlis, President of the Republic of Uzbekistan Islam Karimov once again stressed that when reforming the tax system in our republic, it is necessary to “use the best practices of other developed countries".

Tax concerns are already given top priority in financial planning for businesses in the West. Mistakes or insufficiencies in taxation can cause unpleasant complexities or even cause the business to fail in high tax rates. Alternatively, making full use of the advantages and deductions afforded by tax laws can guarantee not only the security of amassed material resources but also the potential for material support for the advancement of endeavors, fresh investments made possible by tax savings, and even the reimbursement of tax payments made from the treasury.

Based on the features of the nation's economy, the government of Uzbekistan was tasked with designing a completely new tax system once the country attained independence and decided to pursue autonomous economic reforms. Ultimately, the budget formulation mechanism that was carried over from the Soviet administrative and command system failed to meet our nation's needs and the demands of socio-economic transitions.

The following concerns have been prioritized by our nation's leadership when the tax reform is being implemented:

The first step is to minimize the tax burden that businesses must bear. To make sure the business can handle its own finances on its own, this is being done. In order to maximize the efficient and cost-effective use of non-renewable natural resources, such as land and water resources, special focus should first be given to lowering direct taxes and maximizing indirect taxes and charges on resources.

Second, given the growth rates of the GDP and economic development, the quantity of taxes imposed on producers by the budget and extra-budgetary funds should be properly coordinated.

Third, in order to guarantee the best possible balance between the amount of revenue that should go to the local and republican budgets and the amount that should stay with producers, it is imperative that inter-budget linkages be closely observed while formulating tax policy.

Fourth, to continue working toward unification, fewer taxes, and more straightforward methods for calculating and paying them.

Fifth, while creating an annual tax policy, gives the greatest feasible reduction and optimization of public spending top attention. Due tothe development of new forms of management, the tax legislation has undergone significant changes that follow from the above-mentioned principles and meet the conditions of the relevant stage of reforms. Thus, thanks to the updates and reforms, the republic has created a planned tax system that meets international principles and norms, ensuring a stable formation of budget revenues and stimulating economic growth[1].

Economically developed nations base their tax systems on a variety of social, political, and economic factors. The tax structure is differentiated based on the types of taxes, their structure, mode of collection, rate, fiscal level of individual authorities, tax base, validity of tax payments, and tax advantages.

The building blocks of the overall tax system are not all the same and are contingent on the government's stance on specific economic theories.

The shape and dynamics of economic changes are primarily determined by the type of tax policy that is put into place and the effectiveness of the tax measures.

[1] T. Jorayev. To improve the tax policy. "Xalq Suzi" newspaper, ¹194, September 20, 2003

Based on the experience of developed market economies, it is understood that one of the key ways to increase production efficiency and achieve sustained economic development is through a well-designed and balanced tax structure. The application of scientific advancements, historical materials, and developed nation experience is crucial for enhancing and enacting changes to the tax system.

Taxes can be imposed on firms, purchasers or sellers of goods, sources of income or expenses, or on the process of producing or selling products in the marketplace. The tax is levied on income remaining after deducting the income of the household or its members, consumer expenses, income from retail trade, gross income from economic activities, depreciation deductions from entrepreneurship, payroll, profits, payroll funds, and dividends.

The primary types of taxes in industrialized nations are as follows.

1. Income tax placed on people.
2. Income tax on corporations.
3. Taxation of turnover.
4. Fund contributions for social insurance.
5. Tariffs on consumption.
6. Property tax, inheritance tax, and gift tax are taxes on acquired wealth.

Taxes are divided into individual and specific types.

Personal taxes take into account the financial position of the taxpayer in relation to its ability to pay, while net taxes are taxed on activities or sales of goods, ownership of property, purchases and do not take into account the financial position of the taxpayer. Specific taxpayers can be individuals and legal entities. Personal taxes are levied only on the income of the population.

Curved and straight taxes are not the same in practice. While indirect taxes are imposed on other taxpayers, direct taxes are assessed on the income of people and enterprises. Because of this, many net taxes are indirect taxes even though personal taxes are regarded as appropriate taxes. The fundamental elements of the tax system, which include tax subjects, objects, sources, rates, benefits, and tax burden, are indicated by the system's basic principles. Certain types of income, goods, and services, together with acquired wealth or property, are the subject or source of taxation. The national income is correlated with the tax source.

At the same time, individual forms of income (wages, profits, interest, rent) have their own special character, so the tax base and tax source do not always coincide. The unit of taxation depends on the object of taxation, is expressed in cash or in kind, and is understood as part of the object of taxation. The tax rate can be fixed or as a percentage. Interest rates will be proportionally equal or in ascending order.

Legal businesses and people with profit or turnover pay taxes in the same proportion when employing the proportionate tax rate technique. In this case, the tax rate is fixed and applied proportionately. If it is anticipated that the tax rate rises in tandem with an increase in revenue or profit, these rates are known as progressive tax rates. The tax benefit system will have distinct forms of bo' for each tax and distinct benefit kinds for each tax, accounting for national fiscal policy.

Three methods are used to collect the tax salary amount.

1. From sources (taxes are collected prior to income being received);
2. Based on a declaration (taxes are assessed following income receipt);
3. On a cadastral basis (with fees based on how profitable the item is).

The basis for source tax collection is labor and other, largely fixed, personal revenues. Declaration-based taxation is predicated on a range of incomes from non-fixed sources. Cadastral taxation is administered in compliance with the land and artisanal income procedure. Depending on the level of various administrative machinery, the organization of certain tax kinds was adopted to prevent duplicate taxation.

The structure of taxation in developed countries is based on:

The relationship between taxes imposed on various income levels in various nations and the economy varies. They frequently alter. The percentage of consumption tax has remained constant in many nations despite increases in income taxes and social insurance contributions. There was a trend in the latter part of the 1970s to raise the consumption tax percentage. Different countries have different relationships between their economies and the taxes levied on different income levels. They change all the time. In many countries, income taxes and social insurance contributions have increased, while the consumption tax proportion has stayed the same. In the later half of the 1970s, there was a movement to increase the consumption tax rate.

The following represents the major categories of indirect taxes (consumption tax, excise taxes, company social insurance payments), as well as direct taxes (income tax, corporate income tax, and employee social insurance contributions): Although direct taxes originated in the United States, Canada, Germany, and Japan, indirect taxes They originated in France and Italy; the tax structure is the same in Germany and Italy; the United States, Canada, Germany, and Japan saw the expansion of appropriate taxes. On the other hand, indirect taxes are becoming more prevalent in Italy.

The basis for tax structure changes is the recognition that inflation and economic growth have a significant influence on taxing the appropriate income.

The state's introduction of new initiatives to guarantee the rise in the federal revenue is the root of the tax problem.

The following are these processes' primary directions:

1. Income tax and social security contributions;
2. Income tax based on the declaration;
3. Business contributions to social insurance funds;
4. business tax and other business income taxes.

The following describes how taxes affect the company's profit during the recovery process:

Eight to ten percent in the US and roughly five percent in Germany, where there is a declining tendency, are their tiny shares in this process.

In the US and Germany, return-based income tax makes up between 10 and 14 percent of the entire procedure.

boThese taxes are related to the supply of state and local taxes in the US, although they are at the state level in Germany, depending on national variances. The working capital tax is the primary tax curve. It is given as sales tax in the US and as value-added tax (VAT) in Germany.

The research that has been done allows us to pinpoint certain elements of the tax system, including: search for ways to increase the state's tax revenue; design a tax structure based on fundamental economic principles that highlight the advantages of equality, justice, and taxes. In developed countries, there are two categories of income tax payers: residents and non-residents. The basis for calculating income tax is the taxpayer's gross income, which includes salary, allowances, and income received in kind. The current tax rate scale is used to calculate income tax because taxable income and gross income do not equal one another. One type of tax relief in industrialized nations is a tax deduction from gross income. Income tax is reduced when the State pays child benefit payouts. The rate of income tax is determined using an ascending formula. In recent years, there has been a notable decrease in tax rates.

For instance, in Italy, the top rate is lowered to 56% and the minimum rate to 11%; in the US, two rates are lowered to 15% and 28%, respectively; in Japan, the high rate is lowered to 60%. Modernization of the tax system in developed countries is determined by positive factors caused by the need for state intervention in the process of forming industrial relations and limited socio-economic taxation. Tax There is also a correlation between the demand for income and the conditions of its receipt in the organization of the entire tax system.

Developed countries are constantly looking for ways, on the one hand, to reduce government spending and, as a result, maintain demand for tax revenues, and on the other-to increase the advantageof the oshirish yo'llari tax system..

The common tax issues faced by state development in developed nations are as follows:

- taxpayers find the current tax system confusing, which makes them refuse to pay taxes;
- unfairness is exemplified by the fact that individuals who earn the same amount of money are not taxed equally when paying personal income tax;
- corporations are taxed based on taxes rather than their economy of investment and reconstruction.

The purpose of the reforms is to broaden the revenue base. This can be seen, for instance, in the removal of tax incentives and the addition of new revenue streams to the tax base. Complicated laws are in place to prevent tax evasion and income hiding in several nations, including the US. As a result, during the personal income tax reform, rates are reorganized. The majority of the reforms entail a reduction in lower rates.

For all resource kinds, a single tax system is now in effect. The majority of nations base their taxation on the income source, with different tax rates and advantages being imposed based on the nature of the revenue.

The majority of US government revenue comes from federal taxes. The income tax, whose rate is directly correlated with the quantity of national income, is a key component of the federal tax system. Prior to World War II, a substantial portion of budgetary receipts came from corporate income tax; personal income tax continued to be a major source of company income both during and after the war.

The income tax is a crucial component of the current federal tax system since it accounts for a sizable portion of soliqlarningyuqoriligiga, which is the cause of the higher taxes.

These appropriate taxes account for a considerable amount of the US federal government's revenue. In 1970, it contributed 48.2% of tax revenues; in 1980, 48.7%; in 1985, 46.2%; in 1986, 46.6%; in 1987, 44.2%; in 1990, 45%; and in 2000, more than 42%.

The revenue that people receive from their businesses is the subject of personal income taxation. The tax laws define three primary categories of household income that are liable to taxes when determining the amount of income: gross income, net income, and taxable income.

Net income is the amount left over after deducting expenses and business deductions from gross income, which is the total annual income from all sources. Conversely, taxable income is what remains after expenses and the non-taxable minimum are subtracted.

The definition of net profit is calculated using the taxable profit calculation steps. Based on the net profit, the rate of deductions of the tax base established by law is established. Net income is not the same as personal income under US tax law since personal income is a broad economic category. Expenses for business travel, special attire, and other costs are included.Certain income streams can also be totally or partially deducted. Raising taxation is one of the objectives imposed on developed nations. Nonetheless, there are instances of tax reduction or suspension in certain nations.

Uzbekistan consistently pursues a policy of minimizing government intervention in the economy, which leads to the implementation of annual tax reduction initiatives. Developing production, entrepreneurship, raising the average person's real income, and boosting consumer demand are their primary goals. The unification of taxes and fees is given a lot of attention at the same time. This helps to ensure that tax laws are transparent, that businesses may more easily calculate and pay taxes, and that they have effective control over the payment of their tax obligations. This is currently because our republic's tax system needs to be brought into compliance with international norms and models.

The amount of taxes paid in relation to GDP differs from nation to nation, as can be seen if we look at the figures used to describe the tax burden in various nations. Variations in the degree of economic regulation, the course of socio-economic policy, the geopolitical location of specific nations, and other factors are to blame for this. The world's countries can be categorized into three groups based on the overall tax burden level:

1. High taxation: more than 40% of GDP is taxed in Luxembourg and France;
2. Average taxation: between 30% and 40% of GDP is taxed in Denmark, Sweden, Austria, Germany, and Great Britain;

3. Below-average taxation: up to 30% of GDP is taxed in China, India, Egypt, Malaysia, and other countries.

In Conclusion

In the context of Uzbekistan's shift to a market economy, the paper offers a thorough analysis of the role tax regimes play in determining the economic landscape. The text elucidates the progression of tax policies inside the nation, stressing the significance of reforms in harmonizing with global norms and fostering economic expansion. One important lesson is the realization that reliable government revenue, investment, and entrepreneurship are all dependent on a well-crafted tax structure for controlling economic activity. The paper emphasizes the necessity of tax reforms to improve the efficiency and equity of the tax system and to adjust to shifting socioeconomic circumstances. The article outlines a number of important criteria and goals for tax reform, such as lowering company tax burdens, balancing the budget, assuring inter-budget balance, streamlining tax processes, and maximizing public spending. These initiatives show a dedication to both guaranteeing sufficient government revenue and fostering an atmosphere that encourages economic growth. The various tax kinds that are frequently observed in developed countries are also covered in the article, including income tax, corporation tax, turnover tax, and social insurance payments. It emphasizes the necessity of a progressive tax system that takes into account people's financial situations and the significance of striking a balance between direct and indirect taxes.

Overall, the article suggests that Uzbekistan is actively engaged in tax reform efforts to modernize its tax system, improve compliance, and stimulate economic growth. By learning from international best practices and adapting to local economic realities, Uzbekistan aims to create a tax system that supports sustainable development and prosperity for its citizens.

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