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THE FISCAL SIGNIFICANCE OF DIRECT TAXES IN IMPROVING THE INCOME TAXATION SYSTEM

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Abstract. This article examines the fiscal significance of direct taxes in improving the income taxation system. It analyzes the role of corporate income tax and personal income tax in the formation of state budget revenues, their economic essence, and their importance in ensuring fiscal stability. The article also considers issues related to increasing the share of direct taxes in budget revenues, expanding the tax base, reducing the impact of informal economic activity, and ensuring a fair distribution of the tax burden. Based on the analysis, scientific proposals and practical recommendations are developed to improve the efficiency of the income taxation system and to balance the fiscal and incentive functions of direct taxes.

Keywords: income tax, direct taxes, corporate income tax, personal income tax, fiscal significance, state budget, tax base, tax burden, tax policy, budget revenues.

Аннотация. В данной статье рассматривается фискальное значение прямых налогов в совершенствовании системы налогообложения доходов. Проанализированы роль налога на прибыль юридических лиц и налога на доходы физических лиц в формировании доходов государственного бюджета, их экономическая сущность и значение в обеспечении фискальной стабильности. Также рассмотрены вопросы повышения доли прямых налогов в доходах бюджета, расширения налоговой базы, снижения влияния неформальной экономической деятельности и обеспечения справедливого распределения налоговой нагрузки. На основе проведённого анализа разработаны научные предложения и практические рекомендации по повышению эффективности системы налогообложения доходов и обеспечению баланса между фискальной и стимулирующей функциями прямых налогов.

Ключевые слова: подоходный налог, прямые налоги, налог на прибыль юридических лиц, налог на доходы физических лиц, фискальное значение, государственный бюджет, налоговая база, налоговая нагрузка, налоговая политика, доходы бюджета.

INTRODUCTION

The stability of the public finance system primarily depends on the sufficient formation of budget revenues and their close interrelation with economic sources. In the context of deepening market relations, taxes serve not only as the main fiscal instrument for generating state budget revenues but also as an important economic mechanism for regulating economic activity, redistributing income, ensuring social fairness, and strengthening the financial capacity of regions. In this regard, direct taxes occupy a particularly important place in the income taxation system.

Within the structure of direct taxes, corporate income tax and personal income tax are among the key sources of state budget revenues. Corporate income tax contributes to the formation of budget revenues by taxing the financial results of legal entities, while personal income tax supports fiscal stability through the taxation of wages, labor income, and other income sources of individuals. Therefore, these taxes play an important role in redirecting the value added and income generated in the economy to the public finance system.

In recent years, the Republic of Uzbekistan has been consistently implementing reforms aimed at simplifying the tax system, digitalizing tax administration, optimizing the tax burden, and ensuring the stability of budget revenues. In particular, the data of the 2025 Budget Statement provide an opportunity to conduct an in-depth analysis of the role of direct taxes in the formation of state budget revenues, to assess the fiscal potential of corporate income tax and personal income tax, and to identify directions for improving their economic efficiency. This makes the issue of improving the income taxation system both scientifically and practically relevant.

The relevance of the topic lies in the fact that ensuring the stable share of direct taxes in budget revenues is directly related to financing the state's socio-economic functions, expanding the revenue base of local budgets, reducing the impact of informal economic activity, and forming a fair tax burden among taxpayers. Since direct taxes are based on the actual income and financial results of economic entities, increasing their fiscal significance strengthens the principles of fairness, transparency, and efficiency in the tax system.

The purpose of this article is to scientifically substantiate the fiscal significance of direct taxes in improving the income taxation system, to analyze the role of corporate income tax and personal income tax in the formation of budget revenues, and to develop scientific proposals and practical recommendations for increasing their efficiency. To achieve this purpose, the article examines the economic essence of direct taxes, their role in the structure of budget revenues, their impact on fiscal stability, and the possibilities for expanding the tax base.

LITERATURE REVIEW

Improving the income taxation system is directly related to a comprehensive study of the fiscal potential of direct taxes, the expansion of the tax base, and the enhancement of the efficiency of tax administration. In modern scientific literature, corporate income tax and personal income tax are widely studied from the perspective of forming state budget revenues, redistributing income, and influencing economic growth.

D. Benedek, J. C. Benitez, and Ch. Vellutini analyzed the fiscal potential of personal income tax for developing countries. According to their views, although this tax is an important source of public revenue in developed countries, its role in budget revenues remains relatively limited in low-income and developing economies. The authors argue that the fiscal efficiency of personal income tax can be strengthened by expanding the tax base, optimizing tax benefits, and increasing taxpayer coverage. This approach is also relevant for Uzbekistan, as it provides an important scientific basis for improving the taxation of household income, strengthening the revenue base of local budgets, and reducing the impact of informal economic activity.

N. Balasoiu, I. Chifu, and M. Oancea empirically studied the impact of direct taxes on economic growth using the example of European Union countries. In their research, personal income tax and corporate income tax were examined as the main components of direct taxation. The authors emphasize that tax policy enables the state to influence the economic behavior of business entities and individuals. According to their conclusions, although direct taxes perform an important fiscal function in forming state budget revenues, insufficiently balanced tax rates and tax bases may negatively affect economic activity. Therefore, ensuring a balance between the fiscal and incentive functions of direct taxes is an important condition for improving the income taxation system.

E. Dabla-Norris and F. Lima studied the macroeconomic effects of changes in tax rates and tax bases under conditions of fiscal consolidation. Using a new database covering more than 2,000 tax measures across 10 OECD countries, the authors assessed the economic consequences of tax reforms. Their scientific conclusion shows that reforms implemented through broadening the tax base have a less negative impact on economic growth and employment than reforms based on increasing tax rates. This view indicates that, in improving the income taxation system, it is more effective to expand the tax base, revise tax incentives, and strengthen tax administration than to simply increase tax rates.

A. De Vito, L. Hillmann, M. Jacob, and R. Vossebürger analyzed the relationship between personal income tax and corporate income tax in the context of multinational companies shifting profits to low-tax jurisdictions. According to the results of their research, the level of personal income tax may influence corporate tax-motivated profit shifting. This shows the need to analyze direct taxes not separately, but as an integrated income taxation system. This approach is important for ensuring coherence between corporate income tax and personal income tax, reducing risks of tax non-compliance, and increasing the stability of budget revenues.

M. Bellon and R. Warwick studied the relationship between tax capacity, state institutions, and economic growth. They argue that the sufficient formation of tax revenues relative to GDP is an important factor in strengthening state institutional capacity and supporting economic development. According to their approach, increasing tax revenues is not only a fiscal objective but also a means of financing public administration, social obligations, and sustainable economic development. This conclusion serves as an important theoretical basis for assessing the fiscal significance of direct taxes in Uzbekistan on the basis of the 2025 Budget Statement.

The reviewed scientific approaches show that direct taxes perform a dual function in the income taxation system. On the one hand, they serve as an important fiscal source for forming state budget revenues; on the other hand, they influence economic activity, the investment environment, income distribution, and tax compliance. Therefore, analyzing the fiscal significance of corporate income tax and personal income tax in Uzbekistan on the basis of the 2025 Budget Statement provides an opportunity to develop scientific and practical proposals for improving the income taxation system.

The study of the fiscal significance of direct taxes in improving the income taxation system also occupies an important place in the scientific research of local economists. In particular, issues related to corporate income tax, personal income tax, the tax base, tax administration, and the formation of budget revenues are being examined as key areas for improving the tax system of Uzbekistan.

H. Yangiboyev studied the use of econometric models in the analysis of direct taxes. The author argues that the application of correlation and regression approaches in the analysis of direct taxes makes it possible to assess the dynamics of tax revenues and determine the impact of corporate income tax and personal income tax on budget revenues. The study highlights the socio-economic significance, theoretical and legal foundations of direct taxes, as well as the issues of evaluating them through econometric analysis. This approach is important for the topic of this article because it demonstrates the need to assess the fiscal significance of direct taxes not only theoretically but also on the basis of quantitative analysis.

A. Idirisov paid special attention to the organization and improvement of direct tax administration. The author analyzes the taxable object, tax base, tax rates, tax benefits, and procedures for calculating and paying corporate income tax and personal income tax within the structure of direct taxes. In his view, increasing the efficiency of direct tax administration contributes to the stable formation of budget revenues. This approach substantiates the need to strengthen tax administration, tax discipline, and transparency of calculations in improving the income taxation system.

Z. Axrorov studied profit as an object of taxation and interpreted enterprise profit as one of the main indicators of socio-economic development. The author emphasizes that corporate income tax is an important source of state budget formation and that improving the process of determining profit, forming the tax base, and developing the regulatory and legal framework contributes to increasing the efficiency of direct taxes. This approach makes it possible to justify the fiscal significance of corporate income tax within the topic of the article and to evaluate it as an important element of the income taxation system.

S. Shirinov analyzed corporate income tax revenues and their significance in the tax-budget system of Uzbekistan. The author classifies corporate income tax as a direct tax and studies its role in forming state budget revenues on the basis of data for 2017–2022. According to the results of the study, corporate income tax revenues have a significant share in the tax revenues of the state budget, while tax system reforms and the adoption of the new edition of the Tax Code influenced the growth of revenues from this type of tax. This conclusion serves as an important theoretical and practical basis for analyzing the fiscal significance of direct taxes on the basis of the 2025 Budget Statement.

S. Xalikchayeva studied the theoretical and practical foundations of determining the tax base. The author examines the procedure for determining the tax base for existing types of taxes in the tax system, its characteristics, rules, and the factors affecting it. This approach shows that the fiscal efficiency of direct taxes primarily depends on the accurate and transparent determination of the tax base. In this regard, expanding the tax base, optimizing tax incentives, and legalizing hidden income are of great scientific and practical importance in improving the income taxation system.

The views of the above-mentioned local scholars indicate that the fiscal significance of direct taxes is determined not only by their share in the formation of state budget revenues but also by the breadth of the tax base, the efficiency of tax administration, taxpayer compliance, and the transparency of income accounting. Therefore, in the context of Uzbekistan, improving corporate income tax and personal income tax is an important direction for ensuring the stability of the state budget, expanding the revenue base of local budgets, and ensuring a fair distribution of the tax burden.

RESEARCH METHODOLOGY

In this article, theoretical and practical methods of analysis were used to scientifically substantiate the fiscal significance of direct taxes in improving the income taxation system. During the research process, the role of corporate income tax and personal income tax in the formation of state budget revenues, their fiscal potential, and their impact on budget stability were examined.

The theoretical basis of the research consists of the scientific views of foreign and local economists on tax policy, public finance, budget revenues, and direct taxes. In particular, scientific approaches related to income taxation, expansion of the tax base, improvement of tax administration, fair distribution of the tax burden, and ensuring fiscal stability were analyzed.

The article uses the methods of scientific abstraction, comparative analysis, systematic approach, statistical grouping, structural analysis, induction and deduction, logical generalization, and economic analysis. Through the method of scientific abstraction, the economic essence and fiscal function of direct taxes were revealed. Using comparative analysis, the role of corporate income tax and personal income tax in the structure of budget revenues was assessed. Based on the systematic approach, direct taxes were studied as an integral component of the income taxation system.

The information base of the research includes the 2025 Budget Statement of the Republic of Uzbekistan, forecast indicators of state budget revenues, regulatory and legal documents related to the tax system, data from international financial institutions, and scientific works of local and foreign scholars. Based on these sources, the share of direct taxes in budget revenues, their fiscal efficiency, and their significance in the public finance system were analyzed.

In the course of the analysis, special attention was paid to determining the share of direct tax revenues in total budget revenues, assessing the fiscal role of corporate income tax and personal income tax, and substantiating their importance in forming the revenue base of state and local budgets. In addition, the expansion of the tax base, reduction of the impact of informal economic activity, digitalization of tax administration, and improvement of taxpayer compliance were identified as important areas of the research.

This methodological approach makes it possible to assess the fiscal significance of direct taxes not only from a theoretical perspective but also from a practical point of view based on the data of the 2025 Budget Statement. As a result, it creates an opportunity to develop scientifically grounded proposals for improving the income taxation system and strengthening the role of corporate income tax and personal income tax in the formation of budget revenues.

ANALYSIS AND RESULTS

In assessing the fiscal significance of direct taxes in improving the income taxation system, it is important to analyze the structure and dynamics of tax revenues by major types of direct taxes. Profit tax, personal income tax, and turnover tax form the core components of direct taxes and directly influence the stability of budget revenues. The table below presents the dynamics of direct tax revenues for 2022–2024.

Table 1
Structure and dynamics of direct tax revenues, billion UZS[1]

No.	**Indicators**	**Growth in 2023 compared to 2022, billion UZS**	**Growth in 2024 compared to 2023, billion UZS**	**Growth rate in 2024 compared to 2022, %**	**Share in total growth during 2022–2024, %**
1	Profit tax	3,129.0	11,884.6	139.9	56.8
2	Personal income tax	5,632.9	5,474.0	145.7	42.0
3	Turnover tax	-105.4	422.2	112.6	1.2
	Total direct taxes	8,656.5	17,780.8	141.0	100.0

Table 1 shows that direct tax revenues increased steadily during 2022–2024. In particular, total direct tax revenues rose from 64,447.1 billion UZS in 2022 to 90,884.4 billion UZS in 2024. The largest share in the structure of direct taxes belongs to profit tax, which accounted for 57.9 percent in 2024. Personal income tax also has a significant fiscal role, making up 38.9 percent of direct tax revenues in 2024. This indicates that the improvement of the income taxation system is closely related to the expansion of the tax base, formal employment, and the stability of income-based tax revenues.

To determine the fiscal role of direct taxes more clearly, it is necessary to assess not only their absolute amounts but also their growth indicators. The increase in direct tax revenues reflects the expansion of the taxable base, improvements in tax administration, and the growing role of income-related taxes in the formation of state budget revenues. The following table presents the growth indicators of direct taxes for 2022–2024.

Table 2
Growth indicators characterizing the fiscal significance of direct taxes[2]

No.	Indicators	Growth in 2023 compared to 2022, billion UZS	Growth in 2024 compared to 2023, billion UZS	Growth rate in 2024 compared to 2022, %	Share in total growth during 2022–2024, %
1	Profit tax	3,129.0	11,884.6	139.9	56.8
2	Personal income tax	5,632.9	5,474.0	145.7	42.0
3	Turnover tax	-105.4	422.2	112.6	1.2

1 **Source:** Author's calculations based on the data of the Ministry of Economy and Finance of the Republic of Uzbekistan.
2 **Source:** Author's calculations based on the data of the Ministry of Economy and Finance of the Republic of Uzbekistan.

	Total direct taxes	8,656.5	17,780.8	141.0	100.0

The data in Table 2 indicate that profit tax made the largest contribution to the total growth of direct tax revenues during 2022–2024, accounting for 56.8 percent of the overall increase. At the same time, personal income tax also played an important fiscal role, contributing 42.0 percent to the growth of direct taxes. This confirms that personal income taxation remains one of the key sources for strengthening budget revenues. Therefore, further improvement of the income taxation system should focus on expanding the official income base, increasing formal employment, and ensuring a more balanced distribution of the tax burden among different groups of taxpayers.

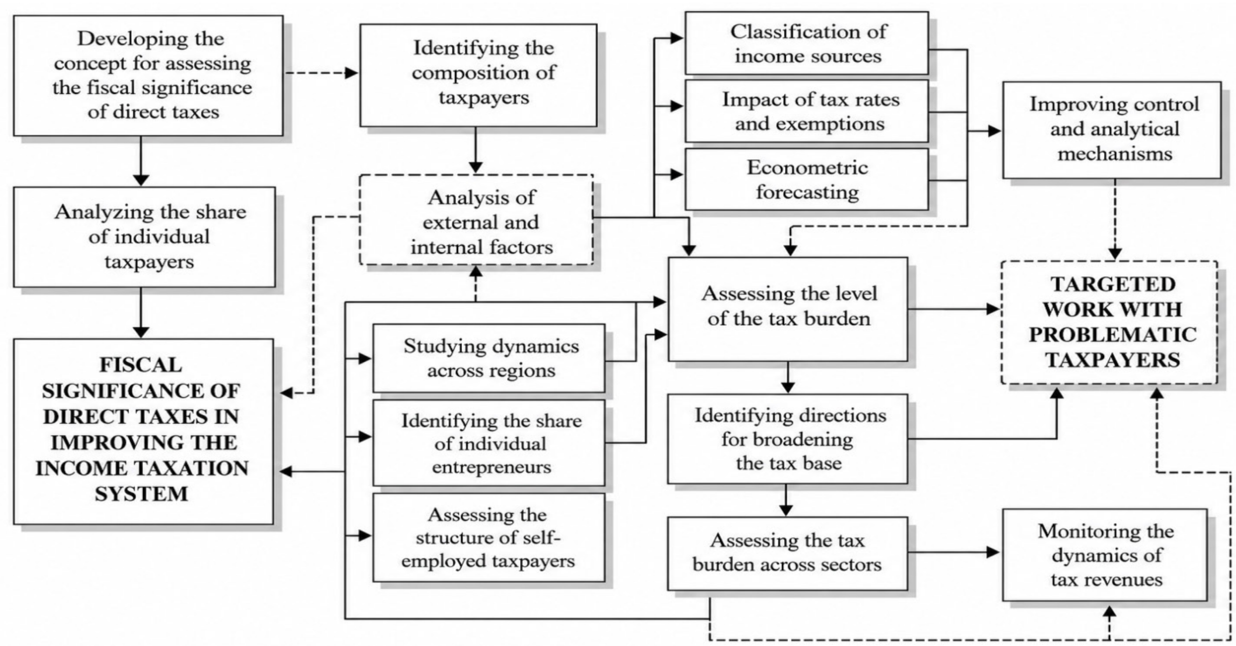

Figure 1. Conceptual framework for assessing the fiscal significance of direct taxes in improving the income taxation system[3]

This figure illustrates a conceptual framework for assessing the fiscal significance of direct taxes in improving the income taxation system. It presents the main stages of analysis, including the identification of taxpayers, classification of income sources, evaluation of tax rates and exemptions, econometric forecasting, and assessment of the tax burden. The framework also highlights the role of regional analysis, the share of individual entrepreneurs and self-employed taxpayers, the broadening of the tax base, monitoring of tax revenue dynamics, and targeted support and monitoring of taxpayers with compliance risks. Overall, the model reflects the interconnection between analytical, fiscal, and administrative mechanisms in strengthening the effectiveness of direct taxation.

CONCLUSION AND SUGGESTIONS

The analysis carried out in this article shows that direct taxes play a significant role in improving the income taxation system and ensuring the stability of state budget revenues. Corporate income tax and personal income tax are among the key fiscal instruments through which the state mobilizes financial resources based on the actual income and financial results of taxpayers. Therefore, the effectiveness of direct taxation is closely connected with the expansion of the tax base, improvement of tax administration, formalization of income, and fair distribution of the tax burden.

The results of the analysis indicate that direct tax revenues in Uzbekistan demonstrated steady growth during 2022–2024. Total direct tax revenues increased from 64,447.1 billion UZS in 2022 to 90,884.4 billion UZS in 2024, reflecting the growing fiscal importance of income-based taxes. In 2024, corporate income tax accounted for 57.9 percent of total direct tax revenues, while personal income tax accounted for 38.9 percent. This confirms that these two taxes form the main fiscal basis of the direct taxation system.

The growth indicators also show that corporate income tax made the largest contribution to the overall

3 **Source:** Developed by the author based on the research methodology.

increase in direct tax revenues during 2022–2024, accounting for 56.8 percent of total growth. Personal income tax also played an important role, contributing 42.0 percent to the increase in direct tax revenues. These results demonstrate that the improvement of the income taxation system should be aimed not only at increasing tax revenues but also at strengthening the economic and institutional foundations of taxation.

Based on the research findings, it can be concluded that the further improvement of direct taxation in Uzbekistan requires several priority measures. First, it is necessary to broaden the tax base by reducing informal economic activity and increasing the coverage of taxable income. Second, tax administration should be further digitalized in order to improve transparency, reduce risks of tax non-compliance, and strengthen taxpayer compliance. Third, the balance between the fiscal and incentive functions of direct taxes should be ensured so that taxation does not negatively affect business activity, employment, and investment.

In addition, the conceptual framework proposed in the article shows that the fiscal significance of direct taxes should be assessed through an integrated approach. This approach includes the identification of taxpayers, classification of income sources, analysis of tax rates and exemptions, assessment of the tax burden, regional analysis, econometric forecasting, and monitoring of tax revenue dynamics. Such a comprehensive assessment makes it possible to strengthen the effectiveness of direct taxation and develop targeted measures for working with taxpayers with compliance risks.

In general, direct taxes serve not only as a stable source of state budget revenues but also as an important mechanism for ensuring fiscal sustainability, social fairness, and economic regulation. Therefore, improving the income taxation system through the effective use of corporate income tax and personal income tax is an important direction for strengthening public finance, expanding local budget revenues, and ensuring the long-term stability of the national tax system.

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