THE ROLE OF CORPORATE INCOME TAX IN THE FORMATION OF BUDGET REVENUES

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https://doi.org/10.5281/zenodo.18324388

ARTICLE INFO

Received: 18th January 2026
Accepted: 19th January 2026
Online: 20th January 2026

KEYWORDS

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ABSTRACT

The tax system functions as a key financial institution in ensuring the fiscal stability of the state, financing socio-economic programs, and maintaining macroeconomic balance. The effectiveness of the tax system is a determining factor for the stability of the state budget revenues and for maintaining a high level of economic activity. From this perspective, the corporate income tax levied on legal entities occupies a priority position in the fiscal policy of the state. On the one hand, corporate income tax represents a stable source of state revenue, while on the other hand, it is a mechanism that ensures the transparency and financial discipline of enterprises.

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In recent years, reforms aimed at liberalizing the economy, digitalizing tax administration, and optimizing the tax burden have fundamentally transformed the mechanism of corporate income tax collection in Uzbekistan and strengthened its role in the formation of budget revenues. As the President of the Republic of Uzbekistan Sh. M. Mirziyoyev noted: "...in order to organize the work efficiently, it is necessary to create conditions for doubling the revenues of district budgets. For this purpose, starting from 1 January 2026, 5 percent of VAT revenues collected in the city of Tashkent and 20 percent in other regions shall remain at the local level, and half of these funds will be transferred to district budgets. In addition, 50 percent of revenues generated above the forecast, as well as income from land lease and markets, shall be fully allocated to district budgets" [1].

Corporate income tax is a type of tax levied on the net financial results of legal entities and is formed as a stable and guaranteed source of revenue in the state budget. The fiscal essence of this tax is manifested in the following areas:

- financing the general expenditures of the state;
- supporting infrastructure and investment projects;
- financing social sectors (education, healthcare, transport);
- ensuring budgetary stability;
- smoothing cyclical fluctuations in the economy.

In the fiscal policies of many states, corporate income tax constitutes between 10 and 25 percent of budget revenues. In developing countries, this share can be even higher, as the main source of economic growth is linked to the activities of large enterprises. Under the conditions of New Uzbekistan, in the last five years, simplification of the tax system and reduction of tax rates have ensured a relative stabilization of the share of corporate income tax, expansion of the tax base, and steady growth in tax collections.

In our country, state budget revenues have been increasing significantly from year to year, and this growth is directly supported by the rising share of tax revenues. Among direct taxes, the share of corporate income tax is quite large. Corporate income tax revenues amounted to 38,363.3 billion som in 2021, and this figure decreased to 37,649.9 billion som in 2022. In 2023, corporate income tax revenues rose to 40,778.9 billion som, demonstrating a growth dynamic, and in 2024 reached 52,620 billion som. In that year, direct taxes amounted to 90,833 billion som, and according to the data in the table, corporate income tax has accounted for more than 50 percent of direct tax revenues in recent years. The indicators of personal income tax and turnover tax increased from 2021 to 2022, amounting to 18,917.7 billion som and 1,649.4 trillion som respectively, and rising to 24,284.5 billion som and 2,512.7 billion som. However, although personal income tax increased to 29,917.4 billion som in 2023, turnover tax decreased to 2,407.3 billion som. By 2024, both personal income tax and turnover tax increased significantly, reaching 35,384 and 2,829 billion som respectively.

Indirect taxes have a lower revenue volume compared to direct taxes, yet they also hold a substantial share in the budget revenue structure. In 2021, indirect taxes amounted to 56,290.4 billion som, including excise tax in the amount of 13,086.5 billion som and VAT in the amount of 38,439 billion som. Throughout the given years, VAT accounted for more than 60 percent of indirect taxes. Indirect taxes demonstrated a positive growth trend, increasing from 64,447.1 billion som in direct taxes in 2022 to 71,390.2 billion som. In the same year, excise tax increased to 13,455 billion som and VAT to 52,189.4 billion som. Consequently, in 2023 and 2024 excise tax and VAT increased from 15,834.4 billion som to 19,060 billion som and from 57,885.3 billion som to 59,280 billion som respectively.

Corporate income tax is one of the main analytical instruments in the macroeconomic management system of the state and differs by the following features: since corporate income tax is directly linked to the performance of the real sector of the economy, it is one of the key factors influencing the stability of state budget revenues. The optimality of tax rates, depreciation policy, and deductions for research and development expenditures encourage enterprises to expand production, implement technological modernization, and create new jobs [2].

The digitalized tax system provides the opportunity to determine the real income of enterprises and positively affects tax compliance. As a result of the reduction of tax rates, contraction of tax incentives, digitalization of tax administration, introduction of EDS, E-

Invoice, and tax risk assessment systems in Uzbekistan during 2020–2025, corporate income tax revenues have been strengthened as a stable fiscal source.

After Uzbekistan achieved independence, corporate income tax rates changed differently every year. The procedure for collecting corporate income tax into the budget is formed in each state in accordance with tax policy and economic strategy. In the Republic of Uzbekistan, the main legal source of this process is the Tax Code, which defines the object of taxation for corporate income tax, the tax base, rates, calculation rules, exemptions, and detailed procedures for tax payment [3]. This regulatory framework is aimed at ensuring fiscal stability of the state, strengthening transparency in tax administration, and increasing economic competitiveness. Bringing the regulatory and legal foundations of tax processes into a consistent system supports the continuity of tax policy and stability of the business environment.

Corporate income tax reporting is based on a declaration method, and declarations are submitted both annually and quarterly. The declaration is filed exclusively in electronic form, and the transition to electronic format has increased transparency in tax payments, reduced human factor influence, minimized errors, and enabled automation of the audit system. Corporate income tax is paid in monthly advance payments calculated based on the previous quarter. At the end of the year, the final settlements are made, and any outstanding amounts are paid or excess payments refunded. This mechanism ensures the stable formation of budget revenues throughout the fiscal year. Corporate income tax plays a strategic role in Uzbekistan's fiscal system by creating a stable source of budgetary revenue, stimulating real sector activity, and strengthening financial discipline. The procedure for collecting corporate income tax is clearly regulated through the Tax Code, and the processes of calculation, declaration submission, and payment are fully digitalized. Improving the efficiency of tax administration through solving existing problems—such as inflating expenses, transfer pricing, and low tax discipline—will further increase the effectiveness of corporate income tax collection. The proposed reforms serve to stabilize the share of corporate income tax in the budget and strengthen the state's fiscal policy.

Corporate income tax is not only a fiscal source but also a mechanism that contributes to social stability in society. Corporate income tax revenues are allocated to education, healthcare, social protection funds, regional development programs, and infrastructure projects. A decrease in corporate income tax rates increases investment flows and capital expenditures, while an increase in tax rates reduces enterprise profitability and investment motivation.

From 2015 to 2024, over a ten-year period, corporate income tax revenues demonstrated a growth trend. In particular, in 2024, corporate income tax amounted to 52,620 billion som, which is 41 times higher compared to 2015. It can also be observed that the share of corporate income tax in budget revenues has significantly increased since 2019, rising from 3.2 percent in 2015 to 19.1 percent, reaching its highest point in 2023 at 23.3 percent. The main reason for this is that corporate income tax rates were at their lowest level between 2015–2017, at 7.5 percent, and during that period corporate income tax accounted for only 3 percent of budget revenues. Starting from 2018, the share of corporate income tax increased sharply due to the increase in tax rates, the growth in the number of taxpayers, and the transfer of enterprises with an annual turnover exceeding 1 billion som to the general taxation system under the Tax Policy Improvement Concept [4].

According to OECD research, a 1 percent decrease in the corporate income tax rate leads to a 2.2–3.5 percent increase in investments. When Uzbekistan reduced the rate from 20 percent to 12 percent in 2019, enterprise formation increased by 28 percent, investment volume increased by 1.4 times, and budget revenues did not decline — instead, they rose through expansion of the tax base.

Tax administration is the main factor determining the quality of corporate income tax collection, and its efficiency directly affects the size of the tax base, the level of tax discipline, and the stability of budget revenues. As a result of reforms implemented in Uzbekistan's tax system between 2017–2025, the mechanism for collecting corporate income tax was fundamentally improved. The institutional capacity of tax authorities was strengthened, tax processes were digitalized, and interaction with taxpayers was simplified. However, despite digitalization and reforms, a number of systemic problems remain in the collection of corporate income tax. One such issue is the unjustified increase of expenses. Some enterprises artificially expand expenses through "fictional services," inflate costs through related parties, or create unjustified reserves for illegal write-offs, which significantly reduces the amount of corporate income tax paid to the budget. In addition, the shadow economy has a notable role in certain sectors (construction, trade, and services), where hidden turnover is considerable.

Although corporate income tax is one of the main sources of revenue in Uzbekistan's fiscal system, existing shortcomings in its collection, changing economic conditions, and international competitiveness requirements indicate the necessity of modernizing this mechanism. In particular:

- global tax competition requires tax rates to be flexible;
- digitalization of the economy necessitates the introduction of new control methods;
- increasing complexity of corporate architecture requires strengthening transfer pricing control;
- transition to international financial reporting standards introduces new approaches to tax base formation.

From this perspective, scientifically grounded proposals for improving the mechanism of corporate income tax collection will be developed below.

Assessing the economic efficiency of corporate income tax incentives during 2020–2025 reveals that:

- some incentives did not provide fiscal efficiency;
- certain incentives served the interests of a narrow group;
- the tax base contracted.

Therefore, the following should be introduced:

1. annual publication of fiscal effect reports for each incentive;
2. elimination of low-efficiency incentives;
3. provision of investment incentives based solely on performance results.

Tax incentives should be targeted in the following areas:

- research and development expenditures;
- high-tech manufacturing;

- green energy;
- export-oriented enterprises.

The obtained results have important scientific and practical significance for modernizing Uzbekistan’s fiscal policy, strengthening tax administration, and ensuring the transparency of enterprise activities.

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