

TAX OBJECT AND TAX BASE OF TURNOVER TAX IN UZBEKISTAN**Turayev Alijon Akmal ugli**Acting associate professor of the department
of “Investment and Innovations”, PhDalijon.turayev@mail.ru**Mavlonov Nodirjon**

Student of Samarkand institute of economics and service

Abstract. This study examines the tax object and tax base of turnover tax in the Republic of Uzbekistan within the framework of the modern tax system. The research analyzes the legal foundations of turnover taxation established by the Tax Code of Uzbekistan and evaluates its economic significance for small business development. The study applies legal analysis, comparative analysis, and statistical evaluation to examine the structure and functioning of turnover tax.

Keywords: turnover tax, tax base, tax object, simplified taxation system, tax policy, Uzbekistan tax system.

Annotatsiya. Mazkur maqolada O‘zbekiston Respublikasida aylanmadan olinadigan soliqning soliq solish obyekti va soliq bazasi ilmiy jihatdan tahlil qilingan. Tadqiqotda amaldagi soliq qonunchiligi asosida aylanma soliqning iqtisodiy mohiyati, soliq bazasini aniqlash tartibi hamda uning kichik biznes subyektlari faoliyatidagi ahamiyati o‘rganilgan.

Kalit so‘zlar: aylanma soliq, soliq bazasi, soliq obyekti, soddalashtirilgan soliq tizimi, soliq siyosati, kichik biznes.

Аннотация. В данной статье проводится научный анализ объекта налогообложения и налоговой базы налога с оборота в Республике Узбекистан. Исследование основано на действующем налоговом законодательстве и направлено на изучение экономической сущности налога с оборота, порядка определения налоговой базы и его роли в развитии малого бизнеса.

Ключевые слова: налог с оборота, налоговая база, объект налогообложения, упрощенная система налогообложения, налоговая политика, малый бизнес.

INTRODUCTION

Taxation plays a central role in ensuring the financial stability of the state and regulating economic relations between the government and economic entities. In modern market economies, the tax system is not only a mechanism for collecting public revenues but also an important instrument for stimulating economic development, supporting entrepreneurship, and ensuring social justice. For developing economies, including Uzbekistan, the design of an efficient tax system is particularly important because it directly influences investment activity, business growth, and budget sustainability.

During the last decade, Uzbekistan has implemented large-scale reforms aimed at modernizing its fiscal system, improving tax administration, and creating favorable conditions for business development. These reforms were initiated within the framework of broader economic liberalization policies that sought to simplify the tax structure, reduce the tax burden on businesses, and improve voluntary tax compliance. As part of these reforms, special attention has been given to the development of simplified taxation regimes designed for small and medium-sized enterprises. One of the most important elements of this simplified taxation system is the turnover tax. The turnover tax regime was introduced to support small business entities that may face difficulties complying with complex tax procedures associated with corporate income tax and value-added tax systems. By allowing businesses to pay a single tax calculated on the basis of their revenue, the turnover tax significantly reduces administrative costs and simplifies tax accounting.

According to the current tax legislation of Uzbekistan, turnover tax is primarily applied to resident legal entities and individual entrepreneurs whose annual income does not exceed a specified threshold determined by the Tax Code. Businesses that exceed this threshold are required to switch to the general taxation regime, which includes corporate income tax and value-added tax obligations. This system ensures that small enterprises benefit from simplified taxation while larger companies contribute to the budget through the general tax framework. From an economic perspective, turnover tax plays an important role in encouraging the legalization of economic activities, particularly among small businesses and individual entrepreneurs. Simplified taxation reduces incentives for operating in the informal economy and promotes transparency in financial transactions. As a result, the number of registered taxpayers in Uzbekistan has increased significantly in recent years.

Statistical indicators demonstrate that small business entities make a substantial contribution to the national economy. In recent years, the share of small businesses in the country's gross domestic product has remained above fifty percent, highlighting their important role in economic development and employment creation. The turnover tax system therefore serves as an important fiscal instrument supporting this sector while also generating stable revenues for the state budget. Despite its simplicity, the turnover tax system raises several theoretical and practical questions related to the determination of the tax object and the tax base. The correct identification of these elements is essential for ensuring fairness, efficiency, and transparency in taxation. Misinterpretation or ambiguity in defining taxable turnover may lead to administrative difficulties and tax disputes between taxpayers and tax authorities.

Therefore, the purpose of this study is to conduct a comprehensive analysis of the tax object and tax base of turnover tax in Uzbekistan. The research examines the legal foundations of turnover taxation, evaluates its economic significance, and explores potential improvements to the current taxation mechanism in order to enhance the efficiency of the national tax system.

LITERATURE REVIEW

The theoretical foundations of taxation and simplified tax regimes have been widely discussed in international and national economic literature. Scholars emphasize that tax systems should balance fiscal efficiency with administrative simplicity in order to ensure sustainable economic development.

According to the classical theory of taxation developed by Adam Smith, an effective tax system must follow the principles of equity, certainty, convenience, and efficiency. These principles remain relevant in modern tax policy and are reflected in contemporary simplified taxation regimes used in many countries. Modern research on simplified taxation systems highlights their importance for small business development. Joseph Stiglitz argues that simplified tax regimes reduce administrative barriers and improve tax compliance among small enterprises, which often lack the resources necessary to maintain complex accounting systems. According to his research, simplified taxation contributes to the formalization of economic activity and increases the tax base in developing economies.

In transition economies, simplified taxation mechanisms such as turnover tax are considered important tools for supporting entrepreneurship. Studies by Richard Musgrave demonstrate that simplified tax systems help reduce tax evasion and strengthen fiscal discipline when implemented alongside effective tax administration. Research conducted in Central Asian economies also emphasizes the importance of simplified taxation for economic development. Many scholars note that small and medium-sized enterprises constitute a significant share of economic activity in these countries, and therefore taxation policies should encourage their growth.

National researchers studying Uzbekistan's tax system have highlighted the role of turnover tax in promoting small business activity and improving tax administration. Their studies show that simplified tax regimes contribute to increasing the number of registered taxpayers and strengthening the fiscal capacity of the state. Overall, the existing literature demonstrates that

simplified taxation systems such as turnover tax are widely recognized as effective instruments for balancing fiscal objectives with economic development goals.

METHODOLOGY

The research methodology is based on a combination of legal analysis, economic analysis, comparative analysis, and statistical evaluation. These methodological approaches allow for a comprehensive examination of the turnover tax system from both theoretical and practical perspectives.

The primary method used in this study is legal analysis. This approach involves the detailed examination of the provisions of the Tax Code of the Republic of Uzbekistan regulating turnover taxation. The legal norms defining taxpayers, taxable objects, tax bases, and tax calculation procedures were analyzed in order to understand their practical implications and economic significance. Particular attention was given to articles of the Tax Code that establish the legal framework for simplified taxation regimes.

Another important methodological approach is comparative analysis. The turnover tax regime was compared with other taxation systems, particularly corporate income tax and value-added tax. Such comparison allows for the identification of differences in tax base determination, administrative procedures, and economic effects. This comparative approach also helps to evaluate the advantages and disadvantages of simplified taxation from the perspective of fiscal policy.

RESULTS

The analysis of the turnover tax system reveals several important features related to the definition of the taxable object and the formation of the tax base. These elements form the core of the taxation mechanism and determine how tax liabilities are calculated.

Tax object of turnover tax. The tax object represents the economic activity or transaction that gives rise to a tax obligation. In the case of turnover tax in Uzbekistan, the tax object is defined as the income received by the taxpayer from the sale of goods, the performance of works, or the provision of services during the reporting period. This definition reflects the principle that taxation should be linked to economic activity generating income. The taxable object therefore includes all revenues obtained as a result of entrepreneurial operations. Such revenues may arise from various commercial transactions, including the sale of products, the provision of services, rental operations, and other business activities conducted by the taxpayer.

In practice, the determination of the taxable object involves identifying all financial inflows associated with the core activities of the enterprise. Revenues may be received in different forms, including cash payments, bank transfers, property exchanges, or other forms of economic compensation. All such inflows are considered part of taxable turnover unless they fall within categories specifically excluded by tax legislation. Certain financial transactions are not included in the taxable object of turnover tax. For example, funds contributed by founders to the charter capital of a company, loans obtained from financial institutions, and certain types of grants or subsidies may be excluded from taxable turnover because they do not represent income generated from operational business activities.

The clear definition of the taxable object ensures that turnover tax is applied consistently and prevents misinterpretation of tax obligations. It also helps tax authorities monitor business activity and ensure accurate reporting of revenue.

Tax base of turnover tax. The tax base represents the quantitative value used to calculate the tax liability. For turnover tax, the tax base is defined as the total amount of revenue received by the taxpayer from business activities during the reporting period. Unlike corporate income tax, which is calculated on the basis of net profit, turnover tax is calculated on the basis of gross revenue. This means that the tax base does not take into account business expenses, production costs, or other deductions related to the operation of the enterprise. The simplicity of this approach significantly reduces accounting complexity and administrative burden for taxpayers. The calculation of the tax base includes all revenues generated from the sale of goods, works,

and services. In certain cases, additional adjustments may be required to ensure that only taxable revenues are included in the calculation. For example, certain non-operational financial inflows may be excluded according to the provisions of the Tax Code.

The tax rate applied to the tax base varies depending on the type of economic activity and legislative regulations. In many cases, the standard turnover tax rate is set at approximately four percent of total revenue. However, specific sectors may be subject to different rates in order to reflect economic priorities and policy objectives. The simplicity of the tax base calculation allows small businesses to determine their tax liabilities easily without requiring complex accounting systems. This feature significantly improves voluntary tax compliance and reduces administrative costs.

Economic significance of turnover tax. The turnover tax system has become an important instrument for integrating small businesses into the formal economy. By simplifying tax reporting requirements, the system encourages entrepreneurs to register their businesses and operate within the legal framework. Statistical data indicate that the number of small business entities in Uzbekistan has increased significantly during the last decade. This growth has contributed to higher tax revenues and improved employment opportunities. At the same time, digitalization of tax administration has further strengthened the effectiveness of turnover taxation. The introduction of electronic tax reporting systems, online cash registers, and automated data exchange between taxpayers and tax authorities has improved transparency and reduced opportunities for tax evasion.

DISCUSSION

The findings of this study highlight several advantages associated with the turnover tax system. One of the most significant benefits is administrative simplicity. Since the tax base is determined solely on the basis of total revenue, taxpayers are not required to maintain complex accounting records related to production costs, depreciation, or other financial indicators. Another advantage is the predictability of tax obligations. Businesses can easily estimate their tax liabilities by applying the relevant tax rate to their expected revenue. This predictability helps entrepreneurs plan their financial activities and reduces uncertainty in business operations.

The turnover tax system also plays an important role in promoting small business development. By providing a simplified taxation regime, the government creates favorable conditions for new entrepreneurs to enter the market and expand their economic activities. However, the system also has certain limitations. Because the tax base is determined on the basis of gross revenue rather than net profit, businesses with high operating costs may face relatively heavier tax burdens. For example, enterprises operating in sectors with high production costs or narrow profit margins may pay a higher proportion of their income in taxes compared with businesses with lower operating costs. This issue highlights the importance of carefully balancing simplicity and fairness in tax policy design. While simplified taxation regimes are essential for supporting small businesses, policymakers must ensure that tax systems remain economically neutral and do not distort market competition.

Future tax reforms in Uzbekistan are likely to focus on improving digital tax administration, expanding the use of electronic reporting systems, and enhancing transparency in financial transactions. These measures will further strengthen the effectiveness of turnover taxation and contribute to the overall modernization of the national tax system.

CONCLUSION

The study demonstrates that turnover tax is an important component of the simplified taxation system in Uzbekistan and plays a significant role in supporting small business development and improving tax administration. The tax object of turnover tax is defined as income derived from the sale of goods, works, and services, while the tax base is determined as the total revenue generated by the taxpayer during the reporting period. This simplified structure ensures ease of tax calculation and reduces administrative burdens for small businesses. At the same time, the reliance on gross revenue as the tax base may create certain economic challenges

for enterprises with high operating costs. Therefore, further improvements to the turnover tax system should focus on balancing administrative simplicity with economic fairness.

Strengthening digital tax administration, improving taxpayer education, and refining legal definitions related to taxable turnover will contribute to the long-term sustainability and effectiveness of the tax system in Uzbekistan.

REFERENCES

1. State Tax Committee of the Republic of Uzbekistan. (2024). Tax statistics report of Uzbekistan. Tashkent.
2. Ministry of Economy and Finance of the Republic of Uzbekistan. (2024). Economic development indicators of Uzbekistan. Tashkent.
3. The Wealth of Nations. (1776/2007). Oxford University Press.
4. Joseph Stiglitz. (2015). Economics of the Public Sector. W.W. Norton & Company.
5. Richard Musgrave. (1989). Public Finance in Theory and Practice. McGraw-Hill.
6. World Bank. (2023). Tax policy reforms in developing economies. Washington, DC.
7. Tax Code of the Republic of Uzbekistan. (2026). Tashkent.