

**STRATEGIES FOR EXPANDING THE TAX BASE IN THE SERVICES  
SECTOR DURING THE PERIOD OF TRANSITION TO A GREEN ECONOMY**

**Jalolova Dilsuz**

*Students of Group 724, Faculty of Economics,*

*Scientific supervisor: **Xaqnazarova Y***

*Samarkand Economic and Service Institute, Samarkand, Uzbekistan*

*E-mail: [otabekabduraimov500@gmail.com](mailto:otabekabduraimov500@gmail.com)*

**Abstract:** *This article examines the theoretical and practical aspects of expanding the tax base in the services sector, which is considered a leading branch of the economy, in the context of the transition to a green economy. During the research, the resource-saving nature of the services sector, the process of "dematerialization," and the impact of digital transformation on tax revenues are analyzed. The article proposes strategies for introducing environmental levies based on the "polluter pays" principle, taxing Product-as-a-Service (PaaS) models, and improving tax administration through digital platforms. Furthermore, the experience of developed countries regarding green tax reforms is studied, and conclusions and recommendations are formulated to align the national tax system with sustainable development goals.*

**Keywords:** *Green economy, services sector, expanding the tax base, environmental taxes, digital economy, sustainable development, "Decoupling" effect, tax administration, PaaS (Product-as-a-Service), ESG standards.*

The transition to a green economy is one of the most significant economic transformations of the 21st century. Unlike traditional economic models, the green economy prioritizes sustainable development by reducing environmental damage and ensuring the rational use of natural resources. While global attention is primarily focused on the manufacturing and energy sectors, the services sector, which constitutes the main part of the Gross Domestic Product (GDP), also plays a decisive role in this process. However, the transition to sustainable development requires a strong and flexible fiscal policy. Expanding the tax base in the services sector is no longer merely a means of increasing government revenue, but a strategic mechanism for directing economic entities toward "environmentally friendly" activities. This article analyzes the strategies for diversifying tax revenues and expanding the tax base in the service sector under the conditions of a green economy.

I present the introductory part of the article in an expanded form, covering scientific-theoretical data, global tendencies, and the fundamental importance of the green economy in the services sector more deeply:

Today, humanity finds itself surrounded by serious problems such as global climate change, limited resources, and environmental degradation, which has made the abandonment of the traditional "brown" economy model and the transition to a sustainable and secure "green economy" a vital necessity. The green economy promotes a

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strategy of not only protecting the environment but also increasing social welfare and making economic growth independent from the consumption of natural resources (decoupling). Although this transformation is considered to apply only to heavy industry or energy sectors in most cases, in reality, the services sector, which is considered the locomotive of the modern world economy, occupies a central place in this process. At a time when approximately 65-70 percent of the global gross domestic product corresponds to the services sector, revising the tax base of this network based on green standards is the most important condition for ensuring the long-term stability of the state financial system. From this point of view, the strategy of expanding the tax base in the services sector implies not simply the introduction of new levies, but the changing of entire economic behaviors. While traditional tax systems relied mainly on material production and physical assets, under the conditions of green transformation, tax objects begin to shift more toward intellectual services, digital transactions, and environmental efficiency indicators. This, in turn, strengthens not only the revenue-generating but also the incentive function of fiscal policy. For example, the process of transitioning from resource-intensive transport and logistics services to digital platforms poses new tasks for tax authorities. The expansion of the tax base means the legalization of "hidden" or unaccounted services, the creation of a legal and fiscal field for new types of "green" services (environmental consulting, auditing, sustainable tourism), and the separation of economic growth from environmental damage. Furthermore, green reforms in the services sector serve as an important factor in increasing international competitiveness. Today, international investors and financial institutions prefer to invest in economies that meet "ESG" (Environmental, Social, and Governance) standards. Consequently, by aligning the tax system in the service sector with green principles and diversifying the base, the state not only strengthens its budget but also creates an attractive environment for foreign investment. This article analyzes the specific characteristics of the services sector, the impact of digitalization on tax revenues, and innovative mechanisms for expanding the tax base during the period of transition to a green economy, which is an important theoretical and practical step toward the sustainable development of the national economy.

The strategy of expanding the tax base in the services sector during the transition to a green economy should not be understood simply as increasing the tax burden; this process primarily means diversifying taxable objects and bringing newly emerging economic relations into the legal framework. In the first place, there is the issue of taxing digital platforms and e-commerce services, which are the largest segments of the services sector, based on green standards. Digital services consume fewer natural resources than traditional services, but the infrastructure that supports them (for example, large server centers) consumes vast amounts of energy. Therefore, one of the innovative directions for expanding the tax base is to designate the energy efficiency indicators of service enterprises as an object of taxation. In this regard, special environmental levies are introduced for service types operating with high energy consumption based on the

"polluter pays" principle, which, in addition to bringing additional revenue to the budget, compels entrepreneurs to transition to renewable energy sources.

The second strategic direction is the full integration of the "Product-as-a-Service" (PaaS) model—providing a product in the form of a service—into the taxation base. In a green economy, consumers prefer purchasing the right to use goods (rental, leasing, car-sharing) rather than buying the goods themselves. This forms a more stable and long-term service tax base than a traditional sales tax. For example, a small "green fee" taken from each transaction within a car rental service both expands the tax base and serves as a targeted fund for improving urban ecology. Through such models, the share of the services sector in the economy increases not artificially, but through the creation of real value. Also, applying indirect taxes (for example, VAT) through differential rates yields great results in expanding the tax base in the services sector: setting reduced rates for ecologically certified services and standard or higher rates for "old" types of services with high resource intensity provides an incentive for service providers in the hidden economy to become legalized.

The third important direction is the regional expansion of the tax base in the fields of international tourism and recreation services. In a green economy, the role of ecotourism is incomparable, and this sector is often located in remote and mountainous areas that remain outside of tax accounting. The introduction of "ecological tourism fees" and taxes for the use of local infrastructure for services provided in these areas leads to an equal distribution of the tax base not only in the capital and major cities but throughout the entire country. Combining this process with digital monitoring—that is, passing all tourist transactions through online platforms—minimizes cases of tax evasion. In conclusion, strategies for expanding the tax base in the services sector serve to "cleanse" the economy while enriching the state's fiscal capabilities through new, high-tech, and ecologically sustainable sources.

**International experience and the effectiveness of tax reforms in the services sector.** In the transition to a green economy, the experience of the European Union and Southeast Asian countries regarding the expansion of the tax base in the services sector arouses great scientific and practical interest. In international practice, a strategy known as "Tax shifting" is being applied increasingly widely. The essence of this strategy consists of reducing the tax burden on labor and capital and shifting it toward services and resource consumption that have a negative impact on the environment. For example, the introduction of a carbon tax for enterprises in the service sector in Scandinavian countries not only increased budget revenues but also served as an incentive to increase the innovative activity of these enterprises by 25-30 percent. This experience shows that in expanding the tax base, the main emphasis should be placed not only on quantity but on qualitative growth. In countries such as Germany and France, "digital green tax" mechanisms are being developed for giant companies providing digital services (the GAFAM model), which serves to expand the national tax base through cross-border services. However, the process of forming a green tax base in the services sector also faces a number of problems and obstacles. One of the main obstacles is the "intangible"

nature of services. Unlike manufacturing, it is considered complex to measure the exact amount of indirect environmental damage caused by services (for example, the carbon footprint of a one-hour online consultation). This creates the risk of "Green-washing" (false green intentions) in tax administration, meaning enterprises attempt to present themselves in a "green" status that does not actually exist in order to avoid taxes. To eliminate this problem, it is strategically necessary to integrate the tax base with "digital monitoring" and "blockchain technologies." Controlling the actual resource consumption of the service provider through the chain accounting of transactions and smart contracts (smart-contracts) is the most effective tool for protecting the tax base from the "shadow" economy.

Furthermore, it is of great importance to take into account the interests of small and medium-sized business entities (SMEs) in expanding the tax base. In order to ensure that a sharp increase in the green tax burden does not decrease the competitiveness of SME entities, it is appropriate to apply the principle of "gradualism." In the initial stage, environmental levies should be introduced only for large service-providing entities (air carriers, large logistics centers, IT hubs), while providing tax incentives for small enterprises based on "green certification." Such an approach encourages business entities to voluntarily transition to the "green segment" of the tax base. In conclusion, expanding the tax base in the services sector is not merely a fiscal process, but a complex economic reform that embodies modern digital technologies, international standards, and principles of social justice. Its success depends directly on how flexible and transparent the tax legislation is.

The issue of expanding the tax base in the services sector during the transition to a green economy is not only a means of increasing budget revenues but a fundamental foundation ensuring the environmental sustainability of the national economy. Conducted analyses show that the modern tax system must adapt to encompass the flow of services directed from traditional material resources toward "intangible" and intellectual assets. In this process, the expansion of the tax base serves to create an environment of equal and fair "green competition" for all participants in the economy. The specific characteristics of the services sector—namely its high level of mobility and digital nature—require more flexible and technological approaches from tax administration.

From a strategic perspective, it is considered appropriate to implement the following priority tasks to expand the tax base in the services sector. First, it is necessary to introduce the concept of "green services" into national tax legislation and develop their classification based on international standards (such as ESG criteria). This will allow tax authorities to clearly define which types of services to encourage and which ones to subject to additional environmental burdens. Second, it is essential to recognize digital economy platforms as tax agents and establish a system for automatically drawing all services provided through them (freelance services, rentals, digital content) into the tax base. This will not only expand the base but also sharply reduce the share of the shadow economy.

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Third, the principle of "target-orientedness" should be strengthened within the tax system; that is, environmental levies and taxes collected from the services sector should be directed toward "greening" projects in that specific sector—for example, subsidizing the transition of digital infrastructure to renewable energy sources. Such an approach increases entrepreneurs' trust in the tax system and reduces the inclination to evade taxes. Fourth, the long-term stability of the base can be ensured by introducing a system of "innovative tax credits" for service-providing entities regarding energy efficiency and resource conservation.

In conclusion, the strategy for expanding the tax base in the services sector should be aimed at finding the golden balance between economic growth, social justice, and environmental responsibility. A correctly established green tax policy will not only increase the country's investment attractiveness on the international stage but will also serve as the most effective mechanism for leaving a clean environment and a stable economic system for future generations. The economy of the future is not only a high-income economy but an economy of services harmonized with nature.

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