

Article

Current State of Value Added Tax Revenues and Administration in the Republic of Uzbekistan: An Analysis

Zikirov Zafarjon Izzatullo o'g'li¹

1. Independent researcher, Tashkent State University of Economics

Abstract: The article analyses the dynamics and structure of value added tax (VAT) revenues in the Republic of Uzbekistan in 2019–2025 and the current state of VAT administration, with special attention to the formation and refund of the negative VAT difference (the excess of input VAT over output VAT). Official data of the Tax Committee, the Ministry of Economy and Finance and the Statistics Agency are used. The study applies time-series, structural and index analysis, including a rate-adjusted index of the implicit VAT base. The results show that VAT receipts grew 1.9 times in nominal terms, while their share in tax revenue declined from 28.5 to 20.2 per cent, mainly because of the two-step reduction of the standard rate (20→15→12 per cent); the rate-adjusted base expanded about 3.2 times. For enterprises administered by the Tax Inspectorate for Large Taxpayers, the negative VAT difference rose from 10.0 to 16.6 trillion soums in 2021–2024, while only 64–69 per cent of it was refunded within the year. Refund procedures remain lengthy (up to four months when a taxpayer disputes the audit report), although unjustified refunds made up only about 0.12 per cent of the refunded amount. The article proposes risk-based and data-driven directions for improving the refund mechanism.

Citation: Urokov U. Y. Improving Strategic Public Procurement Planning by Public Contracting Authorities. American Journal of Economics and Business Management 2026, 9(5), 1160-1167.

Received: 20th Mar 2026

Revised: 12th Apr 2026

Accepted: 30th Apr 2026

Published: 20th May 2026



Copyright: © 2026 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>)

Keywords: Value Added Tax, Negative VAT Difference, VAT Refund, Tax Administration, Input VAT, Zero Rate, Desk Audit, Large Taxpayers, Risk-Based Control, Uzbekistan

1. Introduction

Value added tax is the main indirect tax in Uzbekistan and one of the key sources of state budget revenue. Since 2019 the country has carried out a deep tax reform: the standard VAT rate was reduced from 20 to 15 per cent in October 2019 and to 12 per cent from 2023, the range of VAT payers was widened, and electronic invoices became mandatory for all VAT payers [1; 2]. These measures changed both the level of VAT receipts and the way the tax is administered.

The shift to a broad-based VAT with a lower rate increased the number of businesses that regularly accumulate excess input tax. Exporters taxed at the zero rate, investors purchasing large amounts of equipment and producers with long production cycles all face situations in which the VAT paid to suppliers exceeds the VAT charged on sales. In national legislation this excess is called the negative VAT difference (in Uzbek – «манфий тафовит»), and its timely refund directly affects the working capital of enterprises. At the same time, the refund channel is a known risk area for fraud based on fictitious invoices [3; 4].

The purpose of this article is to assess the current state of VAT revenues and administration in Uzbekistan, to identify the factors behind the declining fiscal weight of VAT, and to evaluate how the negative VAT difference is formed and refunded. The results

are part of the author's dissertation research on the problems of the emergence and refund of the negative VAT difference.

The theoretical basis of VAT as a tax on value added at every stage of production and distribution is well developed in international literature. L. Ebrill, M. Keen, J.-P. Bodin and V. Summers showed that the effectiveness of a modern VAT depends on a broad base, a single moderate rate and a reliable refund system, and that problems with refunds are one of the main weaknesses of VAT in developing and transition economies [3]. R. Bird and P.-P. Gendron noted that in such countries refund delays turn VAT partly into a tax on business turnover and on exports [5].

G. Harrison and R. Krelove reviewed the refund practice of more than thirty countries and concluded that good systems combine automatic refunds for low-risk taxpayers with targeted audits of high-risk claims [6]. M. Keen and S. Smith analysed VAT fraud through fictitious invoices and «missing traders» and demonstrated that the refund stage is where the fiscal risk of VAT concentrates [4]. The comparative approach of A. Schenk, V. Thuronyi and W. Cui [7] and the OECD International VAT/GST Guidelines [8] emphasise neutrality of VAT for business, which is only possible if excess input tax is returned without undue delay. M. Keen and B. Lockwood found that countries with VAT, other things being equal, raise more revenue, but only where administration is effective [9].

Among Uzbek scholars, the economic content of VAT and its calculation mechanism were studied by Sh. Toshmatov and M. Komilov [10], the improvement of the taxation mechanism for sustainable growth by N. B. Ashurova [11], and the distribution of tax revenues between budget levels and the role of large taxpayers in regional development by U. B. Imanova [12; 13; 14; 19]. The latter works show that the stability of budget revenues depends on the administration of major taxes paid by large enterprises, which is directly relevant to VAT refunds. However, the negative VAT difference as a separate object of analysis – its size, sectoral structure and refund performance – remains insufficiently studied, which determines the novelty of this article.

2. Materials and Method

The study is based on official statistics [20] for 2019–2025 on GDP, state budget revenues and tax revenues administered by the Tax Committee, as well as on data on the VAT calculations and refunds of enterprises administered by the Tax Inspectorate for Large Taxpayers for 2020–2024. The following methods were applied: time-series analysis of absolute and relative indicators; structural analysis of the composition of tax revenues; comparative analysis of refund procedures; and an index method that neutralises the effect of rate changes.

To separate the effect of the rate cuts from changes in the tax base, a rate-adjusted index of the implicit VAT base was calculated:

$$B_t = (T_t / r_t) / (T_0 / r_0) \times 100,$$

where B_t is the base index for year t ; T_t is VAT revenue in year t ; r_t is the standard VAT rate in year t ; T_0 and r_0 are the values for the base year 2019. When B_t grows faster than the actual revenue index, the difference is attributable to the lower rate rather than to a narrower base.

3. Results

1. VAT revenues in the macroeconomic context

Table 1 presents the main indicators of the fiscal weight of VAT in 2019–2025.

Table 1. Main indicators of VAT revenues in Uzbekistan, 2019–2025.

Indicator	2019	2020	2021	2022	2023	2024	2025
GDP, UZS trillion	620.1	705.1	861.2	1041.9	1261.8	1535.4	1849.7
State budget revenue, UZS trillion	112.2	132.9	164.8	201.9	231.7	274.4	320.0
Tax revenue administered by the Tax Committee, UZS trillion	83.3	103.6	127.9	148.5	165.9	199.3	223.9
VAT revenue, UZS trillion	23.7	23.2	25.6	32.8	34.0	39.6	45.2
VAT to GDP, %	3.8	3.3	3.0	3.1	2.7	2.6	2.4
VAT in budget revenue, %	21.1	17.5	15.5	16.3	14.7	14.4	14.1
VAT in Tax Committee revenue, %	28.5	22.4	20.0	22.1	20.5	19.9	20.2
Standard VAT rate, %	20	15	15	15	12	12	12

Source: compiled by the author based on data of the Statistics Agency, the Ministry of Economy and Finance and the Tax Committee of the Republic of Uzbekistan.

In 2019–2025 GDP increased almost three times (from 620.1 to 1849.7 trillion soums) and state budget revenue 2.9 times, whereas VAT receipts grew only 1.9 times – from 23.7 to 45.2 trillion soums. As a result, the ratio of VAT to GDP fell from 3.8 to 2.4 per cent, and its share in total budget revenue from 21.1 to 14.1 per cent. The sharpest fall occurred in 2020, when VAT receipts even decreased in absolute terms after the first rate cut and the COVID-19 shock (Figure 1).

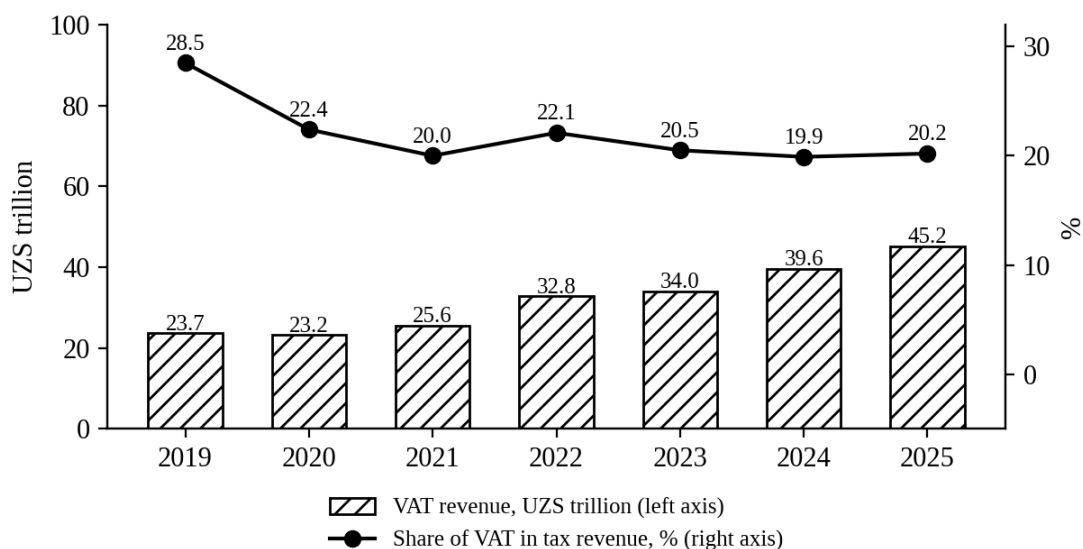


Figure 1. VAT revenue and its share in tax revenue administered by the Tax Committee, 2019–2025.

Source: compiled by the author based on Table 1.

2. Structural shifts in tax revenue

The declining weight of VAT is also explained by structural changes in the tax system (Table 2). Corporate profit tax became the largest source of revenue: its receipts grew from 10.0 to 52.6 trillion soums in 2019–2024, and its share rose from 12.0 to 26.4 per cent, overtaking VAT. The shares of excise tax and subsoil use tax decreased, while personal income tax remained stable at about 16–18 per cent.

Table 2. Structure of tax revenue administered by the Tax Committee, %

Tax	2019	2022	2024	Change 2019–2024, p.p.
Value added tax	28.5	22.1	19.9	–8.6
Corporate profit tax	12.0	25.3	26.4	+14.4
Personal income tax	16.0	16.1	17.8	+1.8
Subsoil use tax	17.6	9.4	10.1	–7.5
Excise tax	13.9	8.8	8.9	–5.0
Other taxes and payments	12.0	18.3	16.9	+4.9

Thus, the tax system is gradually moving from indirect to direct taxes. This trend is typical for economies where the profitability of large enterprises and the level of formalisation of business are increasing, and it should not be interpreted as a weakening of VAT administration.

3. Rate effect versus base effect

The index method allows the role of the rate cuts to be quantified (Figure 2). By 2025 the actual VAT revenue index reached 190.7 (2019 = 100), while the rate-adjusted index of the implicit base reached 317.9. In other words, the base on which VAT is charged expanded about 3.2 times, but because the rate fell from 20 to 12 per cent, only part of this expansion was reflected in revenue. The gap between the two lines widened especially in 2020 and 2023 – the years when the new rates came into force.

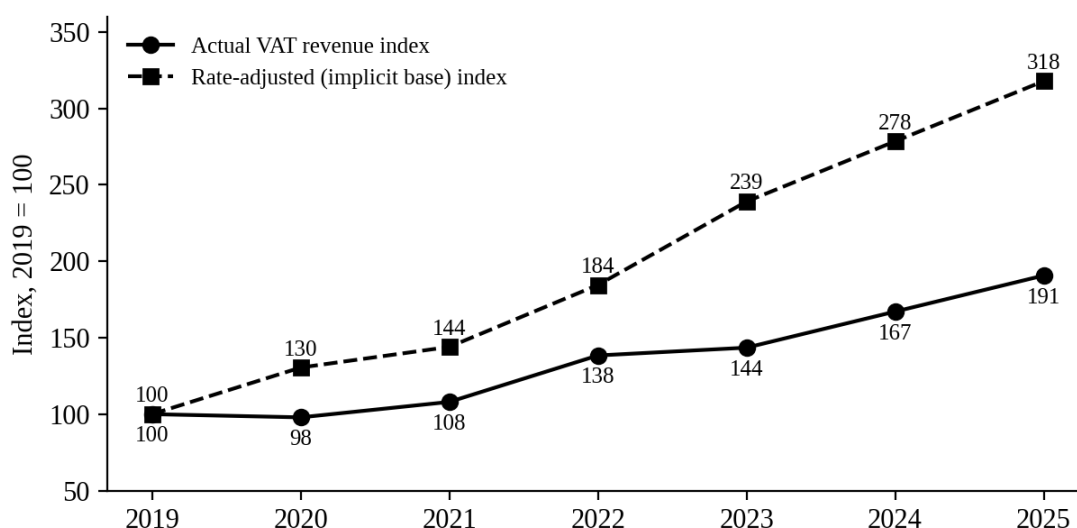


Figure 2. Actual VAT revenue index and rate-adjusted index of the implicit VAT base, 2019 = 100.

We believe that the reduction of the VAT share is therefore mainly the result of a deliberate fiscal policy aimed at lowering the tax burden, while the broadening of the base – driven by the inclusion of new payers, electronic invoicing and the reduction of the shadow economy – partly compensated the revenue loss.

4. Formation of the negative VAT difference among large taxpayers

The negative difference arises mainly in large enterprises with export operations and large investment programmes. Table 3 presents the VAT calculation of enterprises administered by the Tax Inspectorate for Large Taxpayers.

Table 3. VAT calculation of enterprises administered by the Tax Inspectorate for Large Taxpayers, UZS billion.

Indicator	2021	2022	2023	2024
Total turnover from sales of goods and services	646 726	737 362	933 826	1 140 137
of which: zero-rated turnover	100 968	115 118	122 818	163 757
of which: exempt turnover	127 779	145 687	159 875	185 512
Output VAT charged	47 752	58 234	73 715	88 989
Input VAT credited	45 664	55 688	70 491	82 043
VAT payable (positive difference)	12 127	14 789	18 720	23 567
Negative VAT difference	10 039	12 242	15 497	16 622
Refunded under Resolution No. 489	6 385	8 446	10 691	11 050
Refunded, % of negative difference	63.6	69.0	69.0	66.5

Source: compiled by the author based on data of the Tax Committee of the Republic of Uzbekistan.

In 2021–2024 total turnover of large taxpayers grew by 76.3 per cent, and zero-rated turnover by 62.2 per cent. Input VAT credited amounted to 92–96 per cent of output VAT, which means that for many enterprises the tax chain closes with an excess of input tax. The negative VAT difference increased from 10.0 to 16.6 trillion soums, and in 2024 it reached about 70 per cent of the positive VAT payable by the same group of enterprises. Only 63.6–69.0 per cent of the negative difference was refunded to taxpayers' bank accounts within the year; the rest was carried forward or offset against other tax liabilities. For exporters and investors this means that a significant part of working capital is frozen in the budget.

5. Refund performance and the quality of desk audits

Refunds are granted after a desk tax audit under the Regulation approved by Resolution No. 489 of the Cabinet of Ministers [2]. Table 4 shows the results of refund applications and the amounts found to be refunded without grounds.

Table 4. Refund applications of large taxpayers and unjustified refunds identified by audits, UZS billion.

Year	Applications refunded, number	Amount refunded	Unjustified refunds, number	Unjustified amount	Penalty charged
2020	179	3 056.1	–	–	–
2021	743	8 161.1	7	2.8	0.1
2022	629	9 959.1	6	9.0	0.5
2023	678	11 676.2	1	8.0	1.2
2024	716	12 995.0	16	36.8	11.0
Total	2 945	45 847.6	30	56.6	12.8

The number of refunded applications increased four times in 2020–2024, and the amount refunded rose from 3.1 to 13.0 trillion soums. At the same time, over five years only 30 cases of unjustified refunds were identified, totalling 56.6 billion soums, or about 0.12 per cent of all refunds. This shows that the overwhelming majority of refund claims of large taxpayers are well founded, and that a full desk audit of every application is excessive from the point of view of fiscal risk.

Meanwhile, the procedure remains long. Under the general procedure a desk audit may take up to two months; if the audit reveals no shortcomings, the total time from application to the transfer of funds by the Treasury is about two months and twelve days. If an audit report is drawn up and the taxpayer submits objections, the process lasts about four months and five days. International experience shows that countries with advanced administration refund low-risk claims within days, relying on automated risk assessment and subsequent audits [6; 8].

6. Problems of VAT administration

The analysis allows the main problems to be summarised. First, the size of the negative VAT difference grows faster than the ability of the refund system to process it, so a considerable part remains unrefunded within the year. Second, the refund decision relies on documentary checks, while the tax authority already has electronic invoice data, customs declarations and bank information that could confirm export and purchases automatically. Third, the same procedure applies to reliable taxpayers and to high-risk ones, which slows down refunds for the former and does not target the latter. Fourth, fictitious invoices remain the main source of unjustified refunds, which requires risk scoring of the invoices themselves rather than of the taxpayer only [4; 13].

4. Discussion

The results confirm the conclusion of the international literature that the refund stage determines whether VAT is neutral for business [3; 6; 7]. In Uzbekistan the lower rate and the broader base have strengthened the position of VAT as a tax on final consumption, but the growing negative difference of exporters and investors creates a hidden cost for them. The very low share of unjustified refunds indicates that the balance between control and speed can be shifted towards speed for low-risk taxpayers without a significant threat to the budget.

Recent government decisions move in this direction. The use of customs data received in real time as the basis for confirming exports, without requiring exporters to submit supporting documents, was introduced by Resolution No. 160 of the Cabinet of Ministers of 11 March 2025 [15]. One-day refunds without audits for «AAA»-rated enterprises under the business sustainability rating were provided by Resolution No. 428 of 16 July 2024 [16], and a procedure based on the risk level of electronic invoices was introduced by Resolution No. 830 of 26 December 2025 [17]. The zero VAT rate for listed agricultural products was established by Law No. ZRU-1108 of 25 December 2025 [18]. These measures correspond to the directions substantiated in the author's research.

5. Conclusion

During the 2019–2025 period, Value Added Tax (VAT) receipts in Uzbekistan grew 1.9 times, although their share in the tax revenue administered by the Tax Committee decreased from 28.5 to 20.2 percent, alongside a decline in the VAT-to-GDP ratio from 3.8 to 2.4 percent (Tax Committee of Uzbekistan in 2025). This reduction was primarily driven by the lowering of the standard rate from 20 to 12 percent, even as the rate-adjusted implicit base expanded roughly 3.2 times (Tax Committee of Uzbekistan, 2025). Consequently, the overall tax structure shifted toward direct taxes, with the share of corporate profit tax rising from 12.0 to 26.4 percent between 2019 and 2024, ultimately surpassing VAT receipts (Ministry of Economy and Finance of Uzbekistan in 2024).

Regarding tax administration and refunds, the negative VAT difference for large taxpayers rose from 10.0 to 16.6 trillion soums between 2021 and 2024, with only 64 to 69 percent refunded within the year, thereby constraining the working capital of exporters and investors (Tax Committee of Uzbekistan in 2024). Although unjustified refunds account for a mere 0.12 percent of the total refunded amount, the refund process often stretches beyond four months (Tax Committee of Uzbekistan in 2024).

To shorten refund times, ease the working-capital burden on businesses, and focus tax authority resources on genuinely high-risk operations, several measures should be implemented (Tax Committee of Uzbekistan in 2024). These include automatically refunding negative differences without a desk audit for taxpayers holding the highest sustainability rating—followed by post-refund risk-based verification—and confirming exports and purchases via real-time electronic customs and invoice data exchanges (Tax Committee of Uzbekistan in 2024). Additionally, assigning risk levels to each electronic invoice will ensure enhanced controls are applied only to high-risk transactions, while publishing regular statistics on the magnitude, sectoral breakdown, and processing duration of negative VAT refunds will foster greater transparency (Tax Committee of Uzbekistan in 2024).

REFERENCES

- [1] Tax Code of the Republic of Uzbekistan (Approved by Law No. ZRU-599 of Dec. 30, 2019). Accessed: Sep. 20, 2026. [Online]. Available: <https://lex.uz/docs/4674902>
- [2] *On Measures to Improve Tax Administration Related to Value Added Tax and Foreign Legal Entities*, Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 489, Aug. 14, 2020. Accessed: Sep. 20, 2026. [Online]. Available: <https://lex.uz/docs/4948595>
- [3] L. Ebrill, M. Keen, J.-P. Bodin, and V. Summers, *The Modern VAT*. Washington, DC, USA: International Monetary Fund, 2001.
- [4] M. Keen and S. Smith, "VAT fraud and evasion: What do we know and what can be done?" *National Tax Journal*, vol. 59, no. 4, pp. 861–887, Dec. 2006.
- [5] R. M. Bird and P.-P. Gendron, *The VAT in Developing and Transitional Countries*. Cambridge, U.K.: Cambridge University Press, 2007.
- [6] G. Harrison and R. Krelove, "VAT refunds: A review of country experience," IMF Working Paper WP/05/218, Washington, DC, USA, 2005.
- [7] A. Schenk, V. Thuronyi, and W. Cui, *Value Added Tax: A Comparative Approach*, 2nd ed. Cambridge, U.K.: Cambridge University Press, 2015.
- [8] OECD, *OECD International VAT/GST Guidelines*. Paris, France: OECD Publishing, 2017.
- [9] M. Keen and B. Lockwood, "The value added tax: Its causes and consequences," *Journal of Development Economics*, vol. 92, no. 2, pp. 138–151, Jul. 2010.
- [10] Sh. Toshmatov and M. Komilov, *Qo'shilgan qiymat solig'i*. Tashkent, Uzbekistan: Iqtisodiyot va huquq dunyosi, 2004.
- [11] N. B. Ashurova, "Improving the taxation mechanism in ensuring sustainable economic growth," Doctor of Economic Sciences dissertation, Tashkent, Uzbekistan, 2018.
- [12] U. B. Imanova, "Hududlarni ijtimoiy-iqtisodiy rivojlanishda yirik soliq to'lovchlarni differensial yondashuv orqali rivojlantirish yo'llari," *Muhandislik va iqtisodiyot*, no. 4(2), pp. 14–18, 2026, doi: 10.5281/zenodo.20373648.
- [13] U. B. Imanova, "Personal income tax revenue allocation to district and city budgets: A regional panel data econometric study," *Central Asian Journal of Innovations on Tourism Management and Finance*, vol. 7, no. 3, pp. 421–428, 2026, doi: 10.51699/cajtmf.v7i3.1322.
- [14] U. B. Imanova, "Mahalliy budjetlar daromadlarini mustahkamlashda moliyaviy resurslarni boshqarish mexanizmlari," *Yashil iqtisodiyot va taraqqiyot*, no. 4(1), pp. 20–24, 2026, doi: 10.5281/zenodo.19439974.
- [15] *On Amendments to the Regulation on the Procedure for Refunding the Amount of Value Added Tax*, Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 160, Mar. 11, 2025.
- [16] *On Amendments to Certain Decisions of the Government in Connection with the Introduction of the Sustainability Rating of Business Entities*, Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 428, Jul. 16, 2024.
- [17] *On Additional Measures to Improve Value Added Tax Administration*, Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 830, Dec. 26, 2025.

-
- [18] *On Amendments and Additions to Certain Legislative Acts of the Republic of Uzbekistan in Connection with the Adoption of the Main Directions of Tax and Budget Policy for 2026*, Law of the Republic of Uzbekistan No. ZRU-1108, Dec. 25, 2025.
- [19] U. B. Imanova, "Improving the mechanism for managing financial resources of local budgets to promote socio-economic development of regions in Uzbekistan," *American Journal of Business Management, Economics and Banking*, vol. 30, pp. 86–89, 2024.
- [20] Tax Committee of the Republic of Uzbekistan. "Official statistical data." Soliq.uz. Accessed: Sep. 20, 2026. [Online]. Available: <https://soliq.uz>