



## TAX POLICY AND MACROECONOMIC STABILITY OF THE COUNTRY

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**Annotation:** this article is devoted to studying the tax policy of the Republic of Uzbekistan and its impact on macroeconomic stability. Within the scope of the research, the efficiency of the tax system, the level of tax collection, mechanisms to encourage active taxpayers, and the relationship between fiscal stability and these factors are analyzed. The article examines the effects of tax policy on economic growth, inflation, and budget balance based on official statistical data, international studies, and scholarly literature. The research findings confirm that the country's current tax policy serves as an important fiscal instrument for ensuring macroeconomic stability.

**Keywords:** tax policy, fiscal stability, tax collection efficiency, macroeconomic indicators, public finance, economic sector.

### *Introduction*

In the context of the modern economy, tax policy is one of the key strategic instruments for ensuring a country's macroeconomic stability. Through tax policy, the state shapes its fiscal capabilities, stabilizes budget revenues, and implements mechanisms that can either stimulate or restrain economic growth. Therefore, the efficiency and flexibility of the tax system emerge as crucial factors for the country's economic stability. Macroeconomic stability is typically characterized by low inflation, controlled budget deficits, sustainable public debt levels, and consistent



economic growth rates. All these indicators are directly or indirectly closely linked to tax policy. Tax revenues serve as the primary source for financing government expenditures, and their adequacy and stability are essential for maintaining fiscal balance. An effective tax policy can strengthen macroeconomic stability by smoothing economic cycles, improving the investment climate, and enhancing private sector activity. Conversely, excessively high tax burdens or poorly designed tax incentives may lead to reduced production volumes, the expansion of the informal economy, and declining budget revenues. This situation can disrupt fiscal balance and increase the risk of macroeconomic instability. Moreover, in the context of globalization and the increasing integration of economies, tax policy is no longer determined solely by domestic factors but is also closely related to international competition, capital flows, and the activities of multinational corporations. This requires states to adopt a balanced approach in developing tax policy that ensures macroeconomic stability while attracting investment and expanding the tax base. From this perspective, a scientific study of the interrelationship between a country's tax policy and macroeconomic stability is a pressing issue. This topic allows for an assessment of fiscal policy effectiveness by analyzing the impact of tax mechanisms on budget stability, economic growth, inflation levels, and public debt.

In the Republic of Uzbekistan, the main legal framework regulating tax relations is the Tax Code of the Republic of Uzbekistan. This code establishes the legal basis for financial relations between the state and taxpayers and ensures the unified and consistent functioning of the tax system [1]. The Tax Code serves as the legal foundation of the country's fiscal policy and plays a crucial role in forming state budget revenues. The code clearly defines the key principles of the tax system, including legality, fairness, transparency, proportionality of the tax burden, and clarity of tax obligations. Adherence to these principles helps protect the interests of taxpayers, improve the business environment, and strengthen tax discipline. At the same time, the code aims to maintain a balance between the state and business entities in the taxation process. The Tax Code specifies the types of taxes and fees,



distinguishing between national and local taxes. It details the taxation objects, tax bases, and rates for various mandatory payments, including personal income tax, corporate profit tax, value-added tax, excise tax, property tax, land tax, and other levies. This clarity ensures transparency and predictability in the tax system, providing legal certainty for taxpayers.

In order to ensure the stability of state budget revenues, enhance the full and timely collection of taxes, and encourage taxpayers who fulfill their tax obligations honestly and regularly, the decree “On Measures to Increase Tax Collection Efficiency and Encourage Active Taxpayers” was adopted [2]. The document emphasizes improving tax administration as a primary measure to increase tax collection efficiency. Specifically, it outlines the digitization of tax authorities’ activities, the widespread implementation of electronic tax reporting, and the development of automated control systems to enhance the accuracy and transparency of tax revenues. These measures not only reduce the administrative burden on taxpayers but also help decrease the share of the informal economy. Additionally, the document highlights the importance of expanding the tax base to further improve collection efficiency. This involves identifying entities evading taxation, legalizing unreported economic activities, and fully integrating all active economic entities into the tax system. As a result, budget revenues increase, and fiscal stability is strengthened.

Overall, the Tax Code and the aforementioned decree function as a unified fiscal mechanism aimed at maintaining a balance among macroeconomic indicators - economic growth, budget stability, inflation levels, and public debt. Their consistent and effective implementation plays a crucial role in establishing a stable growth model in the national economy, reducing fiscal risks, and enhancing the competitiveness of the country's economy.

## Literature review

The tax system is one of the main financial mechanisms of a country's economy, playing a crucial role in forming state budget revenues, financing social and infrastructure expenditures, and ensuring macroeconomic stability. Taxes should



be considered not only as a source of financial revenue but also as a strategic tool for promoting economic growth, wealth distribution, and social equity. From this perspective, the interconnection between tax policy and macroeconomic stability represents a central issue in modern economic analysis. Joseph Stiglitz's work *Economics of the Public Sector* provides an in-depth scientific analysis of this issue. The author presents tax policy not only as a tool for increasing state budget revenues but also as a strategic mechanism for ensuring economic efficiency and social stability [3]. The book thoroughly examines various forms of taxation, the efficient allocation of government expenditures, and the impact of fiscal policy on macroeconomic indicators. Special attention is given to the issue of macroeconomic stability. According to Stiglitz, the stability of tax revenues and fiscal balance are key factors regulating economic growth rates, inflation levels, employment, and budget deficits. Therefore, effective tax policy serves to smooth economic cycles, stimulate investment activity, and ensure the long-term stability of the national economy. Among local economists, A.V. Vahobov and A.S. Jo'rayev's work *Taxes and Taxation* extensively examines both the theoretical and practical aspects of the tax system and public finance in the context of Uzbekistan. The book provides a detailed analysis of the concept of taxation, the goals and functions of taxation, and the mechanisms for forming state budget revenues. The authors emphasize that taxes should be viewed not only as a financial resource but also as a strategic tool for ensuring economic stability and social equity [4].

The book offers a comprehensive discussion of different types of taxes and their roles in the economy. Mechanisms for mandatory payments such as personal and corporate income taxes, value-added tax, property and land taxes, and excises are explained with examples. Additionally, the rights and obligations of taxpayers, the activities of tax authorities, and control mechanisms are thoroughly presented. This approach helps strengthen tax discipline and improve revenue collection.

Moreover, the book pays special attention to the relationship between tax policy and macroeconomic stability. The authors analyze the impact of tax revenues on



economic growth, employment, inflation, and budget balance. Thus, taxation is presented not only as a means of ensuring budget revenues but also as a tool for smoothing economic cycles, promoting investment, and securing the long-term stability of the national economy. The above-mentioned scholarly sources provide a solid scientific foundation for a thorough understanding and analysis of the tax system of Uzbekistan. The books serve as important references for studying the interconnection between tax policy, public finance, and macroeconomic stability. They constitute a relevant and valuable scientific resource for economists, finance specialists, and business practitioners. Research methodology

This study employs a comprehensive scientific approach to conduct an in-depth analysis of Uzbekistan's tax policy and its impact on macroeconomic stability. Through this approach, the theoretical relationships between tax policy, the tax base, incentive measures, and fiscal stability were identified. Quantitative analysis methods were applied, using official statistical data—such as tax revenues, their ratio to GDP, annual growth rates, and the number of active taxpayers. These indicators were compared over time to assess the efficiency of the tax system and its effect on macroeconomic stability.

## Analysis and Results

The steady growth of tax revenues, the expansion of the tax base, and the implementation of an electronic tax system not only strengthen budget revenues but also improve economic stability and competitiveness. These developments indicate effective fiscal planning and the adoption of result-oriented measures to ensure macroeconomic stability.



Figure 1. The 10 Largest Taxpaying Manufacturing Enterprises in Uzbekistan in 2023

The analysis shows that the largest contributions to the state budget were primarily made by enterprises in the energy and chemical industries. Uzbekneftgaz, which paid \$376 million in taxes, ranked first, highlighting the dominant role of the oil and gas sector in the national economy. The second and third positions were occupied by the automotive industry (UzAuto Motors – \$200 million) and the tobacco industry (British American Tobacco Uzbekistan (UZBAT) – \$192 million), respectively. The top taxpayer list also reflects the prominence of gas-chemical complexes: NavoiAzot (\$696,000) ranked sixth, Shurtan Gas Chemical Complex (\$592,000) seventh, and Uz-Kor Gas Chemical eighth. Companies paying over \$1 million in taxes (positions 1–5) accounted for a large share of the total. The remaining companies (positions 6–10) generally contributed several hundred thousand dollars each, indicating that their share of the total is relatively smaller compared to the top contributors. Overall, in 2023, the bulk of Uzbekistan's tax burden came from major manufacturing sectors such as energy, chemicals, automotive, and tobacco.

## Dynamics of GDP of the Republic of Uzbekistan, January-March, at current prices, trillion soums

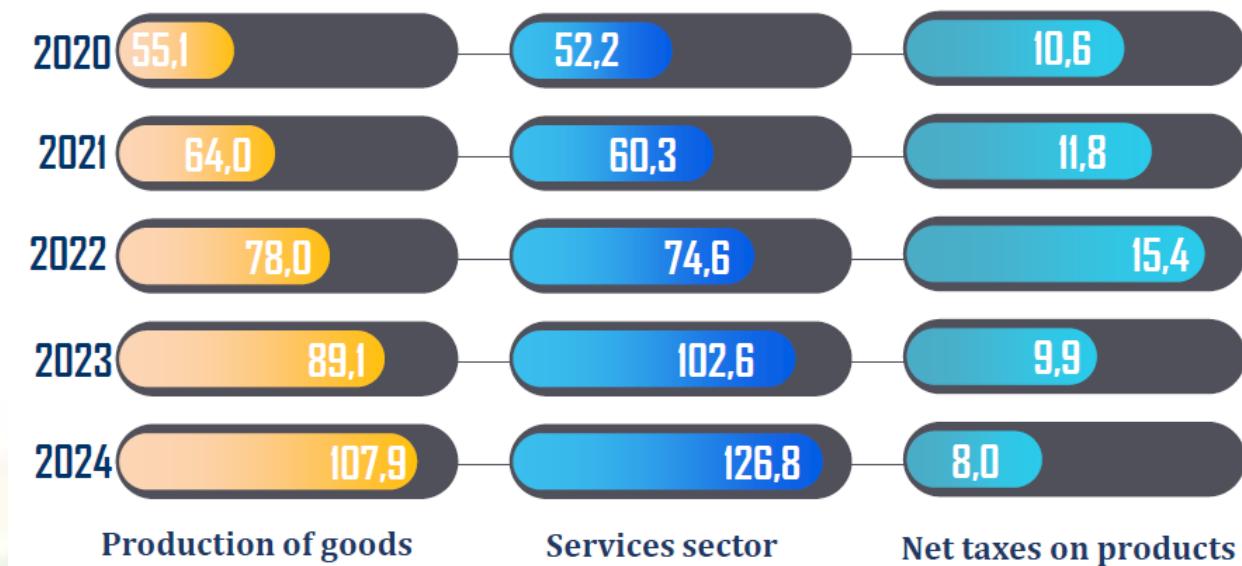


Figure 2. Dynamics of GDP of the Republic of Uzbekistan, 2020-20246.

The first-quarter GDP components show a clear, sustained expansion in both production of goods and the services sector between 2020 and 2024. Production of goods rose from 55.1 trln in 2020 to 107.9 trln in 2024 ( $\approx +96\%$ ), while the services sector increased more sharply from 52.2 trln to 126.8 trln ( $\approx +143\%$ ). Notably, services overtook goods in 2023 (services 102.6 vs goods 89.1) and widened the lead in 2024, indicating a structural shift toward services as the faster-growing driver of early-year GDP. Net taxes on products behaved differently: after edging up from 10.6 trln (2020) to a peak of 15.4 trln (2022), they fell to 9.9 trln in 2023 and further to 8.0 trln in 2024 ( $\approx -24\%$  from 2020), reducing their contribution to GDP in the most recent years. The analysis and statistical results of Uzbekistan's tax system clearly indicate the effective implementation of tax policy. In recent years, the continuous growth of tax revenues, diversification of the tax base, and the introduction of electronic tax monitoring have contributed to an increased level of tax collection and the stability of budget revenues. Incentive measures and mechanisms supporting active taxpayers strengthen tax discipline and stimulate economic activity. At the same time, the ratio of tax revenues to GDP helps reinforce macroeconomic stability and reduce fiscal risks. Overall, the results of the analysis



demonstrate that Uzbekistan's current tax policy functions not only as a tool for increasing state budget revenues but also as an effective instrument for ensuring the long-term stability of the national economy.

ConclusionUzbekistan's tax policy functions as an effective mechanism for stabilizing state budget revenues, ensuring macroeconomic stability, and promoting economic growth. The growth of tax revenues, diversification of the tax base, and the implementation of electronic tax monitoring enhance collection efficiency and reduce fiscal risks. Incentive measures support active taxpayers and strengthen tax discipline. At the same time, the ratio of tax revenues to GDP reflects the stability of the country's fiscal policy and has a positive impact on economic growth, inflation, and budget balance. Overall, tax policy and incentive mechanisms play a decisive role in ensuring the long-term stability of Uzbekistan's economic model.

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