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Literature Review

The areas of interest include corporate tax modernization, taxation and economic growth, optimal tax burden, and tax incentives for investments. International corporate tax trends are constantly reviewed in global perspective among others by PwC, OECD. In CIS countries and Asia, the studies reveal the problems of lowering the tax rate, widening the tax base, and rationalizing the amount of incentives. Uzbekistan hits research with an emphasis on simplification and digitalization of tax administration.

In his research, Zarif Akhrorov comes across and states some very key observations and findings. He points out that in numerous developed and developing nations corporate income taxation is articulated through tax rates, tax bases and tax investment incentives [1]. These can be ways like enhancing tax administration systems and simplified implementations of digitization which increase transparency and ease of payment [2]. In addition, many nations use tax incentives (e.g. sector-wide exclusions, investment tax credits, and export incentives and preferences targeted at new firms) to encourage investment and promote economic growth [3]. Also reinforced by international practice, tax fairness and neutrality entails that taxation should not impose disproportionate distortions on economic activity. In sum, there can be a lot of variety across the planet in terms of corporate income tax systems and the investigation of tariffs that a country will face each region reflecting its economic ambitions and investment ideals.

Soviet-era tax policy outlined by Russian economists including V. G. Panskov and L. I. Khoroshilov puts profit taxation as a mere control tool in a centrally planned and state-owned economy [4]. Throughout this timeframe, the profit tax was implemented not to increase the independence of enterprises, but rather to monitor how well enterprises met state-imposed production quotas [5].

After independence, Uzbekistan from a series of laws and presidential decrees promptly changed the national tax system. Importantly, the following have radically reformulated corporate income taxation: the (1991), the 1997 Tax Code, and the 2008 and 2020 amendments to the Tax Code. These reforms provided lower tax rates, new incentives, and contemporary reporting processes [6]. In addition, World Bank, IMF and UNDP reports as well as major consulting firms analyses compare tax reform trends in Uzbekistan and abroad and describe peculiarities of the national corporate income tax system. Based on this literature, the article provides a historical background, some basic facts, and policy framework, and offers a comparative analysis with developed economies [7].

2. Materials and Methods

This research applies the methodology to widely practice international world corporate income taxes and its reforms in the corporate tax system of Uzbekistan. The selection of methods is based on the premise that taxation is a complex terrain determined by economics, law, institutions and policy.

Corporate income tax regimes are built in complex institutional designs around the economic development strategy, budgetary processes, and legislation to have in place [8]. To this end, they were compared with the corporate tax models of the largest economies in the world (the OECD member states, the European Union, the United Kingdom, the United States, and Germany) using benchmarking in institutions.

A doctrinal (dogmatic) analysis of legal acts on tax obligations at the level of national legislation in Uzbekistan was performed for the revised edition of the Tax Code of 2020 (Article 294–363), presidential decrees, the State Tax Committee (STC) regulations, and the normative acts of the Ministry of Finance. Statistical analysis based on the OECD database, PwC, IMF, World Bank, IRS, HM Treasury (UK), the German Federal Ministry of Finance, and Uzbekistan STC.

This is a deductive study that draws Uzbekistan-relevant conclusions from wider global patterns [9]. On the other hand, based on the practical experience of Uzbekistan, generalized theoretical proposals were developed through inductive reasoning.

3. Results

According to OECD data, corporate income tax rates worldwide have shown a consistent downward trend over the past two decades. While the average rate ranged from 32–35% in the early 2000s, by 2024 it had declined to approximately 23–25%. Many developed economies apply relatively low or progressive corporate tax rates to enhance their investment climate, as observed in the United Kingdom, Canada, and Ireland [10].

Advanced economies generally compute corporate tax on the basis of net profit, whereby all income types are included in gross income, deductible expenses are strictly classified, depreciation rules are clearly defined, and targeted incentives are granted for research and innovation, export-oriented activities, and new investment projects [11]. In particular, Germany has strict criteria for establishing the taxable base subject to tax, while in the UK the R&D tax credit system is fundamental to the promotion of innovation activities.

Data from international practice also confirms that all developed countries have long completed the transition to electronic tax reporting, implemented a risk-based audit system, conducted continuous online monitoring, and created an integrated digital system of fiscal control.

The existence of unified digital taxpayer registries also contributes significantly to the efficiency of their tax administrations. Estonia, South Korea, and Singapore are widely recognized as global leaders in this domain [12].

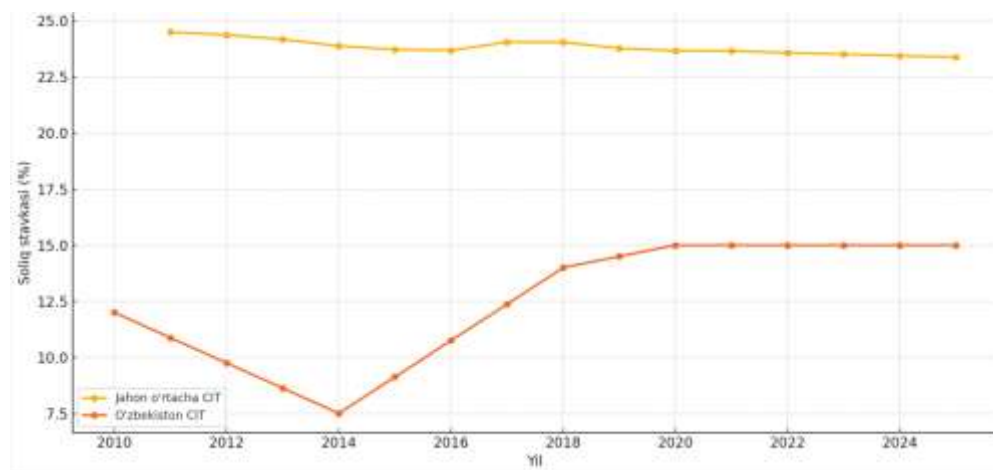


Figure 1. Average global corporate income tax rate and Uzbekistan's corporate income tax rate

From the data presented in the diagram, it is evident that the average global corporate income tax rate demonstrated a stable yet gradual decline between 2010 and 2025. Global CIT rates decreased from approximately 24.5% in 2010 to around 23.3% by 2025 [13]. The decline can be attributed to growing international tax competition, rising pressure on countries to attract investment, and Base Erosion and Profit Shifting (BEPS) initiatives led by the OECD, which concentrated on base broadening rather than increasing nominal rates.

After 2010, the corporate income tax rate in Uzbekistan has changed considerably and after 2020, this indicator has stabilized. More specifically, the CIT rate went from 12% in 2010 down to 7.5% in 2014. In 2018, it was raised to 14%, and since 2020, it has stabilized at 15%. As reflected in global practice, the international average CIT rate continues to decline gradually and remains above 22%. Uzbekistan's comparatively low 15% rate aligns well with the globally competitive range, thereby enhancing the country's investment attractiveness.

Countries determine their corporate tax rates based on national budgetary needs and fiscal priorities. Some states reduce CIT rates to stimulate entrepreneurial activity and attract new businesses, while others raise tax rates to strengthen government revenues. In

2020, compared with 2019, many countries revised their corporate tax rates, with most opting to reduce them in pursuit of investment growth and competitiveness [14].

Between 2018 and 2024, Uzbekistan implemented a wide range of comprehensive reforms aimed at modernizing the national tax system. These reforms include:

1. transition to fully electronic tax reporting through the *my.soliq.uz* platform;
2. optimization of tax incentives and reduction of excessive preferences;
3. introduction of a risk-based tax audit system;
4. gradual adoption of International Financial Reporting Standards (IFRS)[15].

In many countries, various tax incentives such as accelerated depreciation, additional deductions, and other investment-stimulating mechanisms are applied to strengthen investment activity by reducing the taxable base. Such modern approaches to corporate taxation lower the cost of capital, expand firms' financial capabilities, and create favorable conditions for attracting new investments. Consequently, economic activity and business operations intensify substantially.

Overall, reductions in the corporate income tax rate serve as an important factor at the firm level, particularly in terms of increasing investment volume and improving production performance. When investment is financed through retained earnings or borrowing, dividend taxation has minimal influence on the marginal cost of capital. By contrast, lowering the profit tax increases the amount of post-tax retained earnings, which expands free cash flow within enterprises. Enhanced liquidity supports not only investment activities, but also entrepreneurial dynamism more broadly.

This additional liquidity is especially crucial for firms facing financial constraints or limited access to external financing sources.

4. Conclusion

Funded by the International Tax Practice, this research demonstrates that despite reforms in Uzbekistan, corporate income tax still plays a vital role in maintaining fiscal stability, enhancing investment climate and economic regulation. Tax trends over the past 10 years reveal lingering tax rate declines, greater clarity over what constitutes the tax base, a shift toward more competition-neutral tax incentive structures, and accelerated digitalization of tax administration. Uzbekistan's relatively low and stable corporate income tax rate is also an important factor for investment attractiveness in this context. But the driveway still offers room for improvement in the system. Broadening the determination of tax base, improving tax incentive structures, widening risk-based audit approaches, and deepening of digital integration could greatly improve overall effectiveness. Non-deductibles should be corrected and optimized as well as depreciation rules will need to be unified to international standards and reporting to IFRS based completely. Tax incentives must also be more targeted, moving from "wide basis exemptions" to incentives for innovation, research, export-oriented activity and green development. Monitoring of these incentives on a regular basis will be necessary to determine their actual contribution to economic growth.

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