

FORMING A CULTURE OF VOLUNTARY TAX COMPLIANCE: PSYCHOLOGICAL AND ECONOMIC ASPECTS

Turayev Alijon - Samarkand Institute of
economics and service, Acting Associate Professor of the
Department of Investments and Innovations, PhD

alijon.turayev@mail.ru

Mamasharipov Humoyun – Samarkand Institute of
economics and service, Faculty of Economics
3rd year student

mamasharipovhumoyun6@gmail.com

Abstract: Tax obligations optional to perform culture of formation fundamental economic and psychological the basics complex analysis to do dedicated to. In the article traditional Allingham-Sandmo economic model and modern "fiscal psychology" and "tax "moral" concepts between scientific debates research within Uzbekistan of the Republic of Kazakhstan for 2023-2025 tax reforms, particularly tax administration digitization, hidden the economy reduction and optional compatibility encouragement measures realistic statistic information based on analysis The results of the study show that taxpayer behavior is directly related not only to the likelihood of penalties and inspections, but also to trust in the state, the fairness of the tax system, and social norms. The results section presents the dynamics of tax revenues, the share of the shadow economy, and the effectiveness of digital platforms in tables and provides scientific explanations. At the end of the report, practical proposals and conclusions are presented to improve tax culture in Uzbekistan.

Keywords: Tax obligations, voluntary compliance, tax morale, Allingham-Sandmo model, hidden economy, fiscal psychology, trust in the state, tax administration, digital transformation, economy of Uzbekistan.

Introduction

The effectiveness of the tax system is the basis of the economic stability and social development of any state. However, ensuring tax revenues is not limited to the establishment of strict laws or control mechanisms. In the modern economy, the concept of "voluntary fulfillment of tax obligations" is gaining central importance. This process means that the taxpayer perceives paying taxes not as an obligation, but as a

social responsibility and part of a "psychological contract" with the state.¹ In recent years, the Republic of Uzbekistan has been on the path of radical reform of the tax system, reducing the tax burden and simplifying administration. Although tax revenues have increased significantly as a result of the reforms implemented in the period from 2023 to 2025, the share of the shadow economy remains high, which further increases the relevance of the topic. With Uzbekistan's unreported economy expected to account for 33.3 percent of GDP by 2025, changing taxpayer behavior and fostering a culture of voluntary compliance has become a priority for state policy.²

Traditional economic theories, in particular the Allingham and Sandmo model (1972), consider the taxpayer as a rational agent who only calculates profits and losses. According to this approach, it is enough to prevent tax evasion by simply increasing the probability of an audit and increasing fines. However, practice shows that in many developed countries, despite the very low probability of an audit, the level of tax payment is very high. This phenomenon is explained by the concept of "tax morale". Tax morale is the internal motivation of the taxpayer to pay taxes, which is formed under the influence of psychological factors such as social norms, a sense of justice, and trust in state institutions. The purpose of this study is to identify the economic and psychological determinants of the formation of a culture of voluntary compliance with tax obligations in the conditions of Uzbekistan and to scientifically analyze existing problems. The article will examine in detail the latest statistical data for 2023-2025, the effectiveness of digital platforms (for example, the "Tax" mobile application), and strategies for reducing the shadow economy.

Analysis of literature on the topic

Scientific research in the field of tax compliance has a long history and has developed mainly in two major directions: economic and psychological approaches.

Tax Morale and Fiscal Psychology

Recognizing the limitations of economic models, researchers, in particular Bruno Frey and Benno Torgler, introduced the concept of "tax morale" into scientific circulation. Tax morale is the perception of paying taxes as a moral and social obligation. From a psychological point of view, taxpayers derive satisfaction not only from "private utility" but also from "social utility" and from feeling part of society. Recent studies (2023-2025) highlight the role of the following factors in shaping tax morale:

¹Demin, AV (2023). Psychological factors of tax compliance. *Psychology and Law*, 13(1), 170–178.
<https://doi.org/10.17759/psylaw.2023130112>

²InLibrary. (n.d.). Article page. <https://inlibrary.uz/index.php/jasss/article/view/122219>

1. **Trust in the state and institutions:** If citizens believe that the government is spending taxes fairly and transparently, they will be more likely to pay taxes voluntarily.
2. **Fairness of the tax system:** Equal distribution of the tax burden for all and the absence of tax evasion by "big players" reinforces a sense of social justice.
3. **Social norms:** If the people around a person (the business environment) have made paying taxes the norm, the person themselves will also act in accordance with this norm.
4. **Psychological contract:** The relationship between the taxpayer and the state is seen as a dialogue based on the principle of "payment for a service" rather than simply an obligation.

Eric Kirschler's Slippery Slope Framework combines these two approaches. According to it, tax compliance is built on two pillars: the power of the state to control (Power) and trust in the state (Trust). Strong control ensures "mandatory compliance", while high trust ensures "voluntary compliance".

Approaches of Uzbek scientists

Tax reform and tax behavior issues in Uzbekistan have been studied by scholars such as A. Vakhobov, B. Toshmurodova, A. Juraev, and F. Karimov. Their research focuses mainly on improving tax administration, optimizing the tax burden, and ensuring fiscal policy sustainability. In recent years, digital tax administration and increasing voluntary compliance through the "Tax" mobile application have been widely discussed in scientific works.

Research methodology

This study used a number of methods of economic-psychological analysis:

1. **Systematic analysis and synthesis:** Theoretical approaches to tax behavior (Allingham-Sandmo, Prospect Theory, Mental Accounting) were analyzed and their suitability for the conditions of Uzbekistan was studied.
2. **Statistical and comparative analysis:** A comparative analysis was conducted of the official reports and dynamic indicators of the Ministry of Economy and Finance of the Republic of Uzbekistan, the Tax Committee, and the Statistics Agency for 2023-2025.
3. **Document Analysis:** The latest amendments to the Tax Code (2024-2025) and their economic consequences were assessed from a legal and economic perspective.
4. **Inductive and deductive logic:** General tax culture trends were identified using the behavior of individual business entities.

Scientific articles from 2023-2026 in Scopus and Web of Science indexed journals, as well as decrees and resolutions of the President of the Republic of Uzbekistan, and reports of international financial organizations (World Bank, IMF, OECD) were used as the database.

Main part: Problem analysis and results

Tax revenues and economic dynamics in Uzbekistan (2023-2025)

The economy of Uzbekistan has been showing steady growth in recent years. In 2024, GDP reached \$115 billion (1,454.6 trillion soums), with real growth of 6.5 percent. In the first nine months of 2025, the growth rate accelerated further, reaching 7.6 percent. This economic growth directly contributes to the expansion of the tax base and an increase in revenues. ³In 2023, 71.6 percent of budget revenues were formed from tax payments. Personal income tax (PIT) revenues increased by 5.6 trillion soums compared to 2022, amounting to 29.9 trillion soums. The main reason for this growth is the legalization of the wage fund and an increase in the number of officially employed people by 5.2 percent (by 5.5 million people). The planned tax revenue of 247.8 trillion soums for 2025 is expected to be achieved through further improving administration and reducing the shadow economy.

The Hidden Economy: Status and Reduction Mechanisms

Reducing the shadow economy in Uzbekistan is a key condition for increasing voluntary compliance. According to 2025 data, the size of Uzbekistan's unobserved economy is \$36.17 billion, or 33.3 percent of GDP. Although this figure has significantly decreased compared to 45-50 percent in 2019, it still remains an obstacle to sustainable economic development.⁴

1 : Components of the shadow economy (Q3 2025)⁵

Sector name	Share in total volume (%)	Reasons and analysis
Agriculture, forestry and fisheries	69.4%	Seasonal labor, informal peasant farms
Service industry	36.2%	Retail, catering, transportation
Construction industry	35.0%	Informal brigades, raw material turnover

³National Statistics Committee of the Republic of Uzbekistan. (2025, October 28). Gross domestic product of the Republic of Uzbekistan for January–September 2025. https://stat.uz/img/press-relizlar/analytics-of-gdp_eng_p72885.pdf

⁴IndexBox. (2026, January 23). Uzbekistan's shadow economy shrinks to 33% of GDP in 2025.

<https://www.indexbox.io/blog/uzbekistans-shadow-economy-shrinks-to-33-of-gdp-in-2025/>

⁵Tukhsinov, D. (2025, October 31). Shadow and informal economy in Uzbekistan rises to 33% of GDP, topping \$36 billion. Kun.uz. <https://kun.uz/en/22753282>

Industrial sector	10.2%	Relatively high level of legalization
-------------------	-------	---------------------------------------

Scientific explanation: The informal sector (household activities) accounts for 25.6 percent of the underground economy, while the "hidden" (illegal hidden) sector accounts for 7.7 percent. Studies show that the reduction in the underground economy is directly related to the optimization of tax rates. For example, the reduction of the VAT rate to 12 percent and the retention of the corporate income tax at 15 percent encouraged entrepreneurs to come out of the "shadow". However, psychological factors - dissatisfaction with the quality of services provided by the state and fear of administrative pressure - still maintain informal activity.

Digital transformation and psychological drivers in tax administration

The "Soliq" mobile application and the cashback system have been revolutionary in forming a culture of voluntary tax payment in Uzbekistan. This system has had not only a fiscal but also a strong socio-psychological impact.

Digital platform performance analysis:

- **Number of users:** Over 14.5 million registered users as of December 2025, of which 13 million are active.
- **Cashback system:** In December 2024 alone, 24.6 billion soums were returned to 135.7 thousand users through "Social Cashback".
- **Transactional transparency:** More than 1 billion checks were issued through online-NCT (control-cash equipment), recording a turnover of 261.1 trillion soums.

Analysis: These digital tools reduce the "Information Asymmetry" between the taxpayer and the state. Psychologically, the cashback system encourages the consumer to play the role of a "tax inspector" - by demanding a check, he not only benefits personally, but also contributes to ensuring justice in society. This process shifts tax compliance from a "mandatory" to a "gamified" one, which is the most effective way to increase tax morale.

Theoretical approaches and scientific debates:

At the center of contemporary academic debates on the formation of tax culture is Eric Kirschler's "Slippery Slope" model. The experience of Uzbekistan shows the dynamic transformation of this model.

1. **Power of Authority:** In 2024, 16 trillion soums were collected by the prosecutor's office and tax authorities as part of the fight against the shadow economy. This ensures "mandatory compliance."

2. **Trust in Authority:** 100% automation of tax services, automatic generation of VAT and property tax reports increases trust in the system. If the system is error-free and transparent, taxpayer resistance will decrease.

In academic debates, some experts express concern that increasing tax rates (for example, increasing the e-commerce tax from 7.5% to 10% from 2025) could negatively affect voluntary compliance. This is due to the classic prediction of the Allingham-Sandmo model - that a decrease in expected profits could lead to increased flight to the underground sector. However, if the state directs these resources to improving the quality of social services (for example, "Sunny House" subsidies), tax morale could be maintained or increased.

Conclusion and suggestions

The formation of a culture of voluntary compliance with tax obligations is not just an administrative task, but a psychological and economic process that requires a new qualitative dialogue between the state and society. Uzbekistan has achieved significant progress in this regard over the past three years (2023-2025), in particular, digitalization has helped reduce the share of the shadow economy to 33 percent.

Based on the research results, the following conclusions and practical suggestions were formulated:

1. **Psychological determinants of tax culture:** Tax morale is built not only on the threat of fines, but also on the pillars of "social justice" and "trust in the state." The results of international studies, which show that 78% of taxpayers in Uzbekistan are still inclined to evade taxes, indicate the need to strengthen moral motivation in society.
2. **Expanding digital incentives:** Strengthening public oversight through Keshbek and the "Tax" app has paid off. The next step should be to further improve the "rating system" (KPI) for entrepreneurs and further encourage voluntary compliance by providing "tax holidays" or preferential loans to high-rated entities.
3. **Tax stability:** Frequently changing tax rates and rules (e.g., excise and profit tax changes in 2025) create uncertainty and insecurity among entrepreneurs. The "conservative" and predictable nature of tax legislation is essential to ensure economic stability.
4. **Education and transparency:** Real-time reporting on which social projects (schools, roads, hospitals) tax revenues are being spent on (Local budget transparency) is the strongest driver of increasing tax morale.

The final conclusion is that by strengthening the "Trust" aspect of the "Slippery Slope" model, Uzbekistan can achieve the goal of halving the shadow economy by 2030. This

will bring an additional 20 trillion soums to the state budget, as well as serve to form a highly cultured and responsible citizenry in society.

References:

1. Allingham, MG, & Sandmo, A. (1972). Income tax evasion: A theoretical analysis. *Journal of Public Economics*, 1(3-4), 323-338.
2. Alm, J., & Torgler, B. (2011). Do ethics matter? Tax compliance and morality. *Journal of Business Ethics*, 101(4), 635-651.
3. Demin, AV (2023). Psychological Factors of Tax Compliance. *Psychology and Law*, 13(1), 170-178. <https://doi.org/10.17759/psylaw.2023130112>
4. Feld, LP, & Frey, BS (2007). Tax Compliance as the Result of a Psychological Tax Contract. *Law & Policy*, 29(1), 102-120.
5. Ibragimov, AT (2026). The Role of the Tax System in the Republic of Uzbekistan. *Journal of Applied Science and Social Science*, 16(3).
6. Kirchler, E. (2007). *The Economic Psychology of Tax Behavior*. Cambridge University Press.
7. Luttmer, E. F., & Singhal, M. (2014). Tax Morale. *Journal of Economic Perspectives*, 28(4), 149-168.
8. Ministry of Economy and Finance of the Republic of Uzbekistan. (2024). *Public finance and state budget report*. Tashkent.
9. State Tax Committee of the Republic of Uzbekistan. (2025). *Statistical report on tax revenues and tax administration*. Tashkent.
10. Torgler, B. (2007). *Tax Morale and Tax Compliance: A Theoretical and Empirical Analysis*. Edward Elgar Publishing.
11. Vahobov, AV (2018). *Taxes and the Taxation System*. Tashkent: Finance Publishing House.
12. Yitzhaki, S. (1974). A note on income tax evasion: A theoretical analysis. *Journal of Public Economics*, 3(2), 201-202.