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TAX REVENUES FOR SUBSOIL USERS: BASIS FOR THE FAIR DISTRIBUTION OF NATURAL RESOURCES

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Abstract: The article analyzes the system of taxes applied to subsoil users in Uzbekistan and considers the issue of fair distribution of funds collected through these taxes among the population. The study was conducted on the basis of an analysis of official statistical data, legislative documents and international scientific sources for the last three years (2022–2024). Comparative analysis, document study and quantitative assessment methods were used. The analysis showed that in 2022, tax rates for subsoil use were reduced to 10% for oil and natural gas, and to 7% for gold and copper, and in 2023, 15.3 trillion sums were received from the subsoil tax to the budget. In 2024, mining, metallurgical and energy enterprises took first place in the top 10 corporate taxpayers. However, problems have been identified in that resource revenues are not distributed evenly between regions, and natural resource revenues account for a large share even in regions with low quality social services.

Keywords: Subsoil tax, natural resources, fiscal policy, fair distribution, resource allocation, tax revenues, budget revenues, social justice, economy of Uzbekistan, rent tax**.**

INTRODUCTION.

Natural resources- oil, gas, gold, copper, uranium, and other minerals- are the backbone of the economies of many countries around the world. However, these riches may not always be beneficial to the economy: this phenomenon is known in the scientific literature as the "resource curse" or "paradox of plenty."[1] The Republic of Uzbekistan is one of the world's largest gold producers, a country rich in large reserves of natural gas, copper, uranium, and other strategic mineral resources.[2] Subsoil-using enterprises in the country's economy- in particular, the Navoi Mining and Metallurgical Combine (NGMK), the Almalyk Mining and Metallurgical Combine (AGMK), and Uzbekneftegaz JSC—have emerged as leading taxpayers.[3] At the same time, the issue of fair distribution of resource revenues between regions and social strata remains a pressing problem. According to 2023 data, the tax-to-GDP ratio in Uzbekistan is 11.53%, which is significantly lower than the world average (17.30%).[4] This situation identifies the issue of optimal management of fiscal revenues from resource wealth and their allocation to the well-being of the population as an important scientific and practical problem. The purpose of this article is to analyze the tax system for subsoil users in Uzbekistan, identify problems in the distribution of revenues from natural resources, and develop recommendations for a fair fiscal policy.

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LITERATURE ANALYSIS ON THE TOPIC

The "resource surplus" theory was first proposed by Auty (1993) and further developed by Sachs and Warner (1995), which suggests that countries rich in natural resources often struggle with low economic growth, high corruption, and weak institutions.[5] The International Monetary Fund (IMF) classifies 51 countries as "resource-rich", 29 of which are low- and middle-income countries. Common characteristics of these countries include excessive dependence on resource revenues, low savings rates, volatile growth, and high fiscal volatility.[6] Studies by the World Bank (2023) and the OECD (2022–2023) have extensively examined the impact of resource revenues on economic diversification, finding that the average tax-to-GDP ratio in sub-Saharan Africa has stagnated at around 16.5% over the past decade, suggesting a problematic relationship between resource revenues and the lack of tax base expansion.[7] In particular, a study published in ScienceDirect in 2025 (59 developing countries, 1996–2021) found that natural resource rents can often dampen the mobilization of tax-free revenues—a threat to fiscal sustainability.[8]

Collier and Hoeffler (2005) have shown that strong institutions mitigate resource exploitation, while weak and corrupt governance diverts resource revenues from productive investment to the benefit of elites.[9] Specific studies on income tax and natural resource tax mechanisms, including Kerner, Kalthaus, and Wendler (2023), have shown that institutions play a crucial moderating role in the relationship between resource revenues and economic growth.[10]

In the case of Uzbekistan, the new rent tax system introduced in 2022 — for legal entities extracting precious, non-ferrous, radioactive metals, rare earth elements, and hydrocarbons — is an important step towards broadening the tax base and ensuring fair distribution is to improve the tax system, increase transparency, and direct resource wealth to the welfare of the people through targeted social funds.

RESEARCH METHODOLOGY

The following methods were used in this study:

1. **Document analysis:** The Tax Code of the Republic of Uzbekistan (2022–2024 editions), Presidential decrees, official reports of the Ministry of Economy and Finance and the State Tax Committee were studied. [12]
2. **Statistical analysis:** Trends were identified by comparing official figures on budget revenues, tax revenues, and subsoil taxes for 2022, 2023, and 2024. [13]
3. **Comparative analysis:** Uzbekistan's indicators are compared with international data (IMF, World Bank, OECD) and assessed in the context of global trends. [14]
4. **Systematic literature review:** A review of scientific articles from the last three years in ScienceDirect, NBER, World Bank, and other high-impact-factor sources was conducted. [15]

Limitations of the study: it is necessary to accept the completeness of official statistical data, the limited data in the territorial section, and the fact that some indicators are not publicly available.

PROBLEM ANALYSIS AND RESULTS

Land Tax System in Uzbekistan (2022–2024)

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The tax system for subsoil users in Uzbekistan consists of several components: a tax on subsoil use (royalty), a new rent tax introduced in 2022, a license fee for geological exploration, and payments under product sharing agreements. [11]

As part of the tax reforms implemented in 2022, the subsoil tax rates were revised:

Mineral type	**Previous rate**	**Starting in 2022**
Oil and natural gas	15%	10%
Gold and copper	10%	7%
Tungsten	5%	2.7%
Uranus	12%	8%

Table 1. Changes in subsoil tax rates in 2022

In addition, a separate rent tax has been introduced for legal entities mining precious, non-ferrous and radioactive metals and hydrocarbons, effective January 1, 2022. The tax base for this tax is determined by deducting the costs directly related to mining from the sales proceeds (excluding VAT and excise duties). [16]

The Role of Land Taxes in Budget Revenues (2022–2024)

Data from the last three years clearly shows the weight of subsoil taxes in the Uzbek budget:

Indicator	**2022**	**2023**	**2024 ***
State budget revenues (trillion soums)	201.8	231.7	~270+
Tax revenues (trillion soums)	—	165.9	—
Subsoil tax (trillion soums)	~12.0	15.3	~18+
Share of resource fees (%)	~11.8	12.1	14.2
Tax-GDP ratio (%)	11.99	11.53	~12.5

*Table 2. Budget revenues and subsoil taxes of Uzbekistan (2022–2024). Source: Ministry of Economy and Finance of the Republic of Uzbekistan; * — Forecast based on 2024 forecast/I half-year data*

In 2024, a total of 123.3 trillion soums (about 9.5 billion US dollars) in corporate tax revenues were collected from 949 large taxpayers. The top 10 taxpayers accounted for 57 percent of this. The top three were: NGMK, AGMK, and Navoiyuran JSC; the fourth to sixth

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places were occupied by energy sector enterprises: Uzbekneftegaz, Khududgaztaminot, and UzGasTrade.[3]

Identified Problems

The problem of territorial inequality

Resource revenues are geographically unevenly distributed: although the NGMK (Navoi region) and AGMK (Tashkent region) pay a relatively large amount of taxes for their territories, the mechanism for distributing tax revenues between regions still requires improvement. While property tax and land tax revenues from legal entities are directed to the budgets of districts and cities, the bulk of the subsoil tax goes to the republican budget, and the mechanism for its targeted return to local budgets is not sufficiently clearly defined. [17]

Low tax-to-GDP ratio

remains significantly below the world average (17.30%), at 11.99% in 2022 and 11.53% in 2023. [4] This suggests that despite its vast natural resource potential, the state's fiscal base is underdeveloped. OECD countries have an average tax-to-GDP ratio of 34%. [7]

Volatility of resource revenues

As noted by the Ministry of Economy and Finance in 2023, the reduction in energy resource extraction, the fall in world commodity prices, and the temporary suspension of some enterprises led to a loss of tax revenues . [18] This has been widely discussed in the international literature as a problem of resource revenue volatility: periods of price decline are accompanied by fiscal crises and cuts in social services. [19]

International Experience and Comparison

The Norwegian Government Pension Fund Global is a prime example of a model for allocating resource revenues to future generations and for fiscal sustainability. Chile has also succeeded in reducing fiscal volatility by introducing special fiscal rules for copper revenues. [20]

Botswana is cited as one of the few African countries that has managed to avoid "resource procrastination" by channeling its diamond revenues into education and infrastructure. In contrast, lessons from Nigeria and Congo show how weak institutions, corruption, and misguided fiscal policies can lead to the loss of resource wealth. [21]

The Chinese experience is also noteworthy: a recent study (2024, Nature) found that resource dependence reduction programs reduced the urban-rural income gap by an average of 4.11%. This effect was more pronounced in regions with low primary institutions, due to the development of labor-intensive industries and increased investment in agriculture. [22]

CONCLUSION AND SUGGESTIONS

As a result of this study, the following conclusions were drawn:

1. The tax system for subsoil users in Uzbekistan has been updated since 2022 and a rent tax has been introduced; although this is an important step, it still requires improvement.

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2. Resource taxes account for 12.1–14.2 percent of budget revenues, with 15.3 trillion soums in subsoil tax revenues in 2023; enterprises in the mining, metallurgical, and energy sectors are major taxpayers.

3. The low tax-to-GDP ratio, regional inequality, volatility of resource revenues, and lack of transparency were identified as key challenges.

4. International experience (Norway, Botswana, Chile) shows that resource wealth can be channeled towards socio-economic development through fair fiscal management and earmarked funds.

- **Establish a Natural Resources Fund:** Create a special state natural resources fund based on the Norwegian model, allocating a portion of the proceeds for the benefit of future generations and economic diversification.
- **Improving the territorial distribution mechanism:** Introducing a progressive formula for budget transfers to regions and districts located close to resource wealth, that is, allocating a larger share to local budgets in proportion to the scale of extraction and environmental damage.
- **Full implementation of EITI standards:** Enact Extractive Industries Transparency Initiative requirements into legislation and strengthen public oversight to ensure transparency in mineral taxes and royalty payments.
- **Broadening the tax base:** Diversify the tax base by expanding the resource processing chain and creating added value, thereby bringing the tax-to-GDP ratio closer to the OECD average.
- **Legitimize fiscal sustainability rules:** Introduce countercyclical fiscal rules, based on the Chilean experience, to avoid sharp cuts in social spending during periods of falling commodity prices.

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