



THE ROLE OF TAXES IN THE FORMATION OF LOCAL BUDGET REVENUES

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Abstract

Practical proposals and recommendations were proposed on the importance of taxes in the formation of local budget revenues and on increasing the efficiency of local budget revenues.

Keywords: Budget capacity, inter-budgetary transfers, local budget, local budget revenues, local budget expenditures, local taxes, tax revenues, financial independence, local government.

Introduction

Currently, the formation of an effective mechanism for the state to regulate the socio-economic development of the country's regions is of urgent importance. Starting from 2020, a new budget system has been introduced, aimed at expanding the powers of the Oliy Majlis of the Republic of Uzbekistan and local councils of people's deputies in the budget sphere, further increasing the responsibility of those who allocate budget funds, and ensuring the freedom of local government bodies in the formation and use of local budget revenues.

For the first time, the Law of the Republic of Uzbekistan "On the State Budget of the Republic of Uzbekistan for 2020" stipulates that local budget expenditures will be approved by local councils of people's deputies. The types of income that are directly related to the activities of local government bodies and are fully at the disposal of local budgets have been expanded.

The reforms being implemented today require increasing the responsibility of local government bodies for timely financing of primary expenditures and measures for the socio-economic development of regions, not implementing measures of unclear source, and further tightening budget discipline.



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Today, one of the problems in the process of forming state finances is the formation of local budget revenues and ensuring their stability, and economists recognize that in this regard, the importance of taxes in ensuring the financial stability of the local budget depends on increasing the importance of taxes.

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Analysis of literature on the topic

Economic scientists of our country have studied the processes of increasing the role and importance of taxes in the formation of local budget revenues.

In particular, A. Mamanazarov's research work has focused on increasing the role of taxes in stabilizing local budgets, H. Qobulov on increasing the potential of the regional economy and local budgets, Z. Ro'ziev on increasing the efficiency of the formation and use of local budget revenues, A. Khayriddinov on ways to ensure the stability of local budget revenue bases, A. Burkhanov and Kh. Kurbonov noted the need for a systematic approach to this issue by developing and widely applying practical recommendations on increasing local budget revenues and implementing measures to ensure their stability.

According to N. Khaydarov, it is necessary to encourage the attraction of foreign investors to increase the sources of income of local budgets and create new jobs in the regions. To this end, a list of industries and sectors in which foreign investors cannot engage in entrepreneurial and commercial activities in the country should be developed, and a green light should be given to all remaining industries and sectors.

S. Mishina notes that the general principles of the formation of revenues and expenditures of local budgets are based on the principles of the formation of the budget system and the role of state and local authorities in the economic system. O. Kuznesova defined the tax sources of the revenue base of local budgets as the sum of taxes paid to the budget, calculated independently by taxpayers and additionally by state authorities during control measures.



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T. Naydenova and I. Shvesova recognized that the financial basis of local government is the local budget, and the revenues of local budgets are formed at the expense of taxes and non-taxable types of income, as well as non-refundable income.

E. Afanaseva notes that the independence of local budgets is directly affected by the parameters of the distribution of budget revenues through vertical management, and that in a stable market economy, inter-budgetary relations contribute to the formation of independent local budgets taking into account the needs of local regions.

Foreign scholars James Alm, Robert D. Buschman, and David L. Sjoquist believe that local governments typically rely on several sources of revenue from private sources, including personal income taxes, general sales taxes, special excise taxes, levies, and local property taxes. Takaaki Masaki argues that financial transfers from the central government help finance the provision of public services, but they can also reduce the need for local revenue generation. According to E. Gorina, financial stability is the ability of local authorities to consistently fulfill their obligations to provide services to the population, to ensure a satisfactory financial condition of the local budget in the short and long term. According to the author, the ability of local authorities to ensure the implementation of the expenditure part of the budgets at the expense of their own revenues is the main condition for maintaining the financial stability of local budgets.

L.M. Sinervo believes that local government plays an important role in ensuring sufficient and stable well-being for its citizens, which is achieved through the organization of high-quality public services for the taxpayer. In his opinion, there are two fundamentals of financial management, namely, firstly, the public sector should balance its economy and funds in the long term, which means that taxes collected from the population will be sufficient, and secondly, it should organize services for them and ensure their equitable use. These fundamentals demonstrate the financial stability of local authorities.

The above considerations have examined the current state of formation and sustainability of local budget revenues, as proposed by economists. In our opinion, local taxes, which are currently the main source of local budget



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revenues, cannot fully form local budget revenues. In this regard, it is necessary to study the mechanism of allocation of deductions from republican taxes and financial assistance from higher budgets to lower budgets.

Research Methodology

In ensuring the financial stability of local budgets, it is important, first of all, to analyze the mechanism of formation of local budget revenues, the composition and share of local budget revenues, and to develop a comprehensive set of measures to increase the economic potential of regions and its rational use. In order to further strengthen budget discipline, increase the transparency of the tax and budget system, and increase the interest of local government bodies in the implementation of budget revenue forecast indicators, the following were determined:

to develop a medium-term budget framework and introduce a new “result-oriented budget” system for the formation of the annual budget in order to implement a strategic approach to tax and budget policy;

to increase the institutional capacity and responsibility of participants in the budget process to ensure the reliability of macro-fiscal forecasts;

to increase the authority and accountability of budget allocators and local government bodies in the budget sphere and strengthen their responsibility;

to introduce a system for assessing fiscal risks, accounting for financial assets and liabilities, and effectively managing them;

ensure transparency, completeness and compliance of budget information with international standards;

strengthen parliamentary and public oversight over the budget process[6].

Based on the above tasks, reforms aimed at expanding the tax powers of local authorities should be identified as an important direction for improving the tax system of our republic. On the one hand, this will serve to strengthen the revenue base of local authorities, and on the other hand, it will allow further expansion of the incentive function of taxes.



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Analysis and Results

In the current market economy, the budget issue is a very important and complex issue. The development of each region, the living conditions of its population, social protection, adequate social protection of low-income families and individuals, depends on the ability of state authorities in each region to properly resolve financial issues. In this regard, determining the type and amount of taxes and fees that fall into local budgets is of particular importance.

In improving the tax system of our republic, it is necessary to further clarify the powers of various authorities on taxes and fees, and at the same time increase the powers of local state authorities in this regard.

Strengthening the revenues of local budgets, stabilizing their expenses, and expanding their revenue base are among the urgent issues. The revenue base of local budgets is directly related to the national income generated in the regions, that is, the level of development of production, and the constant and uniform flow of income. Internal reserves for increasing local budget revenues are closely related to the development of production in the regions and the successful implementation of economic reforms in the regions. Proper organization of the activities of local government bodies is one of the main requirements for the economic and social development of each region.

Forecast of revenues, expenditures and interbudgetary regulatory transfers of the budget of the Republic of Karakalpakstan, local budgets of the regions and the city of Tashkent for 2025, billion soums

№	Regions	Income	Expenses	Inter-budgetary regulatory transfers
1.	Republic of Karakalpakstan	3 346,2	5 558,2	2 212,0
2.	Andijan region	4 512,9	6 688,7	2 175,8
3.	Bukhara region	4 573,2	5 263,7	690,5
4.	Jizzakh region	2 523,4	3 623,5	1 100,1
5.	Kashkadarya region	5 264,1	6 232,7	968,6
6.	Navoi region	3 384,4	3 476,9	92,5
7.	Namangan region	3 942,8	6 166,3	2 223,5
8.	Samarkand region	5 915,2	8 012,3	2 097,1
9.	Surkhandarya region	3 464,6	5 520,6	2 056,0
10.	Syrdarya region	1 739,4	2 552,3	812,9
11.	Tashkent region	6 819,4	7 082,0	262,6
12.	Fergana region	6 027,4	8 170,3	2 142,9
13.	Khorezm region	3 166,4	4 497,5	1 331,1
14.	Tashkent city	11 156,9	11 419,1	262,2
	Total:	65 836,3	84 264,1	18 427,8



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Approves the limited amounts of budget funds allocated to the allocators of territorial budget funds from the budget of the Republic of Karakalpakstan, local budgets of regions and the city of Tashkent, budgets of districts and cities, and the limited amounts of regulatory interbudgetary transfers allocated from the republican budget of the Republic of Karakalpakstan, regional budgets of regions and the city of Tashkent to the budgets of districts and cities;

Approves the forecast of revenues of the republican budget of the Republic of Karakalpakstan, regional budgets of regions, the city budget of Tashkent, budgets of districts and cities;

Adopts resolutions on amendments to the budget of the Republic of Karakalpakstan, local budgets of regions and the city of Tashkent, budgets of districts and cities. Local budgets constitute an important component of the state budget of the Republic of Uzbekistan and are an important financial source in the activities of local governments. The system of local budgets allows for the full satisfaction of local needs and their implementation in close coordination with the implementation of centrally implemented state measures.

Local authorities are tasked with increasing local budget revenues and economical use of resources. In order to strengthen the potential of local budgets, it is necessary not only to clearly determine the composition of local taxes and fees in a legal manner, but also to analyze and further improve the dynamics of the share of state taxes of republican significance in local budget revenues.

Conclusions and proposals

However, at present, the practice of inter-budgetary regulation ensures the formation of the main part of the revenues of some local budgets. Such a large amount of operating revenues leads to a lack of high sense of responsibility on the part of local authorities, which, in our opinion, is not very consistent with the policy of liberalizing the economy. In addition, local authorities, knowing that they will be supported by donor regions of the republic and the republican budget, do not make much effort to increase their revenue base and economic opportunities. Some regions, in order to receive as much money as possible from the republican budget, try to artificially increase the volume of benefits and various social payments.



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Studying the importance of taxes in the process of forming local budget revenues and analyzing the composition of local budget revenues, the following conclusions can be drawn:

Increasing the volume of own revenues of local budgets, that is, local taxes, and restoring the financial base of local self-government bodies on their basis;

Taking into account that local taxes, which are the attached revenues of local budgets, cannot cover the expenses of local budgets today, it is advisable to expand the list of local taxes on the basis of legislation;

In order to ensure the stability of local budget revenues, it is necessary to introduce a procedure for changing the amounts of deductions from general state taxes, rather than reviewing them annually, at least once every 3 years;

The existence of a system of allocation of interbudgetary transfers from the republican budget to local budgets indicates their subordination to a higher budget. This situation does not allow for the full implementation of the state policy aimed at ensuring the freedom of local authorities and increases the dependence of local authorities.

In our opinion, ensuring the stability of local budget revenues indicates an increase in the interest of local authorities in the development of entrepreneurship, in particular in the field of small and medium-sized businesses, which creates an opportunity to improve the financial situation of administrative-territorial units of the state and develop their own revenue base of local self-government bodies.

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