



Local Budgets Mechanisms for Strengthening Tax Income Bases

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Annotation: This article examines the reforms in the field of tax policy of the Republic of Uzbekistan, changes in the local tax system and the views of economists on the tax system of the country. It also analyzes the country's revenues by type of tax, state budget revenues by type of tax, indicators for the last three years, as well as the achievements and shortcomings of the local tax system. Scientific conclusions and recommendations on further development of the tax system in Uzbekistan and, as a result, support for production, improvement of the mechanism of local tax incentives have been formed.

Keywords: local budget, tax system, tax policy, local taxes, excise tax, value added tax, property tax, tax trend, tax progression, tax burden.

1. Introduction.

The Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 was approved by the Presidential Decree on February 7, 2017. According to him, the third priority is the further development and liberalization of the economy, which includes the financing of sectors of the state budget expenditure classification as a result of further development of the country's tax system, resulting in economic and social development [1].

The regulation of the economy by the state through taxes is a way of forming the state budget, influencing the development of this or that process in the state through taxes.

The current tax system in the Republic of Uzbekistan in many respects reflects the specifics of the national economy, as well as in accordance with the principles of world taxation.

Today, the improvement of tax legislation and its regulations is important in the effective organization of tax relations. This, in turn, requires effective and consistent implementation of tax legislation by the state.

Today, the instability of tax legislation, its excessive instructions, orders and other normative documents have a negative impact on the effective functioning of this system. It is also a requirement of today to improve the tax legislation and prepare and implement a single document in this area. Important and effective work is being done by our state in this regard.



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President of the Republic of Uzbekistan Shavkat Mirziyoyev in the decree “On the concept of improving the tax policy of the Republic of Uzbekistan”, providing for a significant change in the tax system from the beginning of 2019, said:

“Consistent reduction of tax burden, simplification of the tax system and improvement of tax administration are the most important conditions for accelerated development of the economy and improving the investment attractiveness of the country” [2].

2. Literature review

The tax burden is an overall indicator of the role that taxes play in society. In many countries, the tax burden at the macroeconomic level is calculated relative to the total amount of taxes and levies on GDP [3].

Analyze optimal taxation in the context of an endogenous growth model where growth is endogenous as a result of constant returns to cumulable factors. Because of their focus on the accumulation of human capital as opposed to innovative activity as the engine of growth, their policy prescriptions are quite different from ours. By contrast, what we find is that while physical capital accumulation should not be distorted in the long run, both labour and innovative activity should be taxed in the sense that their after-tax returns are less than their marginal products. This is because there is an endowment of time for labour and innovation in each period, beyond the initial capital endowment [4].

Modern science defines tax forecasting as an assessment of the tax potential and receipts of taxes and fees in the budgetary system (republican, regional, district, city budgets, as well as off-budget state trust funds). It is carried out on the basis of a forecast of the socio-economic development of the state [5].

Scientists and experts have the same approach to determining the tax burden at the macro level. There is no consensus on its definition at the micro level, including at the level of business entities. This is because the source to which taxes are attributed is interpreted differently by the authors. That is, a number of economists determine the tax burden relative to profit or income [6].

Local budgets play an important role in the implementation of national economic and social tasks, primarily in the allocation of public funds and the development of social infrastructure. Distribution and delivery of produced goods to the population is carried out mainly through the budget system. It is known that the bulk of consumer funds are formed through budgets. At the same time, the main expenditures related to public education, health, social security, housing and communal services will be covered by local budgets. The implementation of social protection policy by the state requires a large amount of material and financial resources, and these important tasks are entrusted to local authorities. Funding for social protection measures is mainly provided by local budgets [7].

Full identification of the tax revenue base of local budgets, in particular, the distribution of taxes between different levels of budgets and the determination of the optimal amount of inter-budgetary transfers, ensuring the stability of tax revenues, as well as developing a science-based tax revenue forecast are important aspects of regional revenue policy motivation. Plays an important role in assessing the tax potential of local budgets [8].

The formation of tax revenues of local budgets is a multifactorial process, which takes into account the influence of economic, tax administration, regulatory, legal and political factors plays



an important role in strengthening the revenue base. Local budgets are also an important factor in increasing the potential of financial resources by strengthening the tax revenue base and ensuring the stability of local budgets [9].

3. Research methodology.

Economic analysis of the country's local tax system and tax policy, collection of data on tax revenues, current new indicators of tax revenues by regions, analysis of data collected, generalization and logical thinking research methods have been widely used.

4. Analysis and discussion of results.

Taxes are one of the basic conditions for the existence of any state at all stages of its emergence and development. Without funds alienated by society as taxes, the functioning of public authorities that are not engaged in productive labor is impossible. With the development of society and the state and the expansion of its functions, the need for financial resources necessary to cover the expenses incurred by the state increases. As a market economy develops, taxes turn from a minor and in many ways formal tools into a powerful lever of state economic policy. Today, taxes are not only the main source of state revenue, but also assume the functions of regulating economic processes and providing social guarantees.

Today, the relations in the field of taxation in the territory of the Republic of Uzbekistan are carried out on the basis of the following system (Figure 1).

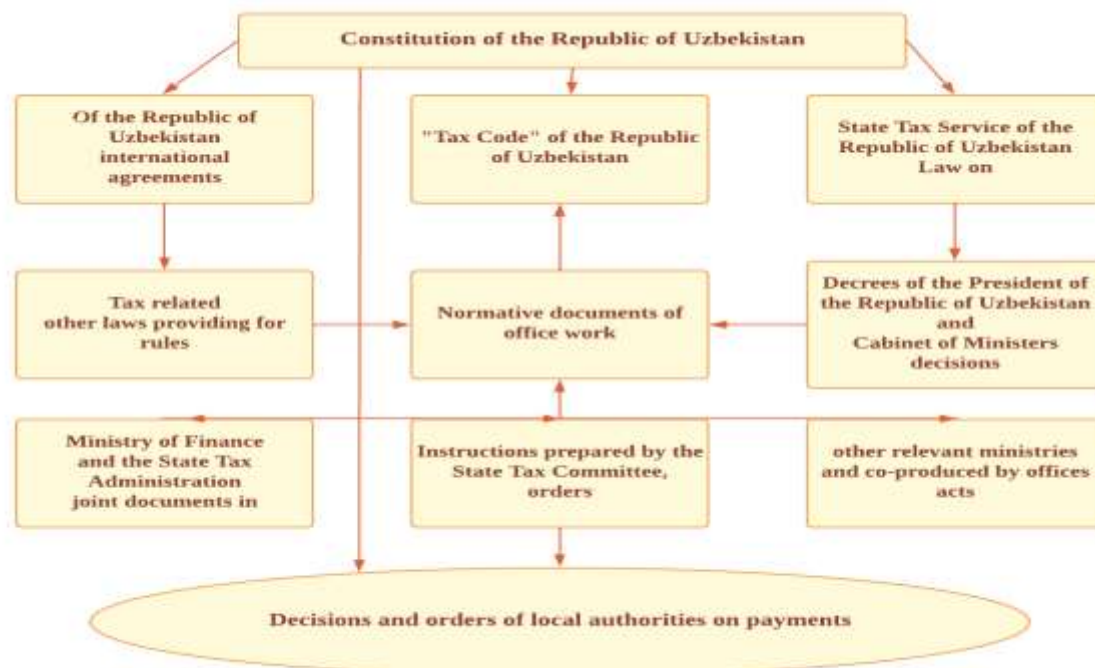


Figure 1. Sources of the system of legal and regulatory documents and laws in the field of taxation [10]



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Figure 1. Below shows some sources of tax legislation, according to which the basis of the tax legislation of the Republic of Uzbekistan is the Constitution of the Republic. Tax Code, Laws on the State Tax Service, Uzbekistan

Decrees of the President of the Republic, resolutions of the Cabinet of Ministers, documents of the Ministry of Finance and the State Tax Committee, instructions, orders prepared by the State Tax Committee and resolutions and orders of local authorities on certain payments are based on this.

Through the above legislative process, it will be possible to manage the country's tax policy wisely. This, in turn, is a guarantee for the proper and fair growth of tax revenues.

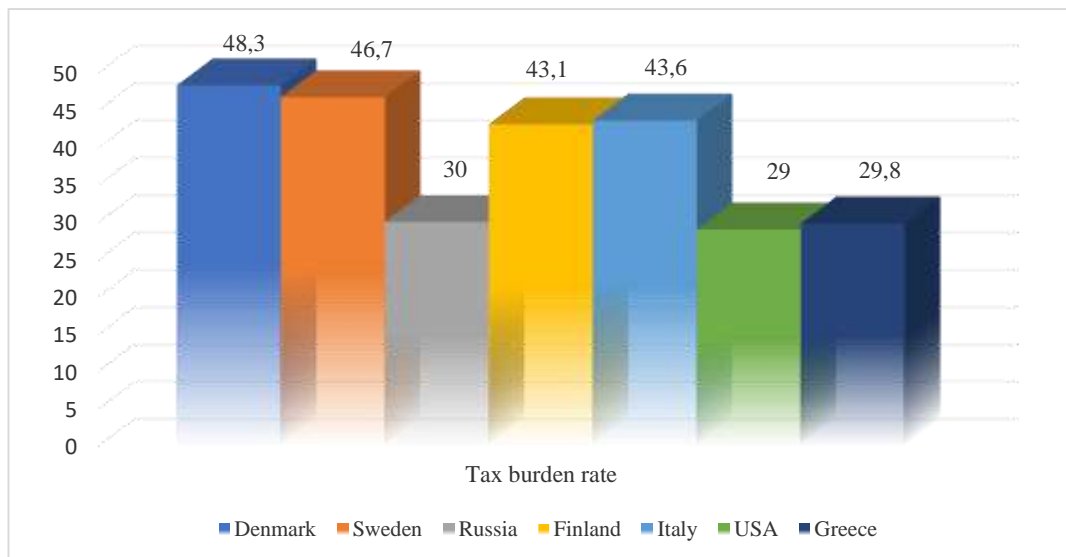


Figure 2. The level of tax burden in some countries of the world (As a percentage of GDP) [11]

It is clear from the data in the table that the high tax burden falls on the countries of Denmark and Sweden, at 48.3 and 46.7 percent, respectively.

The theoretically interpreted normative level of this tax burden is much higher than 30%, but in these countries the living standards of the population are high and most importantly the mechanism of tax collection and its operation is much better than in countries with much lower tax burden. Economic growth will also be high.

At a time when the tax burden in the Republic of Uzbekistan is 23.5%, the above figures are quite different. This testifies to the effective implementation of tax policy in our country. We can analyze the tax burden over the years from the figure below.

Strict measures are being taken to improve local budgets. Based on the above, a systematic approach to this issue plays an important role in the development of science-based proposals and recommendations for the effective implementation of local budget revenue policy in the implementation of measures to increase local budget revenues and ensure their sustainability.



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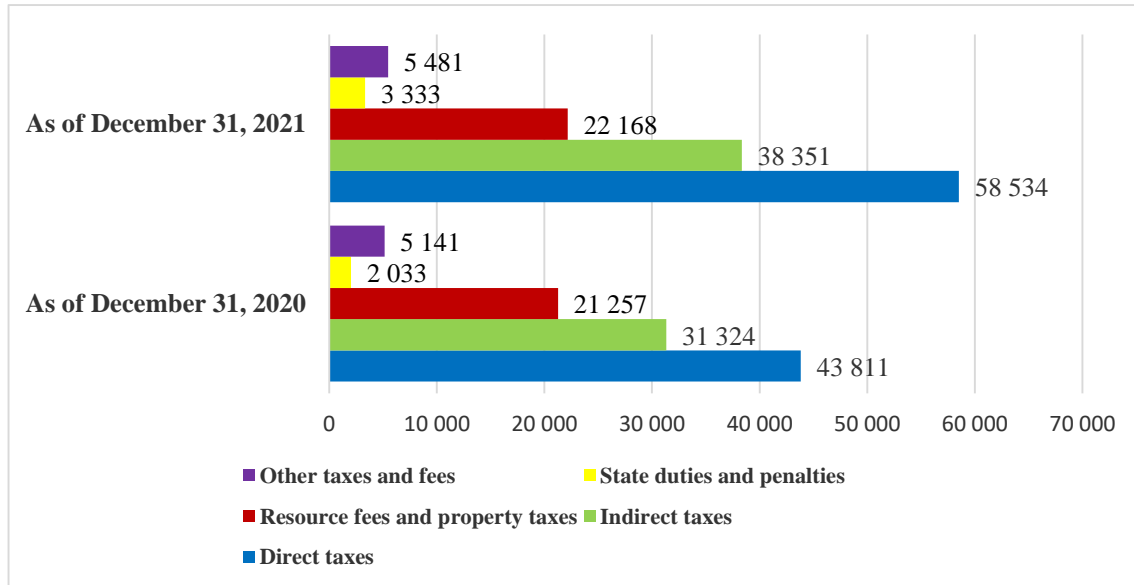


Figure 3. Information on budget revenues by types of taxes in the Republic of Uzbekistan as of December 31, 2020-2021 (in billions of soums) [12]

As we can see from the analytical indicators in the above Figure data, if we assume that the total budget revenues in tax areas in 2020 will be 100%, in 2021 this indicator rates will increase by 23.5% compared to 2020. This will play a major role in further developing production and ensuring economic growth in the country.

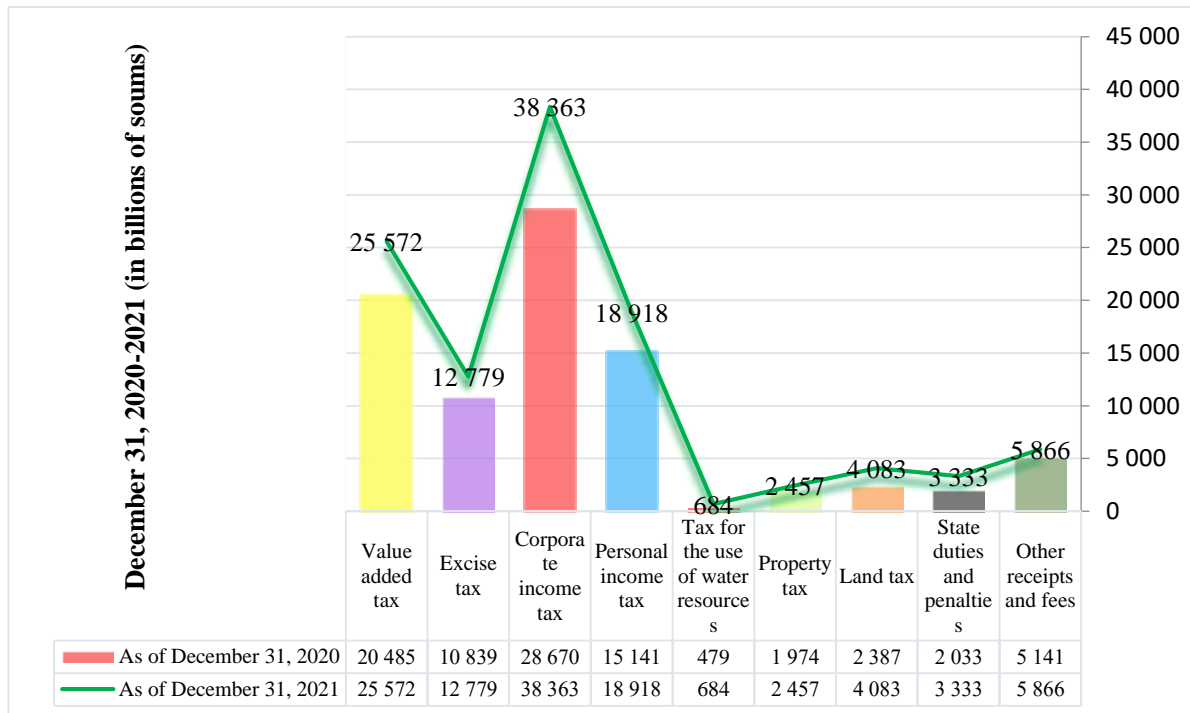


Figure 4. Information on budget revenues in the Republic of Uzbekistan by types of taxes as of December 31, 2021 (in billion soums) [13]

As we can see from the analytical indicators in the above Figure data, if we assume that the total budget revenues in tax areas in 2020 will be 100%, in 2021 this indicator rates will increase by 23 % compared to 2020. This will play a major role in further developing production and ensuring economic growth in the country.

As shown in the picture above, the full reduction of tax revenues in the prescribed manner in the budget - this will lead to an improvement in the economic life of the country. Funds directed to the socio-economic spheres, which are part of the expenditure classification of the state budget, are also made through tax revenues. Financing of existing sectors is one of the priorities of the state. As a result of prudent tax policy pursued in the country, significant macroeconomic and microeconomic development will be achieved.



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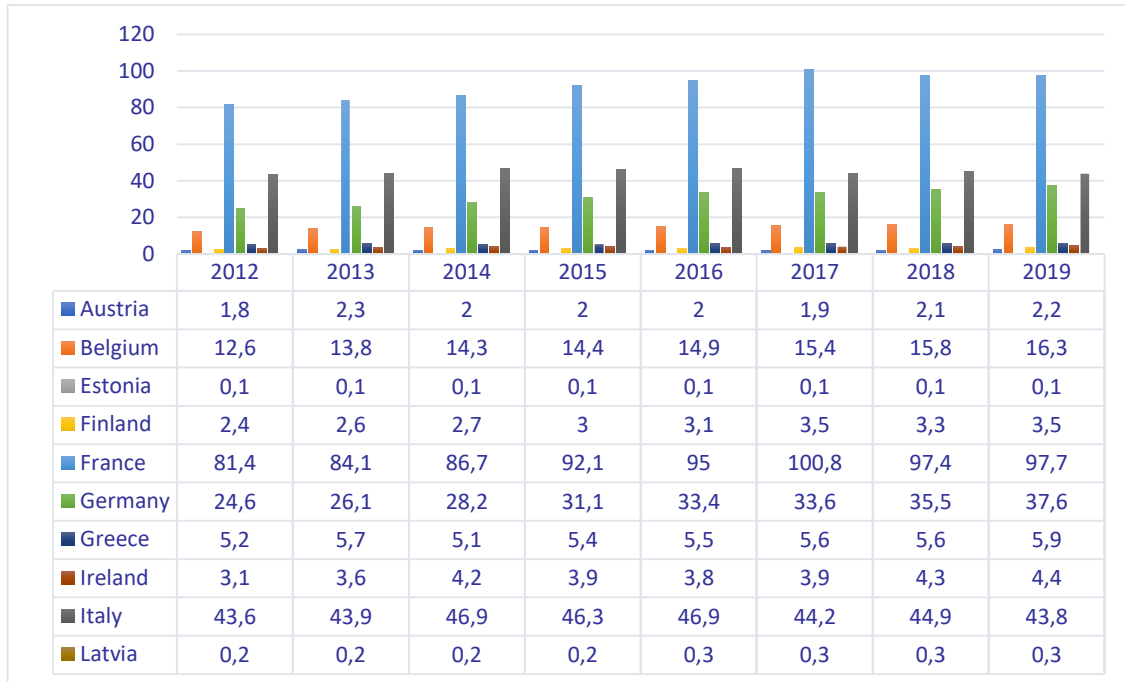


Figure 5. Property tax revenues in European countries Indicators (billion euros) [14]

As part of the study of international practice, the property tax rates of 10 European countries were analyzed (Figure 4). Europe compared to other countries in terms of property tax rates. We can see that the highest figure belongs to France (97.7 billion. EUR). In Italy and Germany, property tax revenues are similar 43.8 and 37.6 billion, respectively euro. This is the case in other countries in the table It should be noted that the figure is significantly lower. To conclude possibly property tax revenues in developed countries much higher than in most developing countries. This is directly related to the development of the private sector in the economy, the living standards of the population and high levels of profitability.

Macro-level refers to the tax system of the whole country, in other words, it means the state's intervention in the economy, its tax pressure. In this case, the tax burden is distributed to enterprises, industries and sectors. The macro-tax burden is insignificant for each of the legal entities and individuals. Because they pay taxes and fees to the budget and extra-budgetary funds from their own income.

The tax burden on the general population is calculated as the ratio of all taxes collected by the population to GDP. World experience shows that the tax burden on the population is divided into micro and macro levels. In our study, we also found it necessary to dwell on the tax burden on the population of our country. This is because the tax burden in the country is paid by two entities, namely a legal entity and an individual. The experience of developed countries shows that the bulk of the tax burden falls on individuals.



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We can also consider the above points in the example of state budget revenues. Indirect taxes from the indicators of budget revenues, taxes paid by individuals, products (works, services) by legal entities when we take the sum of property and land taxes included in the composition, we can see the total tax burden on individuals or how much they form part of the budget revenues.

Improving the living standards of the population by ensuring sustainable economic growth in the process of forming the foundations of a market economy in the Republic of Uzbekistan requires the solution of a number of complex economic problems of particular importance was ensuring macroeconomic stability and further improving the investment climate.

The main goal of the implementation of tax reforms is to achieve macroeconomic efficiency, the state seeks to effectively use a series of rates, tax incentives and tax bases that serve in the development and implementation of tax policy. However, it can also have a positive or negative impact on economic development. Their use should be approached with caution, that is, with the solution of problems that have a positive impact on economic development.

The impact of the tax burden and tax policy on the macroeconomic situation is very high, and the change in the country's gross domestic product and national income is directly related to the effectiveness of tax policy. The impact of the tax burden on the macroeconomic situation can be assessed by issues such as the impact of taxes on aggregate demand and aggregate supply, investment climate, consumption, economic stability.

Taxes are an important source of funding for any state and play an important role in budgeting and regulating the economy. In all countries of the world, taxes are the basis of state budget revenues.

The tax burden and the country's fiscal policy are important factors in achieving macroeconomic stability. The country's tax burden and tax policy play a special role in achieving economic growth, macroeconomic stability and improving the investment climate, and the need to improve these issues is a key requirement of today's economy.

The level of tax revenues occurs not only under the influence of socio-economic factors, but also depends on the effective use of the tax system and how it performs its functions.

The fact that the tax burden of our country is relatively low compared to other developed countries is also recognized as an achievement of the country's fiscal policy.

5. Conclusions and suggestions.

Based on the results of the study, the following conclusions and recommendations were developed:

The tax burden on the country's economy is the result of the state's tax policy and reflects the quality of the tax system. At the same time, the level of taxes levied is determined, on the one hand, by the efficiency of social production, and, on the other hand, by the amount of the state's need for financial resources. Therefore, reducing the weight of the tax burden is primarily associated with reducing government spending. Tax burden optimization is a process in which not only the tax rate, but also the tax base, tax benefits, tax payment periods and the indicator formed on the basis of optimal levels of social needs of the state are understood.

1. The process of formation of tax revenues of local budgets should be based on certain principles. The most important of these are: the fair distribution of taxes among their payers; the collection of taxes for the state should be as cheap as possible; whether the collection of taxes in



the budget does not lead to the depletion of the country's national wealth; the process of tax collection should not squeeze out the private sector;

2. The question of the role of tax revenues in the formation of local budget revenues, in most cases, is explained by the level of their weight. Accordingly, it is concluded that if the indicator representing the relevant weight is high, the role is high and, conversely, low, the role is also not decisive. In our view, such an approach is biased and does not fully reflect the role of tax revenues in the formation of local budget revenues;

3. The issue of strengthening the tax revenue base of local budgets requires measures to determine the amount of local taxes, increase the rates of certain taxes, improve the practice of taxation and the application of reduction coefficients in the tax system;

4. Strengthening local budget revenues and taxes building materials in ensuring the principle of fairness of taxation the minimum amount of tax for the use of subsoil on it is necessary to increase local budget revenues by setting;

5. The effectiveness and efficiency of the ongoing reforms in Uzbekistan depends on the timely and adequate funding of local budgets, increasing the sources of revenue of local budgets, in particular, the interest of local authorities in ensuring budget execution. Ensuring broad public opinion and participation in the process of implementation of local budgets is an important priority.

The above proposals and recommendations will further contribute to the further increase of local tax rates in the country, the socio-economic development of the country, the stability of budget surpluses and the fight against financial shortages.

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