

**THE SHARE OF PERSONAL INCOME TAX IN THE TAX SYSTEM AND ITS
IMPACT ON MACROECONOMIC STABILITY****Bahronova Umida Sanjar qizi****Yusupova Mashhura Sherali qizi**

Tashkent State University of Economics

Faculty of Taxation and Tax Policy

Students of Group ST-55/24

Abstract

This article scientifically analyzes the role of personal income tax (PIT) in the national tax system, its share in the formation of state budget revenues, and its impact on macroeconomic stability. Within the framework of the research, the dynamics of PIT revenues and their influence on gross domestic product, state budget stability, consumption, and savings processes are evaluated using statistical and economic-mathematical methods. In addition, the effects of progressive and proportional tax rates on income inequality, employment levels, and economic activity are discussed. The article also develops scientifically grounded conclusions and practical recommendations aimed at improving the current tax policy, expanding the tax base, and strengthening fiscal stability.

Keywords

personal income tax, tax system, state budget, macroeconomic stability, fiscal policy, tax revenues, gross domestic product, income inequality, consumption and savings, progressive tax rates, employment level.

Introduction. In the conditions of a modern economy, the tax system is an important instrument for ensuring the fiscal stability of the state, supporting socio-economic development, and maintaining macroeconomic balance. Within this system, personal income tax is one of the main direct taxes levied on the income of individuals and serves as a stable source in the formation of state budget revenues. The level of employment, the volume of the wage fund, economic growth rates, and demographic factors directly influence the amount and stability of revenues from this tax.

In the context of globalization, the development of the digital economy, and structural changes in labor markets, the issues of efficiency and fairness of personal income tax are becoming increasingly relevant in academic discussions. On the one hand, this tax provides the necessary fiscal resources to finance public expenditures and support social programs. On the other hand, its tax rates and administration influence people's incentives to work, as well as their consumption and savings behavior, and the share of the informal sector.

In recent years, many countries, including the Republic of Uzbekistan, have been implementing reforms aimed at simplifying the tax system, expanding the tax base, and strengthening fiscal stability. In this process, a deeper analysis of the share of personal income tax in the tax system, its role in state budget revenues, and its relationship with macroeconomic indicators—such as inflation rate, economic growth, employment, and income distribution—has significant scientific and practical importance.

Methodology. In this study, to assess the share of personal income tax in the tax system and its impact on macroeconomic stability, a combination of theoretical analysis, statistical observation, and basic econometric approaches was applied. The empirical basis of the research was formed by state budget reports and macroeconomic indicators published by official statistical agencies. Based on these data, the temporal changes in personal income tax revenues and their interrelations with economic processes were analyzed.

To begin with, in order to assess the fiscal significance of the tax, the share of personal income tax in total tax revenues was calculated. This indicator allows determining the position of this tax within the tax system and is expressed by the following ratio:

$$U = \frac{PITR}{T_{total}} \times 100\%$$

Where:

U — the share of personal income tax in the tax system (in percent)

PITR— the amount of revenue collected from this tax

T_{total}— total tax revenues of the state budget

The dynamics of this indicator were analyzed over the years to determine how its changes are related to economic cycles, employment levels, and the wage fund.

At the next stage, the ratio of personal income tax to Gross Domestic Product was calculated and used as an indicator to assess its role in economic growth and macroeconomic stability:

$$S = \frac{PITR}{GDP} \times 100\%$$

S — the share of personal income tax in Gross Domestic Product (in percent).

PITR — total revenues from personal income tax.

GDP — the volume of Gross Domestic Product.

This indicator allows determining the fiscal burden of this tax at the level of the national economy and analyzing its indirect impact on economic activity, population income, and consumption levels.

The results of these two key indicators are summarized, and their interrelation with macroeconomic stability is explained using logical analysis and statistical comparison methods. In this way, the research methodology serves to scientifically reveal the real position of personal income tax within the tax system and its impact on economic stability.

Empirical Analysis. The empirical part of this study focused on determining the share of personal income tax in state budget revenues and its interrelation with key macroeconomic indicators. For the analysis, data from annual budget reports published by official statistical agencies, gross domestic product, employment levels, and real incomes of the population were used. The observations covered several consecutive years, allowing for an assessment of dynamic changes over time.

First, the share of personal income tax revenues in total tax revenues was determined, and its temporal trends were analyzed. The results indicated that this type of tax acts as a stable source

for budget formation, while in some years, its share declined due to decreased economic activity or a slowdown in the wage fund. Through structural analysis, the position of personal income tax relative to other direct and indirect taxes was evaluated, clarifying its impact on the balance within the tax system.

At the next stage, the ratio of personal income tax to Gross Domestic Product was calculated to assess its relationship with economic growth. The results showed that during periods of economic expansion, these tax revenues steadily increased, whereas during economic slowdowns, the growth rate of revenues declined. This finding confirms that personal income tax is strongly linked to labor market conditions and both nominal and real incomes of the population.

In addition, the relationship between employment levels and tax revenues was analyzed separately. An increase in employment was found to expand the wage fund, thereby encouraging growth in personal income tax revenues. Conversely, a rise in the share of the informal sector and labor market instability emerged as factors that increase the risk of declining fiscal revenues.

To deepen the empirical results, the correlation between personal income tax revenues and both Gross Domestic Product and employment indicators was assessed. The calculations demonstrated a positive relationship among these variables, confirming that as economic activity increases, tax revenues also rise. This highlights the role of personal income tax as an automatic stabilizer, providing the budget with the ability to maintain relative stability during economic cycles.

At the final stage, the obtained empirical results were summarized, and their impact on macroeconomic stability was assessed. The analysis showed that stable revenues from personal income tax play a crucial role in limiting the state budget deficit, financing social expenditures, and smoothing fluctuations in economic cycles. At the same time, the empirical evidence highlighted the need to consider factors such as work incentives, the size of the informal economy, and income inequality when setting tax rates.

Stage	Classification
01. Labor market	Increase in the level of employment
02. Incomes	Formation of the total wage fund
03. Fiscal system	Personal income tax (PIT) revenues
04. Public finance	Increase in state budget revenues
05. Final result	Macroeconomic stability

This sequence of stages consistently reflects the mechanism through which personal income tax affects macroeconomic stability. Initially, an increase in employment in the labor market strengthens economic activity among the population, leading to the expansion of the overall wage fund. This process forms the taxable base for personal income tax and creates the conditions for an increase in fiscal revenues.

At the next stage, these revenues contribute to the growth of state budget revenues, enabling the financing of social expenditures, infrastructure development, and the expansion of economic incentive measures. As a result, budgetary stability is strengthened, inflationary pressures are contained, the budget deficit is reduced, and economic growth rates are stabilized, thereby achieving overall macroeconomic stability.

Result. The results of this study comprehensively highlighted the role of personal income tax in the tax system and its contribution to ensuring macroeconomic stability. Empirical analyses showed that this type of tax serves as a relatively stable source within state budget revenues, and its amount and share are primarily linked to labor market conditions, employment levels, and the dynamics of the overall wage fund. During periods of economic growth, the expansion of the wage fund led to a rapid increase in personal income tax revenues, thereby supporting the stability of public finances.

The analysis also indicated that the ratio of personal income tax to Gross Domestic Product is sensitive to economic cycles. That is, an increase in this indicator during periods of economic expansion reflects an expansion of fiscal capacity, whereas its decline during economic slowdowns poses certain risks to budget revenues. At the same time, this type of tax acts as an automatic stabilizer, scientifically demonstrating that it can mitigate sharp declines in domestic demand by preventing a severe drop in the population's net incomes during economic downturns.

A stable positive relationship between employment levels and personal income tax revenues was identified, confirming that the creation of new jobs and the formalization of informal employment are among the most important factors in expanding the fiscal base. In particular, improvements in tax administration, the implementation of digital accounting systems, and strengthened reporting discipline among employers were empirically shown to contribute significantly to an increase in tax revenues.

Additionally, the study assessed the role of budget revenues generated through personal income tax in financing state expenditures. The results indicated that these revenues can be used to increase funding for education, healthcare, social protection, and infrastructure projects, which is considered a key condition for long-term economic growth and social stability. Strengthening budgetary stability positively impacts overall macroeconomic balance by containing inflationary pressures, optimizing public debt burdens, and ensuring fiscal discipline.

Overall, the results of the study allow personal income tax to be assessed as an important instrument that supports economic development and strengthens fiscal stability. Based on this, it is scientifically justified that reforms should be deepened in areas such as expanding the tax base while minimizing the negative impact of tax rates on economic incentives, reducing the share of the informal economy, improving the income declaration system, and digitalizing tax administration.

Discussion. The results of the study further confirm the strategic importance of personal income tax within the fiscal system. The empirical analysis revealed a stable relationship between employment levels, the wage fund, and tax revenues, demonstrating that this type of tax has a mechanism that directly affects macroeconomic processes. This finding aligns with ideas presented in international literature and is consistent with theoretical perspectives that highlight the role of direct taxes as automatic stabilizers.

During the discussion, particular attention was given to the variability of personal income tax revenues relative to Gross Domestic Product. On the one hand, this reflects an expansion of fiscal capacity during periods of economic growth; on the other hand, it indicates potential pressures on budgetary stability during economic slowdowns. Consequently, when shaping tax policy, it is important to implement mechanisms that smooth cyclical fluctuations—such as

progressive rates, temporary incentives, or measures supporting employment—in a balanced manner.

Furthermore, the high share of the informal sector was identified as one of the main factors narrowing the taxable base for personal income tax. The study results indicate that this issue can be mitigated by improving tax administration efficiency, expanding the income declaration system, and implementing digital monitoring mechanisms. Comparisons with international experiences suggest that there are reasonable opportunities to apply these instruments effectively in the context of Uzbekistan.

Another important aspect discussed is the role of personal income tax in ensuring social equity. The discussion highlighted the effectiveness of progressive tax elements in reducing income inequality, strengthening social protection, and narrowing disparities among population groups. Particular emphasis was placed on implementing these measures in a way that does not negatively affect economic incentives.

Conclusion. This study comprehensively examined both theoretically and empirically the role of personal income tax in the tax system and its impact on macroeconomic stability. The analyses conducted demonstrated that this type of tax serves as an important and relatively stable source of state budget revenues, and its dynamics are closely linked to labor market conditions, employment levels, and changes in the wage fund. This confirms the capacity of personal income tax to act as an automatic stabilizer during economic cycles.

According to the study results, during periods of economic growth, the expansion of the wage fund increases the tax base, thereby strengthening fiscal capacity and enabling broader financing of social and infrastructure projects. Conversely, during economic slowdowns, declines in tax revenues can pose risks to budgetary stability, highlighting the importance of utilizing flexible fiscal policy instruments in such situations.

Furthermore, in improving the personal income tax system, priority areas were identified, including reducing the share of the informal economy, expanding the tax base, digitalizing tax administration, and developing the income declaration system. From the perspective of reducing income inequality and enhancing social equity, it was emphasized that progressive elements should be gradually implemented without adversely affecting economic incentives.

Overall, the findings of this study allow personal income tax to be assessed not only as a tool for ensuring fiscal stability but also as a significant policy instrument supporting economic development. They provide a solid foundation for the future development of scientifically grounded recommendations to further improve tax policy.

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