

IMPROVING THE MECHANISM FOR REDUCING TAX ARREARS THROUGH ACCOUNTS RECEIVABLE IN ENHANCING LOCAL BUDGET REVENUES

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Abstract: this article develops a methodological and institutional framework for reducing tax arrears through the targeted use of accounts receivable in order to strengthen local budget revenues in Uzbekistan. The study synthesizes legal reforms, digital tax administration instruments, debtor–creditor settlement procedures, and open fiscal indicators for 2021–2025 to design a recovery mechanism that links outstanding tax liabilities to collectible receivables in the real economy. The proposed approach demonstrates that receivables-based recovery can expand the effective enforcement base, accelerate liquidity mobilization into the budget system, and improve the predictability of territorial fiscal planning without relying solely on coercive asset-based collection methods.

Keywords: tax arrears; accounts receivable; local budget revenues; tax administration; fiscal enforcement; debtor notification; digital recovery mechanisms; tax compliance; territorial finance; Uzbekistan

INTRODUCTION

In contemporary public finance, the stability of local budget revenues increasingly depends on the quality of tax administration rather than nominal tax rate adjustments alone. This dependence is especially visible in economies where delayed settlements, fragmented payment chains, and weak debtor discipline reduce the speed of fiscal resource mobilization. When tax arrears accumulate for prolonged periods, local authorities face tighter budget constraints, weaker execution of social obligations, and heightened vulnerability in financing regional development priorities. Traditional recovery practices generally focus on the taxpayer's bank accounts, available cash balances, and directly seizable property, which narrows the effective collection perimeter. Yet many delinquent taxpayers continue participating in commercial turnover through claims on buyers, contractors, and other counterparties, even while budget obligations remain unpaid. For that reason, accounts receivable should be

treated not merely as an accounting category, but as a potential fiscal recovery channel embedded within the wider circulation of business liquidity.

Uzbekistan's recent tax and budget reforms have created a new institutional environment for rethinking how tax debts are identified, prioritized, and recovered in practice. The Law of the Republic of Uzbekistan No. O'RQ-1108 of 25 December 2025 introduced Article 121¹ into the Tax Code, thereby establishing a formal procedure for directing recovery toward the taxpayer's accounts receivable and clarifying the role of electronic notification, reconciliation, and debtor response deadlines [1]. This legal innovation is particularly significant because it transforms a formerly passive financial claim into an enforceable administrative instrument linked with the digital architecture of modern tax administration. At the same time, broader reforms have strengthened the regulatory basis for real-time monitoring, regional revenue forecasting, and the integration of tax administration with budget management. These developments show that receivables-based recovery is not an isolated legal amendment, but part of a wider state strategy aimed at increasing fiscal transparency and improving the efficiency of territorial revenue mobilization. The subject therefore deserves independent scholarly treatment that moves beyond descriptive legal commentary and develops an operational methodology suitable for academic and applied use.

The purpose of this article is to refine the mechanism for reducing tax arrears through accounts receivable in a way that directly supports stronger local budget revenue performance. To achieve that objective, the study examines the economic logic of receivables-based enforcement, the procedural sequence established by recent legislation, and the data flows required for practical implementation at the territorial level. It also evaluates how the mechanism can affect liquidity discipline, taxpayer behavior, inter-firm settlements, and the predictability of local budget execution under conditions of rising digitalization. Evidence from official reform documents, Central Bank payment statistics, budget forecasting reforms, and selected international studies is used to structure the analysis and identify implementation risks as well as performance gains [2]. Unlike standard discussions that view tax debt collection only through coercive power, this article approaches the issue as a problem of institutional design, information matching, and the conversion of dormant claims into fiscal inflows. Such a perspective is essential for formulating a Scopus-level argument that combines legal change, fiscal methodology, and practical administrative applicability.

Main Part

At the conceptual level, tax arrears represent more than unpaid obligations recorded in administrative registers, because they also signal distortions in the interaction between public claims and private cash-flow management. A taxpayer may appear illiquid in

relation to the budget while simultaneously remaining economically linked to counterparties that owe substantial amounts under commercial contracts. If the state ignores those claims, part of the enforceable fiscal base remains outside the operational reach of tax administration. Accordingly, the use of accounts receivable expands the analytical field from the debtor's own assets to the wider network of payment obligations surrounding the debtor. This shift is especially relevant for local budgets, because subnational fiscal stability often depends on the timely collection of broad-based taxes rather than on sporadic large recoveries. A mechanism that identifies and redirects collectible receivables can therefore improve both the depth and the speed of budget revenue mobilization within territorial financial systems.

From a methodological standpoint, receivables-based tax recovery should be designed around the interaction of four informational blocks rather than around a single debt register. The first block includes the stock, age, and structure of tax arrears by taxpayer category, sector, and territory, which allows the tax authority to separate chronic debtors from temporarily distressed firms. The second block captures accounts receivable reported in tax returns, financial statements, electronic invoices, and bilateral settlement documents, thereby revealing the potential liquidity corridor available for redirection. The third block consists of evidence on debtor reliability, dispute status, payment history, and the legal maturity of the receivable, since not every accounting claim is equally enforceable. The fourth block encompasses administrative timing variables, including notification periods, reconciliation deadlines, and appeal procedures, which determine whether the collection process is fast enough to matter for current budget execution [3]. Without the integration of these blocks, receivables-based enforcement risks becoming formally legal but operationally weak.

An important justification for refining this mechanism lies in the structural mismatch between tax debt accumulation and the actual movement of funds in the economy. Many firms delay payments to suppliers, contractors, and service providers not because turnover has fully collapsed, but because settlement discipline deteriorates along chains of commercial obligations. In such settings, the budget may compete unsuccessfully with other claimants even when the taxpayer continues to expect incoming funds from counterparties. Directing recovery to receivables helps restore the priority of public claims without requiring immediate liquidation of productive assets, which can be economically destructive. It is therefore a more circulation-sensitive instrument that operates within existing business relations rather than against them. This feature makes the mechanism particularly suitable where policymakers seek to preserve entrepreneurial activity while simultaneously improving collection performance. The

better the receivable can be verified and matched to legal obligations, the more precisely fiscal enforcement can operate within normal market turnover.

The 2025 legislative reform introduced procedural elements that materially improve the feasibility of such an approach in Uzbekistan. Under the amended Tax Code, recovery may be directed toward the taxpayer's debtors, while the process is tied to a taxpayer request, electronic notice, and a defined period for confirming or rejecting the reconciliation statement, thereby reducing procedural ambiguity [1]. In practical terms, this means that administrative action is no longer limited to discovering funds already visible on the taxpayer's accounts. Instead, the tax authority can intervene in the expected inflow channel itself, which increases the effective recovery perimeter without automatically escalating toward harsher sanctions. For local budgets, that distinction matters because timing is often as important as total annual volume; delayed revenue can be almost as problematic as missing revenue when expenditure commitments are rigid. The reform therefore opens space for a more nuanced recovery model that emphasizes verifiable payment chains, digital documentation, and fast administrative decision-making. Its full potential, however, depends on how operational protocols are designed beneath the level of statutory wording.

One of the strongest arguments for the proposed mechanism emerges from the broader digitalization of payments and fiscal administration in the country. The Central Bank's annual reporting shows a sustained increase in cashless card-based expenditures and a decline in the relative intensity of cash-out operations, indicating that a growing share of economic circulation is now traceable through digital payment infrastructure [4]. This transition strengthens the evidentiary basis for identifying debtor-creditor relations, validating settlements, and monitoring payment compliance in near real time. When commercial flows leave a richer digital footprint, accounts receivable become easier to verify and less vulnerable to concealment through informal settlement practices. The receivables-based recovery mechanism thus gains effectiveness not only from legal reform, but also from the informational modernization of the payment ecosystem. In this sense, tax administration and payment-system development should be viewed as mutually reinforcing pillars of local budget sustainability rather than as separate policy domains.

The empirical relevance of this trend becomes clearer when examining recent payment dynamics. According to the Central Bank's 2023 annual report, cashless payments made from bank cards rose from 202.3 trillion soums in 2021 to 595.5 trillion soums in 2023, while the share of terminal revenues in trade and paid services also increased, signaling deeper formalization of retail turnover [5]. The 2024 annual report further indicates that cashless expenditures reached 803.9 trillion soums in 2024, while cash

withdrawals increased more slowly relative to the overall expansion of card-based spending, reinforcing the downward tendency of cash dependence in formal transactions [4]. For tax debt recovery, these figures matter because the growth of digital settlement channels improves visibility into contractual flows and enlarges the set of receivables that can be documented with credible electronic traces. Where financial records are more complete, reconciliation becomes faster and the space for opportunistic denial by debtors becomes narrower. Consequently, receivables-based enforcement can become progressively more reliable over time as the digital payment environment matures. This macro-administrative background should be incorporated into any serious model of local fiscal strengthening.

The mechanism should also be evaluated through the lens of local budget management rather than solely through tax enforcement logic. Territorial budgets depend on revenue predictability, monthly liquidity rhythm, and the ability to minimize deviations between approved plans and actual receipts. When substantial tax arrears remain frozen despite the existence of recoverable receivables, the resulting gap weakens budget execution discipline and may force compensatory measures such as expenditure compression, deferred payments, or dependence on transfers. A well-designed receivables procedure can soften these pressures by converting already-generated private claims into public inflows without waiting for long asset recovery cycles. Moreover, because local authorities often work within narrow planning windows, even moderate acceleration in collection timing can substantially improve service delivery and project financing. The proposed mechanism thus has value not only in absolute fiscal terms, but also in enhancing the temporal alignment between revenue mobilization and expenditure obligations. That temporal dimension is often underestimated in the academic literature on tax debt recovery.

For the mechanism to function effectively, the quality of receivable classification becomes a decisive administrative issue. Not all receivables recorded in enterprise documents should be treated as immediately collectible sources for tax debt repayment, because some claims are disputed, contingent, overdue beyond practical recovery, or economically linked to insolvent debtors. A robust methodological framework should therefore classify receivables by maturity, legal clarity, counterparty solvency, documentation integrity, and historical settlement behavior. Such segmentation allows tax authorities to prioritize high-probability claims and avoid spending administrative resources on financially illusory recovery opportunities. It also reduces the risk of burdening viable businesses with prolonged procedural uncertainty where the underlying debt is commercially contested. In that respect, the mechanism should combine fiscal ambition with prudent screening criteria that preserve legal

proportionality and enforcement efficiency. Careful classification is what turns a broad legal possibility into a scalable operational instrument.

A territorial perspective is equally important, because the volume and recoverability of receivables are unlikely to be evenly distributed across regions and sectors. Commercially dense urban areas with more developed service markets, stronger digital payment penetration, and higher invoice-based turnover may offer richer receivable pools than districts where informal cash settlements remain dominant. Likewise, sectors with recurrent contract billing, standardized documentation, and short settlement cycles are better suited for receivables-based enforcement than activities characterized by seasonal turnover or weak documentary discipline. For this reason, local budget authorities and territorial tax bodies should not apply a uniform recovery intensity across all districts. Instead, regional implementation should be differentiated according to fiscal capacity, digital maturity, payment behavior, and the concentration of collectible claims [6]. Such differentiation is consistent with contemporary approaches to territorial tax administration, which favor risk-sensitive allocation of attention and resources. It also aligns the recovery mechanism with the broader goal of improving budget revenues through targeted rather than purely generic administrative action.

The economic logic of debtor notification deserves separate attention because it affects both compliance and transaction behavior. Once debtors understand that verified obligations to delinquent taxpayers may be redirected toward the budget, the informational asymmetry surrounding settlement discipline begins to narrow. Taxpayers may become more willing to regularize liabilities voluntarily in order to avoid disruptions in their commercial relationships, while debtors may exercise greater caution before delaying payments without formal justification. This creates a secondary compliance effect that extends beyond the immediate recovery amount. In essence, the mechanism works not only as a collection instrument, but also as a deterrence signal embedded in the business environment. That signal is particularly powerful when notifications are electronic, standardized, and legally time-bound, because such features increase credibility and reduce opportunities for procedural delay. A properly institutionalized receivables mechanism can therefore influence expectations throughout the payment chain, not merely at the point of individual enforcement.

The next step in refinement involves designing a clear decision algorithm that tax administrators can apply at the operational level. Such an algorithm should begin with the identification of taxpayers whose arrears exceed a risk-adjusted threshold relative to declared turnover, prior compliance history, and available assets. It should then

match those taxpayers with documented receivables, score each claim according to recoverability criteria, and generate electronic notices only for receivables that meet minimum quality standards. Subsequent stages should include debtor response tracking, reconciliation verification, dispute escalation rules, and time-based prioritization for budget-sensitive cases. By converting the legal procedure into a sequenced administrative workflow, tax bodies can reduce discretion, improve transparency, and support internal performance monitoring. Equally important, a standardized algorithm makes the mechanism easier to audit and easier to integrate into digital case-management systems. The institutional maturity of the procedure thus depends as much on process engineering as on legislative authorization itself.

Before presenting the first analytical table, it is useful to frame the issue quantitatively in relation to the evolution of enterprise settlements and budget needs during 2021–2025. Open national statistics indicate large and persistent stocks of accounts payable and receivable within the corporate sector, showing that a significant share of business liquidity is tied up in delayed settlements rather than circulating smoothly across the economy. These frictions create both a risk and an opportunity for public finance: a risk because tax liabilities can remain unpaid while firms await private inflows, and an opportunity because those same inflows can potentially be redirected under a lawful recovery mechanism. The key challenge is therefore not the abstract existence of receivables, but the administrative capacity to identify the collectible segment within them. This is precisely why an evidence-based and differentiated mechanism is required. The first table summarizes selected macro-indicators relevant to the discussion and illustrates the growing importance of digitally traceable financial turnover for fiscal enforcement design.

Table 1. Macro-administrative indicators relevant to receivables-based tax debt recovery in Uzbekistan, 2021–2025

Indicator	2021	2022	2023	2024	2025
Cashless payments made from bank cards, trillion UZS	202.3	400.3	595.5	803.9	n/a*
Cash withdrawals from bank cards, trillion UZS	95.1	149.5	189.2	225.9	n/a*
Total bank card spending, trillion UZS	297.4	549.8	784.7	1,029.8	n/a*
Share of terminal revenues in trade and paid services, %	n/a	n/a	39.9	higher than 2023 trend	continued expansion
Largest share of enterprise payables owed to suppliers/contractors, billion UZS	n/a	n/a	n/a	n/a	182,044.1**
Key legal basis for receivables recovery	Pre-reform	Pre-reform	Pre-reform	Pre-reform	O'RQ-1108 / Art. 121^1
Budget revenue forecasting digitalization	Developing	Developing	Developing	Expanding	Strengthened by PQ-397

Administrative implication for local budgets	Limited traceability	Improving traceability	Broader digital footprint	Higher matching potential	Operational launch basis
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Source: Compiled by the author based on the Central Bank of Uzbekistan annual reports for 2022–2024, the 2025 cash circulation review, national statistics on enterprise settlements, and legislative reforms.

* The 2025 publications reviewed through the open sources used here emphasize cash circulation trends and continued growth of digital settlement infrastructure rather than a fully comparable annual bank-card series. ** Statistic refers to the largest category of accounts payable reported by the national statistics authority for December 2025.

Table 1 should be interpreted as an analytical rather than merely descriptive instrument. It combines nationwide indicators that reflect the broader environment in which receivables-based tax recovery must function, including cashless payment growth, enterprise settlement stocks, and the regulatory shift that formalized collection through debtors. Together, these elements show that the enforcement problem cannot be solved through coercive measures alone, because it is deeply linked to how liquidity circulates across the formal economy. At the same time, the table suggests that the state now possesses stronger informational preconditions for a more sophisticated recovery strategy than it had at the beginning of the observed period. The acceleration of digital payments and the expansion of documented turnover increase the plausibility of matching tax debts with private claims in a timely manner. This strengthens the argument that receivables-based recovery should become a structured component of local revenue management rather than an exceptional remedy. The tabulated indicators therefore provide empirical support for the methodological proposal advanced in this article.

After considering the macro-context, attention should return to the institutional mechanics that connect budget claims with debtor obligations. A crucial operational insight is that receivables-based recovery does not replace other enforcement methods; rather, it complements them by targeting a different segment of the taxpayer’s economic position. Where direct account seizure is impossible or insufficient, the receivables route may uncover a payment stream that is contractually due but administratively underused. Where both channels are available, prioritization can be organized according to recovery speed, dispute risk, and the urgency of local budget needs. This layered approach is more efficient than relying on a single method across all debt cases. It also supports proportionality, because the state can choose the least disruptive instrument that still yields timely budget inflows. In this respect, the

proposed mechanism belongs within a diversified enforcement architecture rather than a one-dimensional collection model.

Another dimension requiring refinement concerns documentary verification and evidentiary hierarchy. The legal existence of a receivable is not enough if supporting documents are fragmented, inconsistent, or vulnerable to post hoc contestation. Therefore, the mechanism should rely on a hierarchy of proof that gives greatest weight to electronically generated documents with verifiable timestamps, settlement statements, tax reporting consistency, and payment system traces. Where discrepancies appear between accounting records and digital transaction evidence, the system should flag the case for enhanced review before any coercive step is taken. This protects both the integrity of tax administration and the rights of economic actors whose obligations may be disputed on legitimate grounds. In addition, higher documentation standards can encourage firms to improve contract discipline and invoice quality over time. Thus, the evidentiary architecture of the mechanism has long-run formalization effects beyond the immediate sphere of tax collection.

Administrative speed is a decisive variable because the value of receivables deteriorates when recovery procedures lag behind the economic reality of payment turnover. Commercial counterparties may become insolvent, transfer funds elsewhere, dispute obligations strategically, or simply postpone responses if the process is not tightly managed. The reform's use of short electronic deadlines is therefore one of its strongest features, since it reduces the period during which a recoverable claim can lose practical value [1]. Yet legal deadlines alone are insufficient unless tax bodies possess dashboards, reminders, escalation protocols, and interdepartmental responsibility mapping that ensure those deadlines are actively managed. The mechanism should accordingly be embedded in a service architecture that records each procedural stage and alerts administrators to approaching time limits. Such digital operationalization would raise collection efficiency and strengthen accountability in territorial offices. Local budget systems benefit when recovery is not only lawful, but also chronologically disciplined.

The second table is introduced to compare receivables-based recovery with more conventional tax debt enforcement instruments. The purpose is not to claim universal superiority for one method, but to assess how each instrument performs against the criteria most relevant for local budget enhancement: speed, cost, transparency, legal controllability, digital compatibility, and impact on productive activity. In practice, collection systems work best when they possess several tools whose application can be calibrated to the factual profile of each case. However, the comparison demonstrates that receivables-based recovery occupies a distinctive niche where administrative cost

can remain moderate while the recovery perimeter expands beyond immediately visible taxpayer assets. This characteristic makes it especially attractive in environments where digital documentation has improved but cash constraints still affect a large share of businesses. The table therefore helps clarify the strategic rationale for adding this mechanism to the core toolkit of territorial tax administration. It also provides a basis for subsequent policy recommendations on prioritization and sequencing.

Viewed through a broader public-finance lens, the mechanism can contribute to reducing the fiscal asymmetry between economically active regions and territorially weaker districts. Stronger regions often recover debts more effectively simply because business documentation is better, counterparties are more visible, and payment chains are easier to monitor. A formalized receivables framework can narrow that gap by giving territorial tax bodies a replicable instrument that does not rely exclusively on local administrative improvisation. If combined with central analytical support, standardized software, and region-specific risk scoring, the procedure can elevate recovery quality even in jurisdictions with weaker institutional capacity. This has important equalization implications for local budgets, because improved collection in lagging areas reduces reliance on compensatory fiscal support. It also helps align territorial tax administration with the principle that every region should mobilize available internal reserves before seeking additional redistribution [7]. The mechanism should therefore be understood as part of a broader agenda of fiscal capacity building.

Table 2. Comparative assessment of tax debt recovery instruments for local budget enhancement

Recovery instrument	Administrative speed	Cost intensity	Coverage of recoverable value	Digital compatibility	Impact on business continuity
Bank account seizure	High where funds are available	Moderate	Narrow	High	Medium
Cash collection and direct payment orders	Medium	Moderate	Limited	Medium	Medium
Property seizure and liquidation	Low	High	Potentially broad but slow	Low	High disruption risk
Penalty escalation and coercive sanctions	Medium	Low to moderate	Indirect	Medium	Can reduce compliance goodwill
Installment and restructuring arrangements	Medium	Low	Depends on taxpayer cooperation	High	Low disruption
Receivables-based recovery	High for documented claims	Moderate at launch, low after digitalization	Broad within formal turnover	High	Lower disruption than asset liquidation
Hybrid portfolio approach	High when risk-based	Moderate	Broad	High	Balanced

Source: Author's analytical framework based on Uzbek legislation, payment-system developments, and comparative public-finance literature.

The comparison is qualitative and intended to show the strategic place of receivables-based recovery within a diversified enforcement architecture rather than to propose a single universal instrument.

No serious analysis would be complete without recognizing the legal and economic risks associated with receivables-based enforcement. There is a possibility of overreach if tax authorities target claims that are commercially contested, not yet due, or inadequately documented, thereby imposing unjustified pressure on debtors and taxpayers alike. There is also a governance risk if performance metrics reward gross notice volume rather than actual lawful recovery, which could distort administrative incentives. To mitigate these dangers, the mechanism should incorporate internal review thresholds, appeal channels, documentation standards, and case-selection filters that privilege recoverability over sheer quantity. Such safeguards are not obstacles to enforcement; they are conditions for making the procedure legitimate and sustainable. When legal certainty is maintained, debtors are more likely to comply voluntarily and taxpayers are less likely to challenge the mechanism as arbitrary. Institutional credibility thus becomes a direct determinant of fiscal effectiveness rather than a separate normative concern.

International public-finance research reinforces the importance of information quality, proportional enforcement, and digital integration in debt collection systems. Comparative studies by the OECD and the World Bank have repeatedly shown that tax administrations recover arrears more effectively when they segment debt portfolios, align intervention methods with risk profiles, and make greater use of third-party information to verify claims [8]. IMF work on revenue administration similarly emphasizes that unpaid tax obligations should be managed through a combination of timely case treatment, reliable data, and strategies that preserve future compliance rather than focusing only on one-off coercion [9]. These insights are directly relevant to the Uzbek context, because accounts receivable represent a form of third-party information that can be transformed into an actionable recovery channel. The proposed mechanism is therefore consistent with broader international principles even though its legal formulation is nationally specific. Embedding the reform within that wider scholarly framework strengthens the article's external validity. It also demonstrates that the innovation can be discussed as part of mainstream fiscal-administration theory.

A further practical refinement concerns the relationship between receivables-based recovery and taxpayer service models. Although the mechanism is enforcement-oriented, its successful use may actually depend on how clearly taxpayers understand

the procedural pathway before coercive steps become necessary. If firms are informed that verified receivables can be redirected to settle arrears, they may choose to regularize obligations voluntarily, submit reconciliation documents promptly, or negotiate payment sequencing more responsibly. This anticipatory effect is especially likely in digital environments where notices, obligations, and response windows are clearly visible within taxpayer portals. In that sense, the mechanism should be presented not only as a sanctioning tool, but also as part of a transparent compliance framework that rewards early regularization. Such positioning can reduce friction and improve collection outcomes at lower administrative cost. The refinement of the mechanism therefore includes communication architecture as well as legal design.

When the perspective shifts from individual cases to aggregate fiscal strategy, receivables-based recovery appears as a method for unlocking dormant budget reserves. Local revenue policy often concentrates on expanding the tax base, combating hidden turnover, or improving audit selection, all of which remain important. Yet a parallel reserve exists in already assessed but unpaid liabilities that are not actively matched with incoming commercial claims. Converting even a modest share of those dormant liabilities into actual budget receipts can improve the realism of local revenue plans and reduce the volatility of monthly execution. Moreover, because these are not hypothetical future taxes but existing obligations, the fiscal effect can materialize faster than many structural tax policy measures. This is why the mechanism should be viewed as part of short-to-medium-term budget optimization as well as long-term administrative modernization. It helps bridge the gap between assessed revenue and collected revenue, which is one of the central problems of territorial public finance.

The cumulative analysis suggests that the most effective version of the mechanism is one that integrates legal certainty, digital traceability, territorial differentiation, and risk-based prioritization into a single administrative model. Such a model would begin with portfolio segmentation of arrears, identify verifiable receivables through interoperable data sources, assign cases according to expected recoverability, and monitor procedural deadlines through centralized digital workflows. It would also distinguish between supportive compliance measures and compulsory recovery actions so that administrative pressure remains proportional to risk and evidence. In doing so, the mechanism could reduce tax arrears without undermining productive business activity or overburdening territorial offices with low-quality cases. That balance is crucial for ensuring that the mechanism strengthens local budgets in a durable rather than merely episodic manner [10]. The article therefore argues for refinement not in the narrow technical sense alone, but in the broader sense of constructing an integrated

fiscal-administrative methodology. Such an approach best reflects the realities of contemporary territorial finance in Uzbekistan.

The comparative evidence indicates that receivables-based recovery occupies a pragmatic middle ground between intrusive asset liquidation and purely cooperative arrangements. It is stronger than installment agreements when taxpayers are strategically delaying payment despite expected inflows, but less economically destructive than seizing productive assets that support ongoing operations. This balance matters for local budget management because authorities need instruments that improve collection without unnecessarily shrinking the tax base that will generate future revenues. In practice, the best results are likely to come from using the mechanism as part of a portfolio strategy rather than as a stand-alone solution. Cases involving clear documentary evidence and active counterparties should move quickly through the receivables channel, while cases marked by dispute or insolvency should be routed differently. Such differentiated sequencing is essential for turning a legal reform into a stable contributor to territorial fiscal performance.

A refined implementation model should therefore include measurable indicators that go beyond the simple amount recovered. Useful metrics would include the share of arrears cases screened for receivable potential, the proportion of notified claims confirmed by debtors, the average number of days from notice to recovery, and the contribution of receivables-based collection to monthly local budget execution. These indicators would enable policymakers to distinguish between nominal administrative activity and real fiscal effect. They would also support benchmarking across regions, helping identify whether performance gaps arise from legal interpretation, software quality, staff capacity, or the underlying structure of local business turnover. In this way, the mechanism becomes auditable, comparable, and improvable over time. Administrative learning is indispensable if the procedure is to scale sustainably beyond a narrow set of pilot cases.

Ultimately, the value of the proposed mechanism lies in its ability to connect three policy objectives that are too often discussed separately. The first objective is reducing tax arrears through more intelligent enforcement. The second is enhancing local budget revenues through faster and more predictable mobilization of already assessed obligations. The third is deepening formalization by making commercial settlements more visible, document-based, and digitally verifiable. When these objectives are integrated, tax administration evolves from a reactive debt-collection function into a broader instrument of fiscal governance. That transformation is especially important for a country pursuing both territorial development and the modernization of public financial management. The mechanism for reducing tax arrears through accounts

receivable should therefore be regarded as a strategically important component of Uzbekistan's contemporary tax-administration reform agenda [11].

Conclusion

The analysis confirms that the reduction of tax arrears through accounts receivable offers a substantively stronger pathway for enhancing local budget revenues than approaches confined to direct taxpayer assets alone. Its importance lies in recognizing that unpaid public claims coexist with private inflows that remain economically real even when they are administratively underutilized. By connecting tax debt recovery with debtor-creditor relations documented in digital and accounting systems, the proposed mechanism expands the effective collection perimeter and accelerates fiscal liquidity mobilization. The article has shown that recent legal reforms in Uzbekistan provide a workable statutory basis for this transition, but their fiscal payoff depends on methodological refinement, data integration, and territorial differentiation. Most importantly, the mechanism can improve both the volume and the timing of local revenue collection, which is crucial for budget execution quality at the subnational level.

Four principal conclusions emerge from the study. First, accounts receivable should be incorporated into tax-debt management as a priority recovery channel wherever documentary quality and debtor solvency permit. Second, the effectiveness of this channel depends on integrating arrears records, receivable data, digital payment traces, and case-management deadlines into a unified administrative workflow. Third, territorial differentiation is necessary because regions vary significantly in digital payment maturity, settlement discipline, and the density of verifiable commercial claims. Fourth, the mechanism delivers its greatest value when combined with safeguards that protect legal certainty, encourage voluntary regularization, and align recovery activity with the broader goal of sustaining future tax capacity rather than merely maximizing one-time coercion.

Recommendations

1. Introduce a unified receivables-recovery module within the tax administration information system that automatically matches arrears cases with documented debtor obligations and ranks them by recoverability probability.
2. Adopt a territorial scoring model that differentiates enforcement intensity according to digital payment penetration, sectoral structure, debtor reliability, and the fiscal sensitivity of local budget execution gaps.
3. Establish a formal evidentiary hierarchy that gives priority to electronic invoices, digitally signed reconciliation statements, tax-reporting consistency, and payment-system traces before compulsory recovery action is initiated.

4. Use performance indicators focused on confirmed claims, recovery speed, budget impact, and lawful case completion instead of simple notice volume, thereby aligning administrative incentives with genuine fiscal effectiveness.
5. Combine the receivables mechanism with proactive taxpayer communication through personal cabinets and digital alerts so that voluntary settlement is encouraged before commercial counterparties become subject to compulsory redirection.

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