

THE ROLE OF VALUE ADDED TAX (VAT) IN THE REVENUES OF THE STATE BUDGET OF THE REPUBLIC OF UZBEKISTAN

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In the Republic of Uzbekistan, taxes play an important role in the formation of state budget revenues. In particular, among indirect taxes, Value Added Tax (VAT) is considered one of the stable sources of state budget revenue. In the process of deepening economic reforms, improving the tax system, and ensuring the stable formation of budget revenues, the importance of VAT has been increasing. VAT is characterized by being levied on the value added at each stage of production and service provision and ensures a significant portion of revenues to the state budget. At the same time, this tax plays an important role in increasing production volumes in the economy, regulating the consumer market, and organizing tax administration effectively.

The formation of budget revenues can conditionally be divided into two groups: tax revenues and non-tax revenues. In turn, tax revenues are divided into several groups, including direct taxes, indirect taxes, and property taxes. Non-tax revenues consist of financial resources that are not tax in nature and are formed from all sources that do not contradict existing legislation. The share of these two sources in budget revenues varies across countries depending on their economic development and fiscal policies.

According to the Decree of the President of the Republic of Uzbekistan on the Action Strategy for the further development of the country, particular attention is paid to strengthening macroeconomic stability, maintaining high economic growth rates, increasing the competitiveness of the national economy, ensuring macroeconomic balance, and achieving stable GDP growth through structural and institutional reforms. In addition, efforts are being made to maintain the social orientation of public expenditures, strengthen the revenue base of local budgets, improve coordination between budgets, reduce the tax burden, and simplify the taxation system. In particular, it is planned to reduce the tax burden on business entities from 27.5 percent of GDP to 25 percent by 2026, improve tax administration, expand incentive measures, and attract foreign investment to various sectors and regions of the national economy by improving the investment climate.

Indirect taxes occupy a significant place in the structure of tax revenues of the state budget. The legal taxpayers of indirect taxes are producers or suppliers of goods, works, and services; however, the actual tax burden is borne by consumers. In other words, indirect taxes are ultimately paid by consumers because they are included in the price of goods and services. One of the advantages of indirect taxes is that they help prevent excessive outflow of domestically produced goods, ensure the availability of goods within the country, and partially restrain inflation by regulating the money supply in circulation. Like other indirect taxes, VAT mainly performs a fiscal function, and its primary purpose is to generate revenue for the state budget. Since VAT revenues are directly related to price changes, this tax also serves as a mechanism to protect budget funds from inflation.

The large-scale reforms being implemented in Uzbekistan are aimed at modernizing the country, liberalizing the economy, and ensuring sustainable development of the state and society. In this context, strengthening macroeconomic stability, improving the investment climate, and enhancing the competitiveness of economic sectors are considered key priorities. The state budget plays an important role in achieving these objectives. The state budget represents a centralized fund of financial resources

accumulated by the state and primarily formed through taxes, which are used to fulfill the economic, social, and other functions of the state. Therefore, ensuring the stable formation of budget revenues and improving the tax system remain important factors for the country's economic development.

During the transition to a market economy, new responsibilities have emerged for the state. As in all countries, in Uzbekistan, taxes serve as the primary source for ensuring national defense capacity, maintaining internal and external security, supporting law enforcement systems, protecting the rights and legal interests of citizens, as well as funding healthcare, education, and social assistance for vulnerable groups. Taxes also constitute a key factor in implementing investment projects, which form the basis of economic development and production. The state naturally allocates funds to ensure effective implementation of social measures, provide citizens with a stable standard of living, and maintain defense strength. The necessity of such expenditures objectively requires taxes, including the Value Added Tax (VAT). Budget coordination challenges are particularly important in a market economy, and forming the revenue component of the budget through taxation is a critical task. Therefore, particular attention must be paid to indirect taxes, which occupy a central place nationwide.

Like all indirect taxes, VAT primarily performs a fiscal function, with its main purpose being to replenish the state budget. Since VAT revenues are directly linked to price growth, it ranks among the key instruments for protecting budget funds from inflation.

In the context of a market economy, the state's responsibilities expand to regulating economic processes, ensuring social stability, and supporting citizens' security and welfare. Taxes serve as the main source of state budget revenue, and indirect taxes, including VAT, act as an important fiscal tool for generating these revenues. VAT ensures a stable flow of budget funds, contributes to regulating economic processes, and, due to its direct link with price growth, helps protect budget resources from inflation. Accordingly, VAT constitutes a vital component of the state's financial policy under market economy conditions.

In Uzbekistan, taxes, particularly VAT, serve as a key financial resource in forming state budget revenues. VAT is levied at each stage of production and service provision, ensuring a continuous inflow of funds to the state budget while helping regulate economic processes and moderate inflation. Measures to improve the tax system, reduce tax burdens, and enhance administrative efficiency stabilize budget revenues, attract investment, and increase the competitiveness of the national economy. Thus, VAT functions as an essential instrument of state financial policy, ensuring budget stability and supporting economic development as well as the social welfare of society.

References:

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