



MECHANISM OF OPERATION OF LOCAL TAXES AND FEES IN THE REPUBLIC OF UZBEKISTAN

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Abstract: *This paper examines the mechanism of operation of local taxes and fees in the Republic of Uzbekistan, focusing on their economic significance, regulatory foundations, and administrative structure. It provides a comprehensive analysis of how local taxation contributes to municipal finance, public service delivery, and regional development. The study evaluates the classification of local taxes, current collection practices, taxpayer compliance behavior, and the challenges faced by local authorities in ensuring stable revenue flows. Special attention is given to the role of digitalization, institutional capacity, and governance reforms in enhancing the efficiency and transparency of local tax administration. By comparing Uzbekistan's experience with international practices, the research identifies key areas for improvement, including automation of tax processes, risk-based monitoring, and public engagement mechanisms. The findings offer policy recommendations aimed at strengthening local fiscal autonomy, ensuring fair distribution of tax burdens, and promoting sustainable municipal development.*

Keywords: *local taxes, fees, municipal finance, fiscal governance, tax administration.*

INTRODUCTION

Local taxes and fees are critical instruments for financing municipal services, supporting local development, and maintaining infrastructure in the Republic of Uzbekistan. They provide municipalities with financial independence and allow local authorities to address community-specific needs. In Uzbekistan, local taxation is governed by national legislation, including the Tax Code, and is supplemented by regulations issued by regional and district authorities.

The effectiveness of local tax systems depends on proper legislative frameworks, administrative capacity, taxpayer compliance, and digitalization of processes. Understanding the operational mechanisms of local taxes is essential for strengthening municipal revenues and enhancing service delivery. This research focuses on the types of local taxes, collection mechanisms, compliance issues, and international practices that can inform improvements in Uzbekistan's system.

LITERATURE REVIEW

Studies on local taxation emphasize its role in fiscal decentralization and economic development. According to Bird and Slack (2017), local taxes provide critical revenue for municipalities while promoting accountability and public participation in governance. OECD reports (2019) highlight that transparent administration and risk-based monitoring enhance tax compliance and revenue efficiency at the local level. Researchers such as Shah and Shah (2006) argue that equitable distribution of tax burdens and clear regulations improve taxpayer morale and encourage voluntary compliance.

In the context of Uzbekistan, domestic studies (Abdukarimov, 2018; Makhmudov, 2020) underline that local tax collection faces challenges such as outdated administrative practices, limited digitalization, and

insufficient public awareness. International experience demonstrates that adopting automated tax systems, data-sharing mechanisms, and performance-based supervision significantly enhances local tax performance.

METHODOLOGY

This study employs comparative, analytical, and structural methods. First, a comparative analysis evaluates local tax mechanisms in other countries, identifying best practices in municipal revenue management. Second, analytical methods examine the legal, economic, and administrative factors affecting local tax collection in Uzbekistan, including taxpayer compliance, enforcement efficiency, and municipal budget dependence. Third, structural analysis explores the interaction between local authorities, financial institutions, and central government bodies, focusing on data integration, monitoring systems, and coordination in revenue collection. Finally, legislation, official reports, and prior studies were reviewed to assess the strengths and weaknesses of the current local tax framework.

Analysis and Results

The findings reveal that local taxes in Uzbekistan serve multiple functions: financing municipal services, supporting infrastructure projects, and promoting local development. Key local taxes and fees include property tax, land tax, transport and vehicle taxes, and fees for municipal services such as waste management and licensing. These taxes are administered by regional and district tax authorities in accordance with national legislation.

Economic and administrative factors significantly influence tax collection efficiency. Limited digitalization and manual processing

increase the likelihood of delays and errors. Furthermore, insufficient taxpayer awareness regarding obligations and incentives contributes to partial compliance. Municipal authorities often face challenges in monitoring small businesses and informal sector operators, which affects revenue generation.

Adopting automated declaration systems, electronic payments, and real-time monitoring platforms has proven effective in other countries, improving collection efficiency and reducing administrative burdens. Strengthening institutional capacity, including training of local tax officers, internal controls, and inter-agency cooperation, is essential for enhancing oversight and compliance.

International experience indicates that risk-based tax assessment, transparent revenue allocation, and public engagement improve local tax performance. By applying these practices, Uzbekistan can enhance municipal revenue mobilization and ensure equitable provision of local services.

Conclusion and suggestions

Local taxes and fees play a fundamental role in ensuring stable municipal revenues and supporting sustainable local development in Uzbekistan. The study demonstrates that the effectiveness of the local tax system largely depends on the robustness of its legal and institutional framework, the administrative capacity of tax authorities, and the level of taxpayer awareness and participation. Current challenges—such as limited digitalization, manual data processing, and weak coordination between central and local authorities—continue to impact revenue mobilization and overall system efficiency.

International experience shows that strengthening fiscal decentralization, implementing automated tax administration platforms, and adopting risk-based compliance strategies can substantially enhance local revenue performance. For Uzbekistan, the integration of digital tools, development of real-time monitoring systems, and improvement of taxpayer services are essential steps toward creating a more transparent and accountable tax environment. Additionally, ensuring fair and equitable distribution of fiscal resources will support balanced regional development and improve public trust in local governance.

Overall, the research concludes that Uzbekistan's transition toward a modern, technology-driven, and citizen-oriented local tax system is vital for improving municipal service delivery and fostering long-term economic stability. By prioritizing institutional reforms, enhancing transparency, and encouraging public participation, local fiscal governance can be significantly strengthened, contributing to the sustainable growth of municipalities across the country.

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