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THE MAIN DIRECTIONS OF YOUTH SUPPORT IN UZBEKISTAN'S TAX SYSTEM

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Abstract

This article analyzes the mechanisms of the Uzbek tax system in encouraging youth to become economically active. The author draws conclusions on the legal basis of youth entrepreneurship, statistical indicators and regional differences using the example of tax incentives, simplified regimes and creative parks. The article shows the relationship between self-employment of young people, their areas of employment and reduction of the tax burden.

Keywords: Tax system, youth, self-employment, tax incentives, entrepreneurship, creative parks, employment.

Introduction

The issue of involving youth in economic activity is at the center of social policy in Uzbekistan. But there is an important difference: the state does not expect young people to pay taxes first, but tries to make them earn income first. The tax system serves as a bridge rather than an obstacle in this process. President Shavkat Mirziyoyev reinforced this logic in his Address to the Oliy Majlis and the people of Uzbekistan on December 26, 2025: “140 trillion soums will be allocated for the development of small and medium-sized businesses. Of these, 43 trillion soums will be allocated to support women's and youth entrepreneurship”[1]. From these figures, one thing is clear: funds allocated for youth entrepreneurship account for almost one-third of the total resource. The tax system must not only monitor where and how these funds are spent but also ensure their return.

[1] Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis and the people of Uzbekistan. https://president.uz/oz/lists/view/8834

Literature review and methodology

Support for youth through the tax system has developed in Uzbekistan in several directions. The first direction is the self-employed regime. This regime has been simplified since 2021, and their number has increased sharply. According to official statistics, the number of registered self-employed individuals exceeded 850,000 by the end of 2025. Of these, 310,000 are under the age of 30. The second direction is creative parks. The main idea here is simple: to minimize the tax burden for a young person's creative product to enter the market. From May 1, 2025, to January 1, 2031, residents of creative parks are exempt from VAT, and the social tax and personal income tax rates have been reduced by 50%. These benefits are much broader than in other areas.

The third direction is temporary tax holidays for young entrepreneurs. For example, young people under the age of 30 engaged in mobile trade along highways do not pay any taxes for the first six months. This benefit will remain in effect until January 1, 2028. The fourth direction is the support of students in the production and service sectors. Students of schools, colleges, and lyceums pay income tax at a rate of only 1%. The employer who hired them also pays social tax at a rate of 1%.

From a methodological perspective, the article employs a methodology for analyzing regulatory documents (amendments to the Tax Code of the Republic of Uzbekistan for 2025–2026, Presidential decrees, and resolutions of the Cabinet of Ministers), as well as comparing open data from state statistics bodies. Additionally, a sectoral analysis of youth employment sectors was conducted.

Results

The statistics highlight several important aspects

The first aspect: the most common areas of youth self-employment have been identified. Household services (hairdressing, manicure, cosmetology) provided jobs for 106,000 people. Services in agriculture (livestock breeding, homestead assistance) — 72,000 people. Industrial and construction work (timber architecture, sanitation, electrical installation) — 52,000 people. In the ICT sector, there are more than 9,000 young programmers and content creators. These figures mean that young people, taking advantage of tax incentives, chose industries that do not require any additional education and capital, that is, with a low entry barrier.

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The second aspect is territorial distribution. The most active youth are concentrated in the Samarkand, Fergana, and Andijan regions. These areas have less social infrastructure and jobs than the capital. This means that tax incentives are working in the regions where there are the most complaints about "no work". The third aspect: the impact of creative parks. These parks are specifically designed for young people. As stated in the President's Address, "98% of those employed in this sector are young people". The main advantage of parks is that they provide benefits depending on the activity itself, not on age and type of products. That is, the young person making the video and the young person writing the mobile application are in the same conditions.

The fourth aspect: encouraging education and language proficiency. According to the presidential decree, young people with a C1 level foreign language certificate can receive an interest-free loan for 3 years to open language centers in remote areas. This is not a direct tax incentive, but a mechanism that increases future tax revenues. Because a young person who opens a language center provides employment for other young people and expands their tax base.

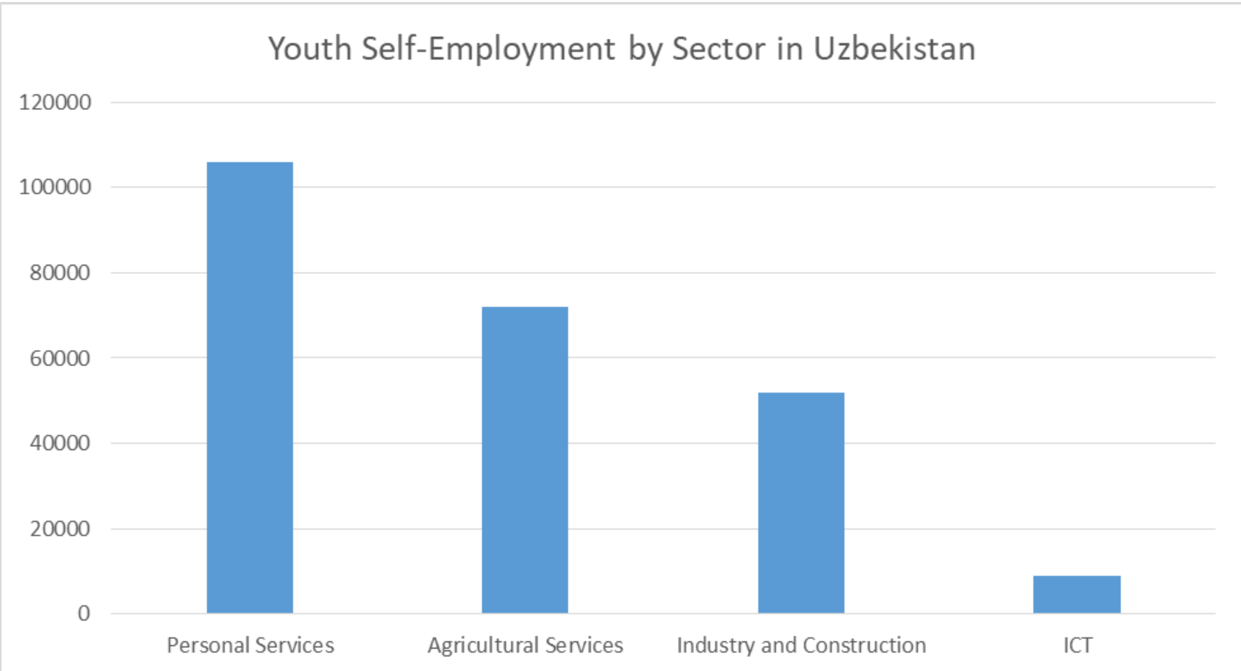

Figure 1. Distribution of Self-Employed Youth by Economic Sector in Uzbekistan (2025)[2]

[2] Source: Compiled by the author based on the data of the State Tax Committee of the Republic of Uzbekistan and official statistical sources.

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Discussion

The first conclusion drawn from the above data is that the tax system relies most heavily on self-employment and creative parks to support youth. These two directions differ sharply from each other. The self-employed regime is a very simple system that requires almost no accountability and low rates. Creative parks, on the other hand, are a more professional structure that requires documentation and status. Which one is better? I need both. Because young people have different goals and opportunities.

The second conclusion is that there is a territorial difference. Youth activity is high in Samarkand, Fergana, and Andijan. However, in Karakalpakstan or Syrdarya, these indicators are much lower. Although tax incentives are the same, the results are not the same. Therefore, tax incentives alone are not enough. Infrastructure, roads, internet quality, and banking services are also important. The tax system cannot solve these problems, but it can mitigate them - for example, by introducing additional benefits for young people in these regions.

The third conclusion: young people value simplicity more than complexity. Simple and clear rules, such as a 1 percent income tax or a full six-month exemption, work quickly. This is evidenced by the appearance of 9,000 young people in the ICT sector. Because these young people do not need to keep complex accounting records.

Fourth conclusion: tax incentives encourage young people to engage in legal activities but do not significantly enrich them. The monthly income of a self-employed young person in Uzbekistan averages about 2–3 million soums. That's enough to make a living, but not enough to expand or hire. The income of young people in creative parks is much higher. That is, the tax system is based on the principle of "small income - small tax, large income - large tax."

Fifth conclusion: it is useful to compare with foreign experience. In Croatia, for example, individuals aged 18-25 are completely exempt from income tax. Uzbekistan has not taken such a radical step. This is due to the stability of the budget and the attitude of other social groups. Another example: in Poland, a personal income tax of 0% has been introduced for individuals under the age of 26. But this policy was made possible by Poland's strong budget and small age group. In Uzbekistan, the proportion of young people is very high, so such a measure is risky for the budget. The path chosen by Uzbekistan is gradual, step-by-step, and focused only on early-stage entrepreneurship.

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Conclusion

The tax system of Uzbekistan has created several clear and effective mechanisms to support young people. Self-employed people, creative parks, tax holidays for mobile trade, low rates for students - all of this encourages young people to engage in legal activities. Regional disparities persist, but statistics show that tax incentives are yielding good results in the most problematic regions.

The final part of the President's Address states: "If we act together, as a single people, as a single nation, we will certainly achieve our great goals". Supporting young people in the tax system is an economic expression of this "unity". Because the more legitimate a young person's income, the stronger their trust in the state.

What needs to be done in the future is clear: additional incentives that take regional differences into account, schemes that facilitate the transition from self-employed to small businesses, and expanding the coverage of creative parks. The tax system provides tools, but the main work must be done by the youth themselves. This is where the President pointed out: "I believe in the incomparable strength and capabilities of Uzbekistan, in the determination of our dear youth!".

References

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