

FUNCTIONS AND PRINCIPLES OF TAXATION IN THE MODERN ECONOMIC SYSTEM**Turayev Alijon Akmal ugli**Acting associate professor of the department
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Annotatsiya. Mazkur maqolada soliqqa tortishning iqtisodiy mohiyati, uning asosiy funksiyalari hamda soliq tizimini shakllantirishning fundamental tamoyillari ilmiy jihatdan tahlil qilingan. Tadqiqotda soliqlarning fiskal, tartibga soluvchi, rag'batlantiruvchi va qayta taqsimlovchi funksiyalari zamonaviy iqtisodiy tizimdagi o'rni nuqtai nazaridan ko'rib chiqilgan. Shuningdek, O'zbekiston Respublikasining amaldagi soliq qonunchiligi, xususan, Soliq kodeksida belgilangan soliqqa tortish tamoyillari hamda ularning iqtisodiy ahamiyati tahlil qilingan.

Kalit so'zlar: soliq tizimi, soliqqa tortish, fiskal funktsiya, soliq tamoyillari, soliq siyosati, iqtisodiy rivojlanish, soliq kodeksi.

Abstract. This article analyzes the economic nature of taxation, its main functions, and the fundamental principles of the tax system. The study examines the fiscal, regulatory, stimulating, and redistributive functions of taxation in the context of modern economic systems. Particular attention is given to the principles of taxation established in the current tax legislation of the Republic of Uzbekistan, including their economic and institutional significance.

Keywords: taxation system, taxation principles, fiscal function, tax policy, economic regulation, tax administration, economic development.

Аннотация. В данной статье рассматриваются экономическая сущность налогообложения, его основные функции и фундаментальные принципы построения налоговой системы. В исследовании анализируются фискальная, регулирующая, стимулирующая и распределительная функции налогов в современной экономике. Особое внимание уделено принципам налогообложения, закрепленным в действующем налоговом законодательстве Республики Узбекистан, а также их экономическому и институциональному значению.

Ключевые слова: налоговая система, налогообложение, функции налогов, налоговая политика, принципы налогообложения, экономическое развитие, налоговое администрирование.

INTRODUCTION

Taxation is one of the most fundamental economic mechanisms used by governments to ensure the functioning of the state and the development of the national economy. In modern public finance theory, taxes are defined as compulsory payments imposed by the state on individuals and legal entities in order to finance public expenditures and regulate economic processes. Through taxation, governments accumulate financial resources necessary for maintaining public infrastructure, financing social programs, and ensuring national economic stability.

In the Republic of Uzbekistan, taxation is regulated by the Tax Code, which represents the main legal document governing tax relations, tax obligations, and the rights and responsibilities of taxpayers and tax authorities. The Tax Code establishes the legal framework for the formation of the national tax system and determines the types of taxes, the procedures for their collection, and the basic principles on which taxation is based. The modern tax system of Uzbekistan

includes a wide range of taxes such as corporate income tax, personal income tax, value-added tax, property tax, land tax, social tax, and excise tax. These taxes form the primary sources of state budget revenues and play a crucial role in financing economic development and social welfare programs. For instance, corporate income tax is generally applied at a rate of 15%, while the standard value-added tax rate is 12%.

Taxation performs several interconnected economic, social, and regulatory roles in modern economies. In addition to generating fiscal revenues for the government, taxes are widely used as instruments for regulating economic activity, encouraging investment, supporting priority sectors of the economy, and redistributing income among different social groups. In recent years, Uzbekistan has undertaken comprehensive tax reforms aimed at improving the efficiency of tax administration, simplifying tax procedures, reducing the tax burden for businesses, and increasing transparency in fiscal policy. Amendments introduced into the tax legislation in 2025–2026 further strengthened the institutional framework of taxation and created favorable conditions for entrepreneurship and investment.

The study of taxation functions and principles is particularly relevant in the context of economic transformation and modernization of public financial systems. Understanding the economic essence of taxation and the principles governing tax policy allows policymakers to design effective tax systems that ensure both fiscal stability and sustainable economic development. The main purpose of this research is to analyze the key functions and principles of taxation, examine their theoretical foundations, and evaluate their role in the development of the national economy within the framework of the current tax legislation of the Republic of Uzbekistan.

LITERATURE REVIEW

The theoretical foundations of taxation have been widely studied in economic science, particularly in the field of public finance. The concept of taxation functions and principles originates from classical economic theory, where taxes were viewed primarily as a mechanism for financing government expenditures while minimizing distortions in economic activity. One of the earliest systematic approaches to taxation principles was developed by Adam Smith in his famous work *The Wealth of Nations*. Smith formulated four classical principles of taxation—equity, certainty, convenience, and efficiency—which later became known as the canons of taxation. According to Smith, a fair tax system should distribute the tax burden proportionally to taxpayers' ability to pay, while ensuring transparency and predictability in tax obligations. These principles remain fundamental in modern tax theory and continue to influence contemporary tax policy frameworks in many countries.

Further development of taxation theory was provided by Adolph Wagner, who expanded the understanding of taxation functions within the framework of public finance theory. Wagner emphasized the growing role of the state in economic regulation and argued that taxation should not only perform fiscal functions but also serve as an instrument of economic and social policy. His theory highlighted the regulatory and redistributive roles of taxes in modern economies. The functional approach to taxation has also been extensively analyzed in modern economic literature. Scholars emphasize that taxes perform several interrelated functions, including fiscal, regulatory, redistributive, and stimulating functions. According to the research of Richard Musgrave in *The Theory of Public Finance*, the fiscal role of taxation is only one aspect of public finance policy. Musgrave identified three major functions of government activity—allocation, distribution, and stabilization—which are closely linked to taxation mechanisms. In this framework, taxation serves as an important tool for correcting market failures, redistributing income, and stabilizing economic fluctuations.

Modern research in public finance also highlights the importance of tax principles in ensuring the efficiency and legitimacy of tax systems. According to Joseph Stiglitz, a well-designed tax system must satisfy several key criteria, including economic efficiency, administrative simplicity, flexibility, transparency, and fairness. These criteria are widely used in

the evaluation of national tax systems and serve as guidelines for tax policy reforms. In addition to theoretical studies, numerous researchers have analyzed the institutional and legal aspects of taxation. Legal scholars emphasize that the effectiveness of tax systems depends on the clarity and stability of tax legislation. Clear legal norms reduce administrative uncertainty, increase voluntary compliance, and strengthen trust between taxpayers and government institutions.

Research on taxation in transition and developing economies also emphasizes the importance of institutional reforms in improving tax administration. In many countries undergoing economic transformation, tax reforms are aimed at simplifying tax procedures, reducing the administrative burden on businesses, and improving tax compliance through digital technologies and transparent governance mechanisms. The development of taxation theory has also been influenced by studies on tax fairness and social justice. Many scholars argue that modern tax systems should balance efficiency and equity by combining proportional and progressive taxation mechanisms. Such an approach helps reduce income inequality while maintaining incentives for economic activity and investment.

In the context of Uzbekistan, the issues of taxation functions and principles have been studied by national economists and legal scholars who analyze the development of the national tax system in the process of economic reforms. These studies emphasize the importance of improving tax administration, strengthening taxpayer rights, and ensuring transparency in fiscal policy. Recent research on Uzbekistan's tax reforms highlights the role of modernization and digitalization in improving tax administration. The introduction of electronic tax reporting systems, automated tax monitoring, and online tax services has significantly improved the efficiency of tax collection and reduced administrative barriers for businesses. Furthermore, academic studies emphasize that the successful development of the national tax system requires strict adherence to the principles established in the national tax legislation. The Tax Code of the Republic of Uzbekistan defines the fundamental principles of taxation, including legality, fairness, certainty, unity of the tax system, publicity, and the presumption of correctness of the taxpayer. These principles ensure legal certainty and contribute to building a transparent and stable tax environment.

Overall, the analysis of scientific literature demonstrates that taxation functions and principles form the conceptual foundation of modern tax systems. While classical economic theories emphasize the fiscal role of taxation, contemporary research highlights the broader economic and social functions of tax policy. The integration of theoretical insights with institutional and legal reforms is essential for creating efficient and sustainable tax systems capable of supporting long-term economic development.

METHODOLOGY

This research is based on an interdisciplinary methodological approach that combines theoretical analysis, legal examination, and economic interpretation of taxation mechanisms. The methodological framework of the study integrates several scientific methods commonly applied in economic and legal research.

The theoretical method was used to examine the economic nature and conceptual foundations of taxation. Classical and contemporary theories of public finance were analyzed in order to identify the fundamental functions performed by taxes within national economic systems. Particular attention was given to the role of taxation in fiscal policy, macroeconomic regulation, and social redistribution.

The legal analysis method was applied to examine the regulatory framework governing taxation in the Republic of Uzbekistan. The provisions of the Tax Code, presidential decrees, and other legislative acts regulating tax relations were studied in order to identify the institutional principles underlying the national tax system.

In addition, the comparative analytical method was used to assess how taxation functions and principles operate in practice within the Uzbek tax system. This approach allows the identification of the relationships between fiscal policy, economic growth, and tax administration.

The study also uses a systemic approach, which considers taxation as a complex economic and institutional mechanism consisting of multiple interconnected elements. These elements include taxpayers, tax authorities, tax bases, tax rates, tax benefits, and tax control mechanisms. Together, they form a comprehensive tax system that regulates financial relations between the state and economic agents.

Statistical and analytical information obtained from economic reports, academic publications, and legal documents were used to support the theoretical analysis and strengthen the scientific validity of the research.

RESULTS

The analysis of economic theory and national legislation demonstrates that taxation performs several important functions that determine its role in the development of modern economies.

The first and most important function of taxation is the fiscal function. This function reflects the role of taxes as the primary source of government revenue. Through the collection of taxes, the state forms centralized financial resources used for financing public expenditures such as infrastructure development, education, healthcare, defense, and social protection programs. In most countries, including Uzbekistan, tax revenues constitute the largest share of the state budget. Another important function of taxation is the regulatory function. Governments use tax policy as an instrument for influencing economic processes and guiding the development of different sectors of the economy. By adjusting tax rates, introducing tax incentives, and providing tax exemptions, governments can stimulate investment activity, encourage innovation, and promote economic growth. Tax incentives are often used to support small businesses, attract foreign investment, and stimulate the development of high-technology industries.

The redistributive function of taxation is also of great importance for maintaining social equity. Through progressive taxation and targeted social expenditures financed by tax revenues, governments can redistribute income among different social groups and reduce economic inequality. This function plays a crucial role in maintaining social stability and ensuring equal opportunities for citizens. Taxation also performs a stimulating function, which is closely related to economic development policy. Through preferential tax regimes, governments encourage the development of specific sectors such as agriculture, manufacturing, digital technologies, and environmental protection initiatives.

The effective implementation of these functions depends largely on the principles that form the foundation of the tax system. According to the Tax Code of the Republic of Uzbekistan, taxation is based on several fundamental principles that ensure fairness, transparency, and efficiency in tax relations. The principle of obligation means that all individuals and legal entities must pay taxes established by law. No person can be exempted from paying taxes unless such exemption is explicitly provided by legislation. The principle of certainty requires that all elements of taxation, including the object of taxation, tax rates, payment procedures, and deadlines, be clearly defined in legislation. This principle ensures predictability and transparency in tax relations.

The principle of fairness implies that taxes must not discriminate against taxpayers based on social, racial, national, or other characteristics. Tax legislation must ensure equal conditions for all economic participants. The principle of unity of the tax system ensures that taxation operates uniformly throughout the territory of the country and does not create barriers to economic activity or the movement of goods and financial resources. Another important principle is the principle of publicity, which requires that tax legislation be officially published and accessible to the public. This principle ensures transparency and legal certainty in tax administration.

Finally, the principle of presumption of correctness of the taxpayer states that ambiguities in tax legislation must be interpreted in favor of the taxpayer. This principle strengthens legal protection for taxpayers and promotes trust in the tax system.

DISCUSSION

The analysis of taxation functions and principles demonstrates that they form an integrated system that determines the effectiveness of fiscal policy and economic governance. The fiscal function provides the financial basis for the functioning of the state, while regulatory and stimulating functions enable governments to influence economic activity and guide national development strategies. In Uzbekistan, tax policy has increasingly been used as a tool for supporting entrepreneurship, encouraging innovation, and promoting economic diversification.

At the same time, the redistributive function of taxation plays a critical role in addressing social inequality and ensuring equitable economic development. By financing social programs, public services, and infrastructure projects, tax revenues contribute to improving living standards and promoting social cohesion. However, the effectiveness of taxation largely depends on the proper implementation of tax principles. If tax policies violate the principles of fairness, transparency, or certainty, taxpayers may lose trust in the tax system, which can lead to tax evasion and reduced fiscal efficiency.

In this context, strengthening institutional mechanisms of tax administration is particularly important. Modern digital technologies, electronic tax reporting systems, and automated tax monitoring tools can significantly improve tax compliance and reduce administrative costs. Moreover, the principle of cooperation between tax authorities and taxpayers has become increasingly important in modern tax administration. Effective communication, transparency, and taxpayer education programs help build a culture of voluntary tax compliance and strengthen the legitimacy of the tax system.

The experience of Uzbekistan demonstrates that consistent tax reforms aimed at improving administrative efficiency and strengthening legal guarantees for taxpayers can significantly enhance the effectiveness of the national tax system and support sustainable economic growth.

CONCLUSION

Taxation is an essential component of modern economic systems and plays a crucial role in ensuring the financial sustainability of the state and the development of national economies. Through its fiscal, regulatory, redistributive, and stimulating functions, taxation influences economic behavior, supports social development, and contributes to macroeconomic stability. The effectiveness of taxation depends not only on the structure of tax revenues but also on the principles that govern the tax system. In the Republic of Uzbekistan, the principles of obligation, certainty, fairness, unity, publicity, and presumption of correctness of the taxpayer form the institutional foundation of the national tax system.

The consistent implementation of these principles ensures transparency, legal certainty, and fairness in tax relations, thereby strengthening trust between taxpayers and the state. At the same time, ongoing tax reforms aimed at improving tax administration and supporting business development contribute to the modernization of the national tax system. In the context of globalization and economic transformation, the continuous improvement of taxation mechanisms and the effective application of taxation principles will remain key factors in ensuring sustainable economic growth, fiscal stability, and social welfare in Uzbekistan.

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