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Current State of Tax Policy in Uzbekistan in the Context of the Transition to a Green Economy

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Abstract: This article analyzes the current state of tax policy in Uzbekistan under the conditions of the transition to a green economy and its fiscal and environmental functions. The study assesses the dynamics, structural composition, and role of resource payments and property taxes in state budget revenues based on official statistical data. In addition, changes in these tax revenues are comparatively analyzed against environmental and resource efficiency indicators. The findings of the study demonstrate that although the existing tax mechanism has relatively high fiscal potential, its function of encouraging environmentally responsible behavior has not been sufficiently developed. On this basis, proposals have been developed to expand tax incentives linked to environmental criteria, strengthen differentiated taxation mechanisms for the use of natural resources, and assess the effectiveness of tax policy through outcome-based environmental indicators.

Keywords: green economy, tax policy, environmental taxes, resource taxes, property tax, fiscal policy, environmental incentives, natural resource use, tax incentives, environmental efficiency

1. Introduction

Under today's conditions, the traditional model of economic growth is increasingly revealing its limitations associated with the efficiency of resource use, environmental security, and climate stability. Therefore, the substance of economic policy is determined not only by increasing the volume of production, but also by establishing mechanisms that take into account the environmental cost of economic activity. In this process, tax policy emerges as an important economic instrument for reconciling the fiscal interests of the state with environmental objectives. In particular, redirecting the tax burden from resource-inefficient and environmentally polluting activities towards environmentally sustainable activities can contribute to changing the behavior of producers, encouraging the adoption of energy- and resource-efficient technologies, and creating an economic environment conducive to green investment [1].

In Uzbekistan, this direction is increasingly becoming an integral part of the state's economic policy. The transition to a green economy strategy for 2019–2030, approved by Resolution No. PQ-4477 of the President of the Republic of Uzbekistan dated October 4, 2019, identified supporting the sustainable growth of the green economy through fiscal policy as a specific priority [2]. This approach was further concretized in Resolution No. PQ-436 dated December 2, 2022, which set out tasks to align the existing tax system with the objectives of the green economy, redirect the tax burden towards activities associated with environmental pollution and excessive resource consumption, improve proposals concerning green taxes, including a carbon tax, and develop a green taxation package [3].

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From this perspective, studying the current state of tax policy in Uzbekistan in the context of the transition to a green economy is relevant not only for assessing the environmental effectiveness of existing tax mechanisms, but also for identifying their impact on production, investment, and entrepreneurial decisions [4]. In particular, integrating environmental costs into economic decision-making, encouraging the efficient use of resources, and creating favorable fiscal conditions for investment in green technologies are among the priority areas for improving tax policy [5]. Therefore, aligning the existing tax policy with the principles of the green economy is one of the key conditions for ensuring long-term, resource-efficient, and environmentally balanced economic development in Uzbekistan while maintaining fiscal sustainability [6].

Previous studies have examined the role of environmental taxation in promoting sustainable development and improving the efficiency of resource use [7]. Bluffstone emphasizes that the effectiveness of environmental taxes in developing and transition economies depends on institutional capacity, administrative costs, and socio-economic conditions [8]. Kuralbayeva demonstrates that environmental taxation can influence not only environmental outcomes but also employment, public revenues, and government expenditure, while Mpofu highlights the potential of green taxes to discourage environmentally harmful activities and support sustainable development [9].

In the context of Uzbekistan, existing studies address several important dimensions of green fiscal policy. Nomazov examines the modernization of the national tax system, Fayzieva analyzes the relationship between green taxation and economic growth, G'ulomov focuses on resource taxation within the green economy, and Burkhonov considers the improvement of green tax legislation. Recent international empirical evidence also suggests that green taxation may facilitate renewable-energy transitions in developing economies [10].

Despite these contributions, the existing literature has not sufficiently assessed Uzbekistan's current tax policy as an integrated system combining resource taxation, environmental incentives, fiscal functions, and measurable environmental outcomes. In particular, the relationship between the fiscal performance of resource-related taxes and their capacity to encourage environmentally responsible behavior remains insufficiently explored. This research gap determines the focus of the present study.

2. Materials and Methods

The study is aimed at assessing the current state of tax policy in Uzbekistan under the conditions of the transition to a green economy from the perspective of fiscal and environmental efficiency. The empirical basis of the study consisted of official statistical data from the Ministry of Economy and Finance of the Republic of Uzbekistan and the Tax Committee, as well as publicly available data from international organizations on environmental and resource-related indicators.

The study employed dynamic, structural, comparative, and systematic analysis methods in an integrated manner. Through dynamic analysis, trends in the changes in resource payments and property taxes during 2020–2024 were identified, and their significance in fiscal revenues was assessed. Based on structural analysis, the share of these taxes in total state budget revenues, as well as the relative shares of land, water, property, and subsoil use taxes within their composition, were examined.

Comparative analysis was used to compare changes in tax revenues with key environmental indicators of the green economy. This approach made it possible to assess the substantive relationship between these indicators without directly equating the growth of tax revenues with environmental efficiency. Systematic analysis, in turn, served to examine Uzbekistan's tax policy not within the framework of individual types of taxes, but as an interconnected system of fiscal interests, natural resource use, and incentives for environmentally responsible behavior.

Based on this methodological approach, the dynamics and structural changes in tax revenues were identified, and their consistency with the principles of the green economy, as well as the environmental incentive potential of the existing tax mechanisms, were assessed.

3. Result

Assessing the current state of tax policy under the conditions of Uzbekistan's transition to a green economy first requires determining the dynamics of fiscal revenues associated with resource use and their share in government revenues. For this purpose, official fiscal data for 2020–2025 were systematized, and the composition of resource payments and property taxes, their growth rates, and their share in total revenues were analyzed. This group includes taxes on land, property, subsoil use, and the use of water resources, of which the latter two are of particular direct importance for the fiscal regulation of natural resource use.

Table 1. The Role of Resource Payments and Property Taxes in Government Revenues in Uzbekistan

Year	Total government revenues, billion UZS	Resource payments and property taxes, billion UZS	Share, %
2020	132 938,0	21 257,0	15,99
2022	201 863,7	23 912,8	11,84
2023	231 721,3	28 079,5	12,12
2024	274 423,0	36 363,0	13,25

Source: Author's calculations based on official data of the Ministry of Economy and Finance of the Republic of Uzbekistan on state budget revenues [11].

The data in the table show that resource and property-related taxes have increased significantly in nominal terms; however, their share in total government revenues has not increased at the same rate. In particular, while the share of this group amounted to 15.99% in 2020, it declined to 11.84% in 2022. From 2023 onward, the share began to recover, reaching 13.25% in 2024. Thus, the nominal growth of revenues from resource and property taxes does not automatically imply an increase in their relative importance within the fiscal system. On the contrary, faster growth in total budget revenues may reduce the share of these taxes in overall revenues.

Between 2020 and 2024, resource payments and property taxes increased from UZS 21.26 trillion to UZS 36.36 trillion, representing an increase of approximately 71%. During the same period, government revenues increased from UZS 132.94 trillion to UZS 274.42 trillion, recording growth of approximately 106%. Thus, although the nominal growth of resource and property taxes was substantial, their growth rate relative to total revenues was lower. This indicates that, at the current stage of green tax policy, fiscal mechanisms have not yet become one of the principal sources of government revenue formation.

Within resource taxes, the largest fiscal contribution comes from the tax on subsoil use. Revenues from this tax amounted to UZS 16.42 trillion in 2020, UZS 13.89 trillion in 2022, UZS 15.30 trillion in 2023, and UZS 20.17 trillion in 2024. In 2024, its share in the group of resource payments and property taxes was approximately 55.5%. The tax on the use of water resources increased from UZS 478.8 billion in 2020 to UZS 1.17 trillion in 2024. However, its share within this group was only around 3.2%.

This structural ratio leads to an important conclusion: the existing resource taxation mechanism in Uzbekistan relies more heavily on the function of generating fiscal revenues from the economic use of natural resources than on environmental incentives. In particular, the high share of the tax on subsoil use indicates the significant role of activities associated with extractive resources within the country's fiscal system. From the perspective of a green economy, however, the key issue is not the existence of these revenues, but whether tax rates and the tax base are capable of providing sufficiently strong economic signals to reduce the excessive use of resources.

Data for 2025 indicate that this trend is continuing. Tax authorities ensured revenues of UZS 247.8 trillion during the year, of which the tax on subsoil use amounted to UZS 25.8 trillion, the land tax to UZS 10.0 trillion, the property tax to UZS 8.0 trillion, and the tax on the use of water resources to UZS 1.4 trillion. Compared with 2024, these taxes increased by 28%, 22%, 18%, and 21%, respectively.

In 2025, the combined revenues from these four major resource and property taxes reached approximately UZS 45.2 trillion. Thus, their nominal volume increased significantly compared with the corresponding indicators for 2024. However, interpreting this growth directly as an environmental outcome of the green economy would be methodologically incorrect. This is because an increase in tax revenues may also result from an expansion in the volume of resource use, changes in the tax base, or increased efficiency in tax collection. Therefore, fiscal indicators should be assessed together with environmental indicators [12].

Examining this relationship through environmental indicators demonstrates that Uzbekistan's green transformation has not yet been fully completed. According to World Bank data, in 2024, Uzbekistan's CO₂ emissions per capita amounted to 4.1 tonnes of CO₂e. At the same time, in 2022, annual freshwater withdrawals in the country amounted to 263% of available internal water resources. This indicator demonstrates that the issue of water resource use is of particular strategic importance for fiscal policy [13].

Furthermore, World Bank data indicate that the share of electricity generated from renewable sources, excluding hydropower, was only 0.1% in 2021. This situation demonstrates the need to strengthen the impact of fiscal incentives on investment behavior during the initial stage of the transition to green energy. At the same time, Uzbekistan's plans for expanding renewable energy capacity set a target of increasing the share of renewable energy sources in electricity generation to 25% by 2030.

4. Discussion

Based on the above indicators, the results of the structural and dynamic analysis demonstrate the existence of two distinct trends in tax policy. First, the absolute revenues from resource taxes are consistently increasing. Second, their share within the fiscal system has not yet established a stable upward trajectory. This provides grounds for concluding that the fiscal function of the existing system is relatively developed, whereas its environmental incentive function has not yet been sufficiently institutionalized.

From this perspective, assessing the effectiveness of tax policy solely through the volume of revenues is insufficient. The actual effectiveness of a green tax mechanism should be manifested simultaneously through a reduction in the intensity of resource use, an expansion of investment in renewable energy, and a decrease in emission levels. The World Bank characterizes Uzbekistan's economy as one of the world's energy- and resource-intensive economies and notes that, amid continued economic and demographic growth, pressure on emissions and natural resources may increase [14].

Thus, the research findings demonstrate that resource taxes alone are insufficient for Uzbekistan's transition to a green economy. Under the existing system, fiscal payments for resource use are in place; however, the component of the tax mechanism aimed at changing environmentally harmful behavior needs to be strengthened. In particular, the development of differentiated rates that take into account the volume of resource use and the degree of environmental damage, targeted fiscal incentives for energy- and water-saving technologies, and mechanisms reflecting the actual environmental costs of polluting activities could transform tax policy from a fiscal instrument into an active economic instrument of green transformation [15].

5. Conclusion

The findings of the study demonstrate that the fiscal potential of tax policy in Uzbekistan is emerging in the process of transitioning to a green economy; however, its environmental incentive function has not yet been sufficiently institutionalized. Although the significant increase in revenues from resource payments and property taxes during 2020–2024 has strengthened the role of these taxes in the formation of budget revenues, this increase alone does not indicate an improvement in environmental efficiency. In particular, the dominance of the tax on subsoil use within the structure of resource taxes demonstrates that the existing system is more oriented towards its fiscal function than its environmental function.

On this basis, the priority direction for improving tax policy under the conditions of a green economy should be the gradual expansion of the function of taxes from “revenue collection” towards “changing environmentally responsible behavior.” To this end, it is first advisable to introduce differentiated tax incentives linked to environmental criteria. The provision of such incentives should be linked to measurable outcomes, such as the use of energy-efficient technologies by enterprises, the introduction of renewable energy sources, the reduction of water consumption, or an increase in the share of waste recycling.

Second, it is necessary to strengthen the differentiated approach to taxes related to the use of natural resources by taking into account the economic value of the resource and the degree of environmental pressure. This would make it possible to encourage not only the volume of resource use itself, but also the efficiency of resource utilization through the tax mechanism.

Third, it is advisable to assess the effectiveness of environmentally oriented tax instruments not only through budget revenues, but also on the basis of outcome indicators such as resource consumption, energy efficiency, waste reduction, and the introduction of environmental technologies. Such an approach makes it possible to integrate the fiscal and environmental objectives of tax policy into a unified assessment system.

Therefore, the effectiveness of tax policy in Uzbekistan aligned with the principles of a green economy should be determined not only by how much revenue is collected through taxes, but also by the extent to which the tax mechanism is capable of changing the behavior of economic entities regarding resource use and the choice of environmental technologies.

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