



Excise Tax Rates And Their Differentiation: Dynamics And Fiscal Implications

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ABSTRACT

This article provides a comprehensive analysis of the theoretical foundations of excise taxation, the principles of rate differentiation, and the current taxation practices within the Republic of Uzbekistan. The study explores the application of excise tax rates across various commodity groups, highlighting their economic and social significance. By utilizing official statistical data, the research evaluates the dynamics of excise tax revenues and their overall contribution to the national budget. Furthermore, the paper examines how differentiated excise rates serve as strategic tools for public health protection, environmental conservation, and the enhancement of fiscal revenues. Based on the research findings, practical recommendations are formulated to further optimize the excise taxation system.

Keywords: Excise tax, tax rates, differentiation, budget revenues, tax policy, indirect taxes, taxation system.

INTRODUCTION

In the context of a modern market economy, the effective organization of the taxation system plays a crucial role in securing a stable financial foundation for the state budget. As a vital component of this system, excise tax performs not only fiscal duties but also regulatory and social functions. The strategic differentiation of excise tax rates serves as a key instrument for ensuring both economic efficiency and social equity.

In recent years, the Republic of Uzbekistan has undertaken extensive reforms aimed at restructuring the fiscal system, reducing the overall tax burden, and enhancing tax

administration. Within this framework, modernizing the excise tax regime and optimizing its rates based on international best practices have emerged as priority tasks.

The primary objective of this research is to examine the mechanisms behind the differentiation of excise tax rates, evaluate their economic and social implications, and formulate practical recommendations for further improving the system.

LITERATURE REVIEW

The theory and practice of excise taxation have

been extensively studied by both international and local scholars. Historically, the role and significance of excise taxes were addressed in the foundational works of classical economists such as Adam Smith and David Ricardo.

In contemporary tax theory, J. Stiglitz (2015) defines excise taxation as a vital instrument for regulating market equilibrium and enhancing social welfare. He argues that excise rates should be differentiated based on the price elasticity of demand, as this strategic approach influences consumer behavior and yields socially beneficial outcomes.

Furthermore, R. Boadway and M. Keen (2016) emphasize the necessity of balancing fiscal objectives with regulatory goals when establishing excise tax rates. Their research indicates that in developing economies, excise duties typically contribute between 5% and 10% of total budget revenues.

A.N. Medushevskaya (2018) investigates the criteria for expanding or narrowing the range of excisable goods, asserting that the approach must be tailored to a country's specific level of economic development. Additionally, the researcher highlights the importance of indexing excise tax rates in accordance with inflation levels to maintain their real value.

Among local scholars, N.Kh. Jumaev (2020) analyzes the historical evolution of the excise tax system in Uzbekistan, emphasizing the necessity of its restructuring within the current context of economic liberalization. The author highlights the critical importance of establishing an optimal balance between the fiscal and regulatory functions of excise duties.

Similarly, M.A. Pardaev and Sh.B. Sharipov (2021) propose strengthening the social orientation of excise tax rate differentiation. They argue that a gradual increase in excise rates for products that adversely affect public health would contribute to reducing national healthcare expenditures.

The literature review indicates that the differentiation of excise tax rates should consider several criteria, including product type, price, consumption volume, and environmental or health impacts. However, specialized research on determining the optimal differentiation of excise rates specifically for the socioeconomic conditions of Uzbekistan remains insufficient. This research gap further underscores the relevance and necessity of the present study.

METHODOLOGY

This study was conducted using a combination of qualitative and quantitative research methods. Various methodological approaches were applied to evaluate the formation of excise tax rates, their differentiation mechanisms, and their overall impact on economic processes, as well as to identify opportunities for system optimization. Specifically, the analysis focused on the different types of excise tax rates, their practical application, and their variation across different sectors of the economy. Based on this comprehensive analysis, scientific conclusions were formulated to enhance and streamline the existing taxation framework.

RESULTS

Theoretical Foundations of Excise Taxation and Principles of Rate Differentiation

Excise duty is a form of indirect taxation levied on the production or importation of specific commodities, known as excisable goods. The primary objectives of implementing excise taxes are to regulate the consumption of high-risk, health-hazardous, or luxury items while simultaneously bolstering fiscal revenues.

Article 284 of the Tax Code of the Republic of Uzbekistan defines the objects of excise taxation. According to the national legislative database (Lex.uz), the following categories of goods are subject to excise duty in 2026:

- Alcoholic beverages (spirits, wine, beer, and liqueurs);
- Tobacco products (cigarettes, cigars, and other tobacco derivatives);
- Petroleum products (motor gasoline and diesel fuel);
- Motor vehicles (passenger cars and motorcycles);
- Natural gas (specifically when utilized for transportation purposes).

The differentiation of excise tax rates is based on the following principles:

1. Fiscal Principle – ensuring a stable and sustainable flow of state budget revenues.
2. Regulatory Principle – restricting the consumption of harmful products.
3. Social Equity Principle – applying higher tax burdens on luxury commodities.
4. Environmental Principle – taxing goods that have a negative impact on the environment.
5. Economic Efficiency Principle – maintaining

an optimal level of tax burden to support economic activity.

The differentiation of rates is primarily implemented in the following forms:

- Specific Rates – a fixed amount calculated per unit of product (e.g., per liter or per kilogram);
- Ad Valorem Rates – a percentage based on the

monetary value of the goods;

- Combined (Hybrid) Rates – a structural integration of both specific and ad valorem rates.

Analysis of Excise Tax Revenues in Uzbekistan

The following section outlines the dynamics of excise tax revenues within the Republic of Uzbekistan:

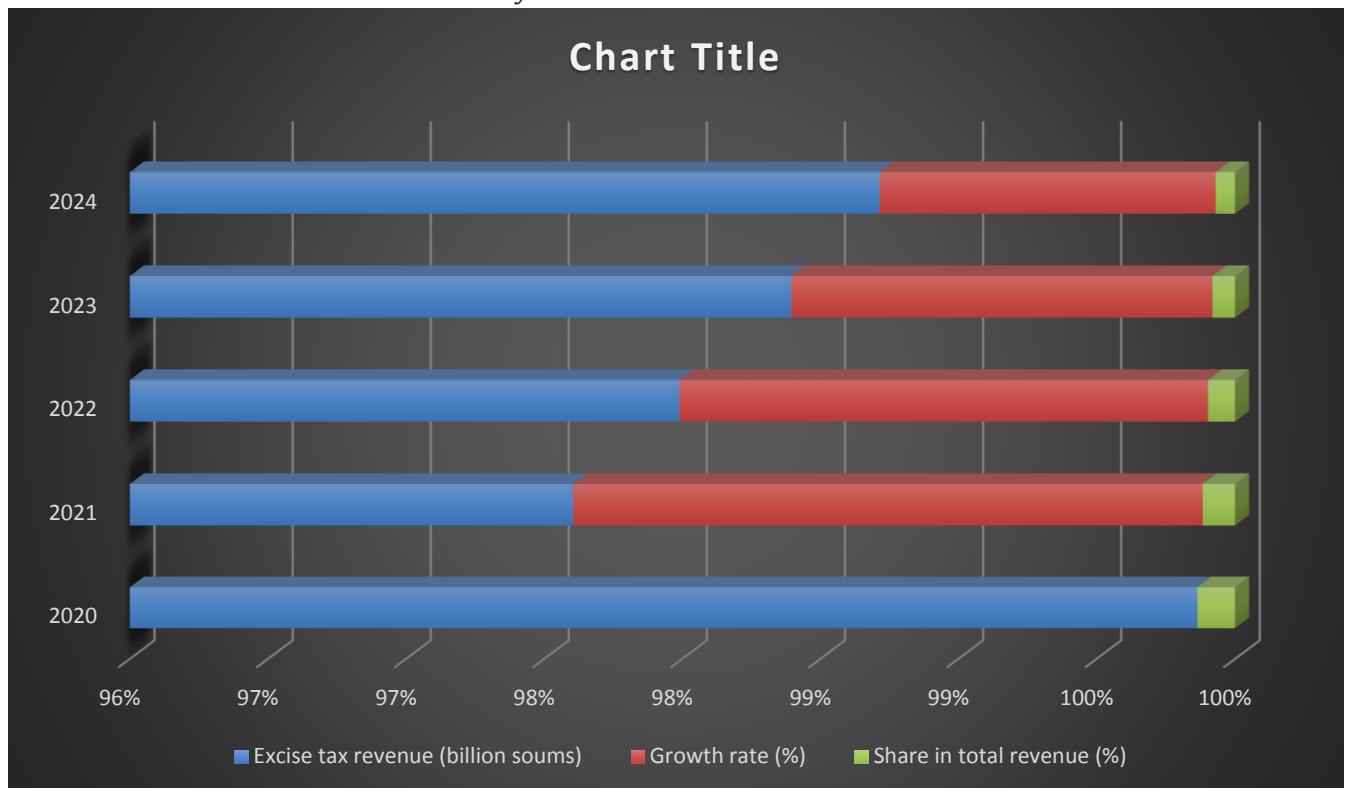
Table 1.

Dynamics of excise tax revenues in the Republic of Uzbekistan (2020-2024)

Years	Excise tax revenue (billion soums)	Growth rate (%)	Share in total revenue (%)
2020	4 285,6	-	5,8
2021	5 124,3	119,6	6,1
2022	6 458,7	126,0	6,4
2023	8 127,5	125,8	6,7
2024	10 256,8	126,2	7,2

As illustrated by the data in the table, excise tax revenues have exhibited a steady upward trend over the past five years, increasing by a factor of 2.4 between 2020 and 2024. This significant growth can be attributed to the systematic

indexation of excise rates in line with inflation levels, the rising volume of imports, and the continued expansion of domestic production capacities.



(Figure 1). Dynamics of excise tax revenues in the Republic of Uzbekistan

Table 2.
Composition of tax revenues by excisable goods in Uzbekistan (2024)

Excise Goods Category	Revenue (billion UZS)	Share in Total Excise Tax (%)	Average Rate
Alcoholic beverages	2,563.2	25.0	30-50%
Tobacco products	3,589.0	35.0	35-60%
Petroleum products	2,461.6	24.0	800-1,200 UZS per liter
Automobiles	1,437.0	14.0	5-20%
Others	206.0	2.0	Varies
Total	10,256.8	100.0	—

Analysis of the Data

The data indicates that tobacco and alcohol products account for 60% of total excise tax revenues. The application of high tax rates to these goods serves a dual purpose: fulfilling fiscal requirements and safeguarding public health.

Current Practices in the Differentiation of Excise Tax Rates

In accordance with Articles 285 and 286 of the Tax Code of the Republic of Uzbekistan, excise tax rates are strategically differentiated based on product categories:

Alcoholic Beverages: High tax rates are established for spirits, whereas relatively lower rates are applied to beer. This differentiation is based on the alcohol content (proof) of the product and consumer safety considerations.

Tobacco Products: A combined tax rate (specific + ad valorem) is applied to cigarettes. Products in the premium segment are subject to higher taxation levels.

Motor Vehicles: Rates vary depending on engine capacity and price brackets. Luxury vehicles are subject to higher rates (15-20%), while standard automobiles incur lower rates (5-7%).

Petroleum Products: A uniform tax rate is currently applied to both motor gasoline and diesel fuel, which suggests a lack of ecological differentiation in the current framework.

In international practice, excise tax rates are significantly higher; for instance, within the European Union, the minimum tax rate for cigarettes accounts for 60% of the retail price, while for alcohol, it ranges between 30% and 50%. Currently, these indicators in Uzbekistan are steadily converging toward international standards.

CONCLUSION

The conducted research allows for the following key conclusions to be drawn:

1. The Increasing Importance of Excise Taxation: Between 2020 and 2024, excise tax revenues grew by a factor of 2.4, with their share in total budget revenues rising from 5.8% to 7.2%. This trend signifies the strengthening role of excise duties within Uzbekistan's fiscal framework.

2. Targeted Character of Rate Differentiation: Current practices demonstrate that high tax rates are primarily applied to health-hazardous products such as tobacco and alcohol. This approach aligns with the recommendations of the World Health Organization (WHO) and accounted for 60% of all excise revenues in 2024.

3. Modernization of Tax Administration: The implementation of digital technologies has significantly increased transparency in excise tax collection and effectively reduced instances of tax evasion.

4. Balance Between Economic and Social Impacts: Excise tax rates are effectively fulfilling their social responsibility functions without impeding overall economic growth.

Policy Recommendations for System Optimization in Modern Context:

1. Implementation of a "Green Excise" System: The gradual introduction of ecologically oriented excise rates between 2025 and 2030, including: Reducing excise rates to 0% for fully electric vehicles (EVs) to promote zero-emission transportation;

Establishing a preferential rate of 2-3% for hybrid vehicles as a transitional measure;

Increasing excise duties to 25-30% for motor

vehicles that fail to meet high environmental standards;

Implementing an annual 5-7% indexation of excise rates on gasoline and diesel fuel through 2030, aimed at incentivizing the public transition to eco-friendly transportation alternatives.

2. Expansion of the Digital Excise Control System: Implementing excise stamps based on advanced digital technologies:

Full implementation of QR-code-based digital excise marking systems for tobacco and alcohol products by the end of 2025;

Developing a counterfeit detection system utilizing Artificial Intelligence (AI) tools;

Providing consumers with the ability to verify product authenticity through dedicated mobile applications;

Aiming to reduce tax evasion risks by 40-50% and increase annual budget revenues by at least 500 billion UZS.

3. Optimizing the Differentiated Rate System: Incorporating social and public health objectives: Introducing an additional excise duty (10-15%) on high-sugar beverages, functioning as a "sugar tax"; Expanding the progressive taxation system for premium and luxury goods;

Implementing temporary preferential rates (for 3-5 years) for alternative products manufactured in Uzbekistan to support domestic industrial development.

4. International Integration and Harmonization: Adopting a program by 2026 to harmonize excise tax standards with Asian countries;

Establishing mutual recognition mechanisms in the field of excise taxation with EAEU member states;

Developing a framework for the excise taxation of goods sold through cross-border e-commerce.

5. Strengthening Social Responsibility and Public Awareness:

Legally mandating a mechanism to allocate at least 20% of excise tax revenues toward healthcare and environmental programs;

Conducting large-scale public campaigns regarding the consequences of consuming harmful products, funded by excise tax proceeds;

Financing programs that incentivize a healthy lifestyle among the younger generation.

6. Improving Budget Planning and Forecasting:

Implementing a system to refine excise revenue projections using Artificial Intelligence and Big Data technologies;

Developing a flexible rate mechanism that accounts for economic cycles;

Formulating and adopting a comprehensive Excise Tax Strategy for 2025-2030.

The implementation of these proposals will elevate the excise taxation system of the Republic of Uzbekistan to meet modern requirements, enhance budget efficiency, protect public health, and ensure environmental sustainability. It is anticipated that by 2030, excise tax revenues will constitute at least 9-10% of total budget income, while significantly strengthening the regulatory and social functions of the tax system.

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