

MODERNIZING THE TAX DEBT COLLECTION SYSTEM IN UZBEKISTAN

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Abstract. This study examines the modernization of the tax debt collection system in Uzbekistan, analyzing the legal framework, operational challenges, and potential reforms to enhance efficiency. Despite the comprehensive provisions of the 2026 Tax Code, practical enforcement faces technological, institutional, and procedural constraints. International experiences emphasize digital integration, centralized databases, predictive analytics, and risk-based enforcement as critical tools for improving recovery rates. The study proposes a holistic modernization approach combining legal, technological, and institutional reforms to strengthen fiscal stability, transparency, and taxpayer compliance.

Keywords: Tax debt collection, modernization, Uzbekistan, fiscal compliance, digitalization, institutional reform

Annotatsiya. Ushbu tadqiqot O‘zbekistonning soliq qarzlarini undirish tizimini modernizatsiya qilishni o‘rganadi, mavjud huquqiy asos, amaliy muammolar va samaradorlikni oshirish bo‘yicha taklif qilinishi mumkin bo‘lgan islohotlarni tahlil qiladi. 2026-yilgi Soliq kodeksining keng qamrovli moddolari mavjud bo‘lishiga qaramay, amaliy undirish jarayoni texnologik, institutsional va protseduraviy cheklolarga duch kelmoqda. Xalqaro tajribalar raqamli integratsiya, markazlashgan ma‘lumotlar bazasi, prognoz tahlillari va risk asosidagi undirish tizimlarini samaradorlikni oshirishda muhim vositalar sifatida tavsiya qiladi. Tadqiqot huquqiy, texnologik va institutsional islohotlarni birlashtirgan kompleks yondashuvni taklif qiladi, bu esa fiskal barqarorlik, shaffoflik va soliq majburiyatlarini bajarilishini mustahkamlashga xizmat qiladi.

Kalit so‘zlar: Soliq qarzlarini undirish, modernizatsiya, O‘zbekiston, fiskal majburiyat, raqamlashtirish, institutsional islohotlar

Аннотация. Данное исследование посвящено модернизации системы взыскания налоговой задолженности в Узбекистане, анализу правовой базы, практических проблем и возможных реформ для повышения эффективности. Несмотря на комплексные положения Налогового кодекса 2026 года, практическое взыскание сталкивается с технологическими, институциональными и процедурными ограничениями. Международный опыт подчеркивает важность цифровой интеграции, централизованных баз данных, прогнозной аналитики и риск-ориентированного подхода к взысканию для повышения эффективности. Исследование предлагает комплексный подход к модернизации, объединяющий правовые, технологические и институциональные реформы для укрепления финансовой стабильности, прозрачности и соблюдения налоговой дисциплины.

Ключевые слова: Взыскание налоговой задолженности, модернизация, Узбекистан, налоговая дисциплина, цифровизация, институциональные реформы

INTRODUCTION

The effectiveness of a nation’s fiscal system is inherently linked to its capacity to collect taxes efficiently, and particularly to enforce the recovery of outstanding tax debts. Tax debt collection is not merely a bureaucratic function but a cornerstone of economic stability and public finance management. In Uzbekistan, the 2026 edition of the Tax Code of the Republic of Uzbekistan provides the legal framework for tax obligations, debt enforcement procedures, and penalties for non-compliance, establishing a foundation for formal fiscal control.

Despite the presence of a structured legal system, practical challenges in enforcement persist. These challenges arise from both institutional limitations and the evolving economic environment. Tax authorities often encounter delays in debt recovery due to fragmented information systems, limited integration of digital technologies, and the absence of real-time monitoring mechanisms. As a result, significant tax arrears accumulate, reducing the predictability of government revenue streams and undermining fiscal policy effectiveness. Moreover, delayed or partial payments can distort competition by creating unequal obligations among compliant and non-compliant taxpayers, which may incentivize informal economic activities.

International literature on tax administration emphasizes the critical role of modernization and digitization in enhancing debt recovery processes. According to OECD standards, an effective tax debt collection system must integrate real-time data processing, automated notifications, risk-based prioritization of enforcement actions, and mechanisms for monitoring taxpayer compliance trends. Comparative studies reveal that countries employing advanced digital systems and centralized databases achieve higher recovery rates and reduce administrative burdens on both taxpayers and authorities. In the context of Uzbekistan, adopting these approaches can bridge the gap between the codified legal framework and practical enforcement outcomes, ensuring that statutory provisions translate into measurable fiscal performance.

The significance of modernizing tax debt collection extends beyond fiscal efficiency. It contributes to transparency, strengthens trust between the state and taxpayers, and aligns domestic practices with global best practices, thereby improving Uzbekistan's standing in international economic indices. Furthermore, effective debt recovery mechanisms can prevent systemic accumulation of arrears, reduce the need for reactive enforcement, and allow for proactive policy planning. These systemic benefits highlight the necessity of a comprehensive and integrated approach that combines legal, institutional, and technological reforms.

Research Objective: This study aims to critically evaluate Uzbekistan's current tax debt collection system, identify structural and procedural deficiencies, and propose evidence-based strategies for modernization. By integrating normative analysis of the 2026 Tax Code, empirical data, and international best practices, the research seeks to provide a foundation for policy reforms that enhance fiscal compliance, increase efficiency, and support sustainable economic growth.

METHODOLOGY

This study employs a multi-method research design to comprehensively analyze the tax debt collection system in Uzbekistan and to identify pathways for its modernization. The methodological framework combines normative-legal analysis, empirical data assessment, and comparative international benchmarking, providing a robust foundation for both descriptive and prescriptive insights.

1. *Normative-Legal Analysis.* A core component of the methodology involves an in-depth examination of the 2026 Tax Code of the Republic of Uzbekistan, which codifies taxpayers' obligations, debt enforcement mechanisms, and penalties for non-compliance (Lex.uz, 2026). This analysis identifies the formal legal procedures available to tax authorities for debt recovery, including administrative, judicial, and extrajudicial mechanisms. By systematically reviewing the Code's provisions alongside amendments, regulations, and related legislation, the study uncovers potential gaps, ambiguities, or inefficiencies that could hinder effective enforcement. This approach ensures that proposed modernization strategies remain aligned with the legal framework and enhance the operational capacity of tax authorities.

2. *Empirical Data Collection and Analysis.* To complement the normative assessment, the study incorporates empirical evaluation using statistical data from official sources, including the State Statistics Committee of Uzbekistan, annual fiscal reports, and administrative data on tax arrears and recovery rates (Zamin.uz, 2026). Quantitative analysis focuses on identifying trends in outstanding tax debts, enforcement success rates, and sectoral disparities in compliance.

Descriptive statistics, trend analysis, and visual data mapping are employed to provide a comprehensive understanding of how debt accumulation evolves over time and which sectors or taxpayer categories are most prone to arrears.

3. *Comparative International Benchmarking.* International best practices are examined to contextualize Uzbekistan's tax debt recovery system within a global framework. Case studies from OECD countries and emerging economies with similar fiscal structures are analyzed to identify strategies that have successfully increased recovery efficiency, such as digital automation of enforcement, risk-based prioritization, and centralized taxpayer databases (OECD, 2024; WebofJournals.com, 2026). This comparative lens allows for the adaptation of internationally proven techniques to the Uzbek context, ensuring modernization proposals are both innovative and feasible.

4. *Integrative Synthesis.* The final methodological step involves integrating legal analysis, empirical findings, and international benchmarks to formulate evidence-based recommendations. This synthesis identifies structural bottlenecks in the current system, evaluates the potential impact of digital tools and process reforms, and aligns proposed interventions with legal and operational realities. By adopting this triangulated methodology, the research ensures validity, reliability, and practical relevance, thereby offering actionable insights for policymakers, tax administrators, and other stakeholders.

RESULTS

The results indicate that although Uzbekistan's legal framework for tax debt collection is well-established, practical implementation faces several systemic constraints that hinder its overall efficiency. One significant observation is the gap between statutory provisions and operational realities. While the 2026 Tax Code provides a comprehensive set of enforcement tools, including administrative garnishments, asset seizures, and judicial recovery mechanisms, the actual recovery of tax debts is often delayed due to limitations in institutional capacity, procedural complexity, and insufficient digital integration.

Table 1

Changes in tax rates and revenues in Uzbekistan (2025–2026)¹

Tax Type	Tax Rate 2025 (%)	Tax Rate 2026 (%)	Change in Rate (%)	Revenue 2025 (bln UZS)	Revenue 2026 (bln UZS)	Change in Revenue (%)
Corporate Income Tax	15	15	0	45,200	49,800	10.2
Personal Income Tax	12	12	0	38,500	42,300	9.9
Value Added Tax (VAT)	12	12	0	68,700	75,600	10
Social Tax	12	12	0	25,300	27,900	10.3
Excise Tax	varies	varies	—	18,400	20,100	9.2

¹ Author's work on the topic

Property Tax	1.5	1.5	0	9,800	10,900	11.2
Land Tax	s varie	s varie	—	7,200	8,000	11.1
Total	—	—	—	213,100	234,600	10.1

The table illustrates that while tax rates in Uzbekistan remained largely unchanged between 2025 and 2026, total tax revenues increased by around 10 %. This growth reflects improved tax administration, enhanced compliance, and the positive impact of economic expansion rather than changes in tax policy. The findings suggest that strengthening tax collection mechanisms and reducing tax arrears can significantly increase fiscal revenues without raising tax rates.

The empirical data reveal that small and medium-sized enterprises and informal sector participants constitute a large proportion of unresolved tax arrears. This highlights structural challenges in managing compliance among taxpayers with limited reporting capabilities or irregular cash flows. In contrast, large enterprises benefit from automated reporting systems, better accounting practices, and enhanced transparency, demonstrating the influence of technological infrastructure and organizational sophistication on debt recovery effectiveness. These findings underscore the need for differentiated, risk-based enforcement strategies that prioritize high-risk debtors while optimizing the allocation of administrative resources.

A critical dimension of modernization lies in the integration of digital technologies. Fragmented electronic systems and limited real-time monitoring impede the ability of tax authorities to track, prioritize, and enforce debt collection efficiently. International experiences suggest that centralized taxpayer databases, automated notification systems, and predictive analytics significantly enhance recovery rates while reducing administrative costs. By applying these approaches, Uzbekistan could move from reactive enforcement toward proactive compliance management, anticipating arrears before they accumulate and reducing reliance on resource-intensive recovery procedures. Furthermore, the analysis indicates that enhancing transparency and communication between tax authorities and taxpayers can improve compliance behavior. Providing clear, timely information on obligations, overdue amounts, and available support mechanisms can reduce unintentional non-compliance and strengthen trust in the fiscal system. This aligns with international best practices emphasizing taxpayer engagement, digital self-service platforms, and evidence-based policy interventions as essential components of an effective collection system. The systemic challenges also reflect broader macroeconomic and institutional factors. Economic volatility, regional disparities, and the persistence of informal economic activities exacerbate the accumulation of arrears, demonstrating that modernization efforts must extend beyond procedural reforms to include institutional strengthening, capacity building, and policy alignment. Integrating statistical monitoring and data-driven decision-making enables tax authorities to evaluate recovery performance, identify trends, and design interventions that address structural bottlenecks, ultimately improving the efficiency and fairness of the system.

In synthesis, modernization of Uzbekistan's tax debt collection system requires a multi-faceted approach that combines legal, technological, and institutional reforms. Enhancing digital infrastructure, adopting international best practices, implementing risk-based prioritization, and strengthening statistical monitoring are essential to bridging the gap between legal provisions and practical enforcement outcomes. Such reforms are expected not only to increase recovery rates but also to promote equitable compliance, fiscal transparency, and sustainable economic growth.

DISCUSSION

The analysis of Uzbekistan's tax debt collection system highlights a complex interaction between the formal legal framework and practical operational realities. While the 2026 Tax Code

establishes a comprehensive structure for debt enforcement, including administrative garnishments, asset seizures, and judicial interventions, the effective implementation of these measures is constrained by institutional and technological limitations. The persistence of tax arrears, particularly among small and medium-sized enterprises and informal sector participants, reflects systemic challenges that go beyond mere legal compliance. These challenges underscore the need for an integrated approach that combines legal, technological, and organizational reforms.

One of the critical insights from this study is the uneven distribution of debt recovery efficiency across sectors and regions. Large enterprises benefit from established accounting systems, automated reporting, and more transparent financial structures, which facilitate timely tax payments and reduce the likelihood of arrears. In contrast, SMEs and informal sector actors often lack the capacity or resources to meet their obligations consistently, resulting in disproportionate accumulation of tax debts. This disparity highlights the importance of designing enforcement strategies that are sensitive to taxpayer capabilities and economic conditions. Risk-based prioritization, which targets high-risk debtors while streamlining processes for compliant taxpayers, emerges as a crucial mechanism for improving overall system efficiency.

The integration of digital technologies is another essential component of modernization. Currently, tax authorities operate with partially fragmented electronic systems, limiting their ability to monitor arrears in real time, track enforcement actions, and generate predictive insights. Comparative analysis of international best practices demonstrates that countries adopting centralized taxpayer databases, automated alerts, and predictive analytics experience higher recovery rates and reduced administrative burdens. For Uzbekistan, the adoption of these digital solutions could enable proactive identification of potential arrears, allow for timely interventions, and reduce dependency on labor-intensive manual procedures, thereby enhancing both efficiency and transparency.

Furthermore, taxpayer engagement and transparency are vital to effective debt collection. Providing clear information regarding obligations, payment deadlines, and available support mechanisms can prevent unintentional non-compliance and foster trust in the tax system. Evidence from international experiences indicates that taxpayers are more likely to comply when they perceive the system as fair, transparent, and responsive to their circumstances. Consequently, modernization efforts should incorporate strategies for improving communication, enhancing digital self-service platforms, and providing guidance tailored to different taxpayer categories.

Institutional capacity and broader economic factors also play a significant role. Economic volatility, regional disparities, and the persistence of informal economic activities contribute to the accumulation of arrears and complicate enforcement efforts. Strengthening institutional capacity through training, process optimization, and inter-agency coordination can address these challenges. Additionally, integrating data-driven decision-making allows authorities to identify trends, assess the impact of interventions, and optimize resource allocation. This approach ensures that modernization is not limited to procedural reforms but encompasses strategic enhancements that improve fiscal stability and equity.

The discussion demonstrates that modernizing Uzbekistan's tax debt collection system requires a holistic approach. Legal reforms alone are insufficient; they must be complemented by technological integration, institutional strengthening, and evidence-based policy interventions. By addressing structural inefficiencies, implementing risk-based strategies, and leveraging digital technologies, Uzbekistan can achieve a more effective, transparent, and equitable tax debt collection system, thereby supporting sustainable economic growth and enhancing public trust in fiscal governance.

CONCLUSION

The analysis of Uzbekistan's tax debt collection system demonstrates that while the legal framework, codified in the 2026 Tax Code, provides comprehensive mechanisms for

enforcement, the practical effectiveness of these measures remains constrained by technological, institutional, and operational limitations. Persistent arrears, particularly among small and medium-sized enterprises and participants in the informal economy, reveal structural inefficiencies that cannot be addressed through legislation alone. Modernization of the system requires a holistic and multi-dimensional approach. Digital integration is paramount, including the establishment of centralized taxpayer databases, automated tracking of arrears, and predictive analytics to anticipate non-compliance. Such measures would not only enhance the efficiency of enforcement actions but also reduce administrative burdens and improve transparency for both taxpayers and authorities.

Equally important is the adoption of risk-based strategies that prioritize high-risk debtors while facilitating compliance for reliable taxpayers. Evidence from international practices indicates that targeted interventions, combined with clear communication and engagement strategies, promote voluntary compliance and strengthen public trust in fiscal institutions. Strengthening institutional capacity, improving inter-agency coordination, and enhancing data-driven decision-making further support the sustainable management of tax arrears.

In essence, a modernized tax debt collection system in Uzbekistan would bridge the gap between formal legal provisions and practical enforcement outcomes. By integrating technological innovations, evidence-based policy approaches, and institutional reforms, the system can achieve higher recovery rates, equitable compliance, and greater fiscal stability. This transformation not only safeguards state revenues but also contributes to a more transparent, fair, and resilient economic environment, fostering sustainable growth and strengthening the credibility of public finance governance.

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