CHANGES IN THE NEW EDITION OF THE TAX CODE OF UZBEKISTAN: TAX INCENTIVES AND RATES

Turayev Alijon Akmal ugli
Acting associate professor of the department
of "Investment and Innovations", PhD
alijon.turayev@mail.ru
Shonazarov Xudoyshukur Daniyor ugli,
Student of Samarkand institute of economics and service

Abstract. The 2026 amendments to the Tax Code of Uzbekistan represent a significant evolution of the country's fiscal system. While core tax rates remain stable, the system of tax incentives has been restructured to reduce broad exemptions and implement targeted, performance-based benefits. These reforms aim to enhance transparency, improve compliance, support entrepreneurship, and foster sustainable economic growth. The study analyzes changes in corporate income tax, turnover tax, VAT, and sector-specific incentives, as well as their economic and administrative implications.

Keywords: Uzbekistan, tax reform, tax incentives, tax rates, fiscal policy, economic development

Annotatsiya. 2026-yilgi O'zbekiston Soliq kodeksiga kiritilgan o'zgartirishlar mamlakatning moliyaviy tizimi rivojida muhim bosqichni tashkil etadi. Asosiy soliq stavkalari barqaror bo'lib qolgan bo'lsa-da, soliq imtiyozlari tizimi qayta shakllantirilib, keng qamrovli imtiyozlar qisqartirilgan va maqsadli, natijaga yo'naltirilgan imtiyozlar joriy etilgan. Ushbu islohotlar oshkoralikni oshirish, soliq majburiyatlariga rioya qilishni yaxshilash, tadbirkorlikni rag'batlantirish va barqaror iqtisodiy o'sishni ta'minlashga qaratilgan. Tadqiqot korporativ daromad solig'i, aylanish solig'i, QQS va sektorga xos imtiyozlarning o'zgarishini hamda ularning iqtisodiy va ma'muriy oqibatlarini tahlil qiladi.

Kalit so'zlar: O'zbekiston, soliq islohotlari, soliq imtiyozlari, soliq stavkalari, moliyaviy siyosat, iqtisodiy rivojlanish

Аннотация: Поправки в Налоговый кодекс Узбекистана 2026 года представляют собой важный этап эволюции финансовой системы страны. Несмотря на сохранение стабильности ключевых налоговых ставок, система налоговых льгот была реформирована с целью сокращения широких освобождений и внедрения целевых льгот, ориентированных на результат. Эти реформы направлены на повышение прозрачности, улучшение налогового соблюдения, стимулирование предпринимательства и поддержание устойчивого экономического роста. Исследование анализирует изменения корпоративного налога на прибыль, оборотного налога, НДС и отраслевых льгот, а также их экономические и административные последствия.

Ключевые слова: Узбекистан, налоговая реформа, налоговые льготы, налоговые ставки, фискальная политика, экономическое развитие

INTRODUCTION

Tax systems in transitional economies serve not only as instruments of revenue generation but also as key mechanisms for regulating economic behavior, attracting investment, and facilitating structural transformation. In this context, Uzbekistan's ongoing tax reforms reflect a broader shift from administratively complex and privilege-based taxation toward a simplified, transparent, and market-oriented fiscal system.

The amendments to the Tax Code adopted at the end of 2025 and implemented from January 2026 are embedded within the country's medium-term fiscal strategy. These reforms were developed in alignment with state priorities such as reducing the shadow economy, promoting non-cash transactions, and enhancing the competitiveness of domestic enterprises.

A defining feature of the 2026 reform is the deliberate preservation of core tax rates alongside a restructuring of tax incentives. This dual approach reflects a policy trade-off between stability and reform: stable rates reduce uncertainty for investors, while changes in incentives allow for more efficient allocation of fiscal resources.

Moreover, the reform is closely linked to broader institutional changes, including digitalization of tax administration, introduction of risk-based VAT monitoring systems, and integration of international tax practices such as transfer pricing regulation. These elements collectively indicate a systemic transformation rather than isolated legislative adjustments.

METHODOLOGY

This research employs a doctrinal and analytical methodology based on the examination of primary legal sources, including the Law of the Republic of Uzbekistan No. ZRU-1108 adopted on December 25, 2025, as well as subordinate нормативные акты and presidential decrees shaping the 2026 tax policy framework.

The study integrates comparative legal analysis to assess how Uzbekistan’s tax reforms align with global practices, particularly in terms of tax neutrality, base broadening, and targeted incentives. Economic interpretation is applied to evaluate the behavioral impact of tax rate stability and incentive restructuring on businesses and investors.

In addition, the research draws on statistical and policy data, including official projections and analytical reports from international consulting organizations. This allows for a multidimensional assessment of reforms, combining legal, fiscal, and economic perspectives.

RESULTS

The empirical and legal analysis reveals that the 2026 amendments are characterized by a combination of stability in core tax parameters and significant qualitative changes in the structure of taxation.

A central finding is the deliberate preservation of key tax rates. Corporate income tax remains at 15%, value-added tax at 12%, personal income tax at 12%, and social tax at 12%, while turnover tax is retained at 4% and property tax at 1.5%. This stability serves as a signaling mechanism to investors, ensuring predictability and reducing fiscal risk in long-term planning.

At the same time, the reform introduces selective adjustments within specific tax categories. For instance, land, property, and natural resource taxes have been increased by approximately 7%, reflecting inflationary adjustments and the need to enhance fiscal sustainability. Additionally, excise taxation has been restructured to incorporate public health objectives, including progressive taxation of sugary beverages based on sugar content.

One of the most significant innovations concerns the simplification and differentiation of taxation for small businesses. Individual entrepreneurs and self-employed persons with limited turnover are now subject to a reduced turnover tax rate of 1%, replacing more rigid and less transparent fixed tax regimes. This measure is designed to facilitate formalization and improve compliance.

A notable trend is the systematic reduction of previously widespread tax exemptions. Preferential regimes in sectors such as e-commerce have been curtailed, with entities now subject to standard corporate and turnover tax rates. This reflects a broader policy shift toward leveling the competitive environment and eliminating distortions.

Simultaneously, the reform introduces targeted and conditional tax incentives. Agricultural producers benefit from a zero VAT rate on certain products, while specific industries, including textile clusters, are granted reduced social tax rates as low as 1% for defined periods.

In addition, foreign investors and high-net-worth individuals are offered special regimes, including exemption from personal income tax on foreign-source income under certain conditions.

Furthermore, sector-specific incentives remain an important policy instrument. Enterprises operating in special economic zones and high-tech sectors, such as IT and digital services, may benefit from long-term tax exemptions, including zero rates for certain taxes.

DISCUSSION

The reforms introduced in 2026 can be interpreted through the lens of modern tax theory, particularly the principles of neutrality, efficiency, and equity.

The decision to maintain stable tax rates reflects an adherence to the principle of tax certainty, which is essential for investment decision-making. In emerging economies, frequent changes in tax rates can increase perceived risk and discourage both domestic and foreign investment. By contrast, Uzbekistan's approach enhances credibility and supports long-term economic planning.

The restructuring of tax incentives represents a shift toward base broadening and reduction of fiscal distortions. Broad tax exemptions, while politically attractive, often lead to inefficiencies by favoring certain sectors without clear economic justification. The elimination of such privileges aligns with international recommendations, including those of the International Monetary Fund, regarding the rationalization of tax expenditures.

At the same time, the introduction of targeted incentives demonstrates a strategic use of tax policy as a tool for industrial and regional development. Incentives directed at agriculture, textiles, and high-tech industries indicate a prioritization of sectors with high value-added potential and export capacity. The reduced turnover tax rate for small businesses reflects an understanding of behavioral economics. Lower compliance costs and simplified taxation mechanisms can significantly increase voluntary compliance and reduce the size of the informal economy. This is particularly relevant in Uzbekistan, where informal economic activity has historically been significant.

The introduction of special tax regimes for foreign investors highlights the increasing competition among countries to attract mobile capital. By offering tax exemptions on foreign-source income, Uzbekistan positions itself as a favorable jurisdiction for global entrepreneurs and digital nomads. However, the effectiveness of these reforms will depend on implementation. Challenges such as administrative capacity, enforcement consistency, and transparency remain critical. Without effective monitoring, even well-designed incentives can lead to unintended consequences, including tax avoidance and revenue losses.

CONCLUSION

The 2026 amendments to the Tax Code of Uzbekistan represent a mature stage in the country's fiscal реформ trajectory, characterized by a balance between stability and structural transformation. The preservation of core tax rates ensures predictability and supports investment, while the restructuring of tax incentives enhances efficiency and fairness.

The shift from broad, unconditional tax exemptions to targeted, performance-based incentives marks a significant improvement in fiscal policy design. These changes are expected to strengthen the tax base, improve compliance, and support sustainable economic growth. In the long term, the success of these reforms will depend on institutional capacity, transparency, and continuous policy evaluation. If effectively implemented, the new tax framework has the potential to position Uzbekistan as a competitive and investment-friendly economy in the region.

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