



---

## THE ROLE OF TAXES IN INCREASE OF LOCAL BUDGET REVENUES

MIRZA SABIROV

---

### Abstract

---

#### Keywords:

*economically active population, real income, income from employment, property income, informal employment, taxation mechanism, income tax, fixed tax, declaration system*

*The article analyzes the role of the revenue base of local budgets in the economic development of the regions of the Republic of Uzbekistan, the directions for further strengthening their budget revenue base, practical analysis of revenues to local budgets over the past years. The process of strengthening the revenue base of local budgets directly expands the opportunities for entrepreneurial activity and, in turn, the growth of jobs created through it leads to an increase in local budget revenues. As a reason, it can be said that the increase in jobs will affect the increase in the number of taxpayers to the budget. It is also stated that increasing the principle of freedom of local authorities will also have an impact on the revenue base of the local budget. The objective need to strengthen the revenue base of local budgets is analyzed.*

---

#### Author correspondence:

**MIRZA SABIROV**

*Doctor of Philosophy in Economic Sciences (PhD), associate professor, The department of Tax and Taxation, Tashkent Institute of Finance, Tashkent, Uzbekistan*

*E-mail: [s\\_mirza@tfi.uz](mailto:s_mirza@tfi.uz)*

---

## INTRODUCTION

The development of regional economies is extremely important in the development of national economies. In this case, increasing the amount of income through taxes shows its importance. Full use of the available opportunities is of particular importance in the socio-economic development of each region, increasing the level of employment and profitability of the population by comprehensively supporting the activities of owners and business entities requires special attention. These aspects, in turn, lead to the improvement of the financial situation of the regions, and ultimately to the strengthening of the income base of local budgets. Therefore, each country prioritizes the use of various financial mechanisms, including the tax mechanism, in the comprehensive development of its territories.

---



---

In addition, increasing the strength of local self-governing bodies, the issue of ensuring the interest in increasing budget revenues through taxes is one of the issues of constant attention of the governments of developed and developing countries. As a result, the issues of maximum use of the tax potential of the regions were on the agenda. Because for a certain period of time, even in foreign countries, there were cases where the powers of relevant local state authorities were limited in assessing the tax potential of each region and increasing the revenues of local budgets.

On the other hand, in the face of today's local budgets, the issue of timely formation of the revenue base and full financing of the relevant expenses is gaining special relevance. Because disruptions in the economy as a result of the suspension of business entities also caused disruptions in budget revenues. As a result, strengthening budget revenues and supporting taxpayers require attention at the same time.

Based on the above, below we will focus on measures to improve the tax mechanism in the issues of strengthening the revenue bases of local budgets in the current conditions.

### **LITERATURE REVIEW**

Keith Ihlanfeldt, Tom Mayocklar studied the impact of the decrease in the purchasing power of the population on the decrease in the budget revenues of the local government in the case of the US state of Florida, and it is suggested that this aspect eventually causes social problems [ ]<sup>1</sup>.

Lucie Sedmihradská has researched issues such as budget transparency in Czech local authorities, in which the sources of revenues and the targeting of expenditures are transparent [ <sup>2</sup>].

In the monographic research work of H. Qabulov, one of the researchers of our country, the interrelationship of increasing the capabilities of the regional economy and local budgets was studied [ <sup>3</sup>].

J.T. Esmurzaev carried out research on improving the mechanism of local taxes and levies

---

<sup>1</sup>Keith Ihlanfeldt, Tom Mayock. Foreclosures and local government budgets. // Regional Science and Urban Economics Volume 53, July 2015. - Pages 135-147.

<sup>2</sup>Lucie Sedmihradská. Budget Transparency in Czech Local Government. // Procedia Economics and Finance Volume 25, 2015. - Pages 598-606

<sup>3</sup>Qabulov H.A. Directions for increasing the capacity of the regional economy and local budgets. I.f.n. was enrolled to receive a scientific degree. abstract. - Tashkent: BMA, 2006. - 21 p.



---

collection in the case of the Republic of Karakalpakstan in the conditions of economic liberalization [ ]<sup>4</sup>.

The existing problems in the mechanism of taxing the property of enterprises and issues of strengthening the income bases of local budgets by eliminating them can be witnessed in the research works of B. Umarov [ <sup>5</sup>]

O. Meyliev, the issue of increasing the effectiveness of taxes in ensuring the stability of the regional economy was studied on the example of the Samarkand region[ <sup>6</sup>]. Although a number of studies have been carried out on the raised problem, the issue remains relevant today and in the near future.

### **ANALYSIS AND RESULTS**

The implementation of the state budget, in particular local budgets, which are considered to be its component, directly depends on the timely arrival of the revenue base in the prescribed manner. The implementation of the concept of improving the tax policy from January 1, 2019, and the entry into force of the new Tax Code of the Republic of Uzbekistan from January 1, 2020, led to the improvement of relations with taxes, which make up the main part of the state budget revenues, and the increase of income sources.

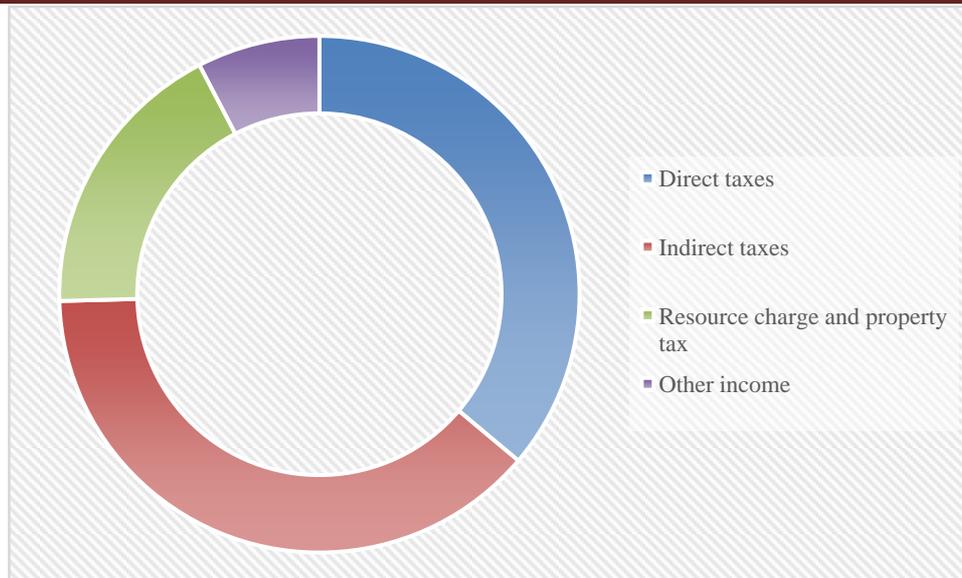
The revenues of the State budget of the Republic of Uzbekistan in the first quarter of 2020 are 28,506.5 billion soums or 5.4 trillion compared to the corresponding period of the previous year. amounted to a lot of soums. Tax revenues in the first quarter of 2020 as part of state budget revenues amounted to 23.8 trillion. amounted to 5.3 trillion soums compared to the first quarter of last year. increased to soums. The activity of interregional inspection of large taxpayers has been established, and they have collected 15.4 trillion. soums or 65 percent of all revenues to be collected by tax authorities are provided. In general, despite the difficult situation in 2020, the performance of state budget revenues for the first quarter was as follows by revenue groups (Figure 1).

---

<sup>4</sup>Esmurzaev J.T. Improving the mechanism of collecting local taxes and fees in the context of economic liberalization (in the case of the Republic of Karakalpakstan). I.f.n. diss., written for a degree. abstract. - Tashkent: BMA, 2007. - 21 p

<sup>5</sup>Umarov B. Existing problems in the mechanism of enterprise property taxation and ways to eliminate them: i.f.n. diss., written for a degree. abstract. - T.: BMA, 2002. - 22 p.

<sup>6</sup>Meyliev O. Issues of increasing the effectiveness of taxes in ensuring the stability of the regional economy. Doctor of Philosophy (PhD) Dissertation in Economics. - Tashkent, 2018. - 56 p.



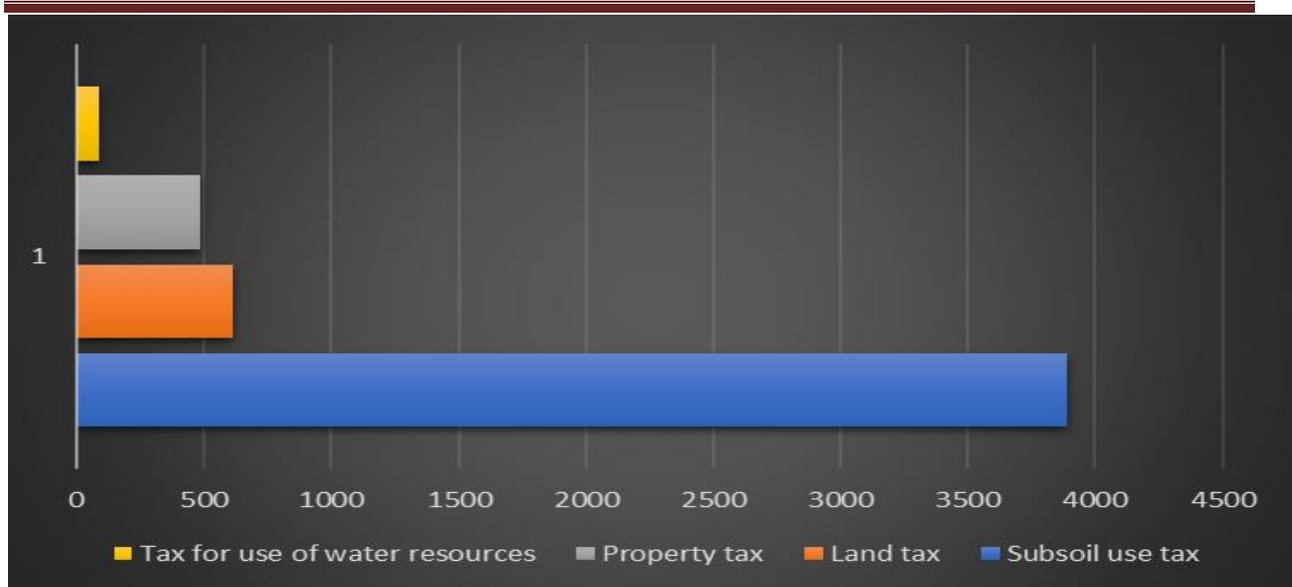
**Figure 1. The composition of state budget revenues for the 1st quarter of 2020 [7]**

As can be seen from the data in the above picture, the income from indirect taxes in the first quarter of 2020 was equal to 10956.6 billion soums, which made up 38.44 percent of the total income. The income from direct taxes amounted to 10,304.4 billion soums and served to form 36.15 percent of budget revenues. The share of resource fees and property tax in the state budget revenues for the first quarter was 17.79 percent and equaled 5071 billion soums in absolute terms. In turn, other incomes amounted to 2,174.5 billion soums, with a share of 7.63 percent.

If we analyze the group of resource fees and property taxes, including property tax and land tax, which are local taxes, the following situation was observed for the first quarter of 2020 (Figure 2).

Analytical review of information on the implementation of the state budget. According to the results of the first quarter of 2020.

<sup>7</sup>Analytical review of information on the implementation of the state budget. According to the results of the first quarter of 2020.



**Figure 2. Share of taxes in the group of resource fees and property tax , in billion soums**

Subsoil use tax has the highest share in this group and provided 3886 billion soums of state budget revenues, 13.63% in interest. Land tax and property tax, which are local taxes, together provided 1097.4 billion soums of state budget revenue in the first quarter and had a share of 3.85 percent.

In the last three years, the opportunities to expand the powers and increase the responsibility of local government bodies in the management of local budget funds, to sharply reduce the dependence of local budget execution on the republic, and to provide financial resources for complex socio-economic development of regions have had a positive effect in the first quarter of 2020.

In this period, the revenue part of local budgets was fulfilled by 113.2% compared to the forecast and amounted to 6.2635 trillion soums. The expenditure part of the local budgets was executed by 89.8% compared to the plan, and 9.508 trillion soums were spent . During the first quarter of 2020, 1,781.3 bln. Soums of additional cost sources were generated[7]:

- As of January 1, 2020, the free remaining funds are 1,755.3 billion. soum;
- proceeds from the sale of property transferred to state income (confiscation) 11.8 bln. soum;



---

- 7.4 bln. soum;

- 6.8 bln. proceeds from the sale of rights to land plots. amounting to soums, these revenues were formed as additional funds of local self-government bodies.

According to the decision of the Cabinet of Ministers of the Republic of Uzbekistan dated June 29, 2017 No. 445 "On measures to expand the revenue base of local budgets, organize work to determine reserves", it is determined to increase the revenue base based on the mutual cooperation of regional finance and tax authorities. Based on this, as a result of the monitoring and studies conducted in cooperation with the finance and tax authorities, as of April 1, 2020, it was possible to attract a total of 125.9 billion soums of additional income to the local budget of the Republic of Karakalpakstan, regions and Tashkent city.

In particular, additional revenue reserves for budget and non-budget funds have been identified for the following:

- 9.9 billion soums as a result of transfer of 40,446 residential and non-residential objects belonging to individuals;

- 12.9 billion soums as a result of land acquisition of 44,544 individuals;

- 22,457 cases of individual activity without state registration were identified, amounting to 40.8 billion soums;

- as a result of conducting studies in public catering establishments, in 1,235 cases labor contracts were concluded for employees in accordance with the procedure established by law;

- 53.1 billion soums in a total of 15,250 cases during monitoring, investigation and study organized for other activities.

Based on the above research, we can say that increasing and diversifying the revenue bases of local budgets is one of the main directions of our current reforms. The increase in local budget revenues leads to several positive situations.

First, local budgets are one of the main means of comprehensive development of regions. Economic development of individual regions in our country causes economic growth in the country.

Second, local budgets contribute to the efficient allocation of budget funds. Effective distribution of local budget funds leads to improvement of the living conditions of the

---



---

population in the region.

Increasing the number of business entities in the regions also leads to an increase in state budget revenues. The emergence of new business entities also leads to the opening of new jobs. Because of this, we will improve the living conditions of the population. In conclusion, it can be said that increasing the number of business entities has several positive consequences. So, firstly, it provides employment, secondly, it causes economic growth of the country, thirdly, it leads to an increase in budget revenues, etc.

Increasing tax rates and creating incentives will partially allow large amounts of hidden payments in the underground economy to surface and be legally paid to the state tax committee. The press service of the interregional state tax inspection on large taxpayers reports on the 2020 summary, UzA reports.

It can be seen that the amount of expenses is planned in excess of the amount of income. That is, if the total expenses are forecasted at 40217.6 billion soums, the income forecast is 29774.7 billion soums. The volume of income and expenses in the city of Tashkent is projected to be the same amount for 2021, i.e. 4068.6 billion soums. At the same time, Fergana, Tashkent, Andijan and Samarkand regions are considered to be the leaders of other regions.

## **CONCLUSION**

A tax system has been formed that ensures consistent reduction of the tax burden and creation of favorable conditions for the development of entrepreneurship and attraction of foreign investments in the country. At the same time, the existence of certain problems in the field of tax administration, including the collection of taxes and other mandatory payments, the expansion of the tax base, and the improvement of the legal culture of taxpayers have a negative impact on the provision of stable sources of financing for the country's socio-economic development programs, in particular:

- First of all, the state of introducing modern information and communication technologies into the activities of tax authorities does not ensure the transparency of tax administration, cooperation with interested ministries and agencies in taxation matters, and the effectiveness of control, as well as the possibility of using state services.



- 
- There is no active work on increasing the interest of taxpayers, first of all, business entities in using the "taxpayer's personal cabinet", which provides them with direct service without communication;
    - does not allow to mobilize available resources for full coverage of taxation objects and expansion of the tax base , as well as timely collection of taxes and other mandatory payments;
    - thirdly, the analysis of the state of tax legal relations and development trends, the development of medium-term and prospective directions of tax policy, the research of current problems of taxation, as well as the activity of reliable forecasting of tax revenues to the budget require improvement;
    - fourthly, the imperfection of tax control organization mechanisms, including the identification of tax inspection objects without necessary analysis, reduces the effectiveness of identifying tax violations and their early prevention;
    - fifth, settlement of tax disputes before the court - the insufficient use of the possibilities of the tax appeal institute leads to an increase in appeals of taxpayers to judicial authorities;
    - sixth, the complexity of the taxation system and insufficient unification of taxes with the same taxation base, the variability of tax legislation do not allow taxpayers to fully fulfill their tax obligations;
    - seventh, the lack of external control mechanisms over the activities of tax authorities to ensure the completeness of revenues to the State budget does not allow to expand the tax base, increase the collection of taxes and account of taxpayers;
    - Eighthly, it is necessary to improve the legal culture of tax payers to ensure voluntary fulfillment of their constitutional duty to pay taxes, especially on the ground;
    - ninthly, the lack of effective tax control over the activity of markets and shopping complexes does not ensure the full mobilization of existing reserves to fill local budgets, as well as the guaranteed return of cash funds;
    - tenthly, in order to improve the indicators of collection of taxes and other compulsory payments, prevention of corruption, as well as to attract honest and
-



---

highly qualified personnel to serve in tax authorities, it is necessary to improve the mechanisms of financial incentives for employees of the state tax service. [8]

## REFERENCE

1. Keith Ihlanfeldt, Tom Mayock. Foreclosures and local government budgets.// Regional Science and Urban Economics Volume 53, July 2015. - Pages 135-147.
2. Lucie Sedmihradská. Budget Transparency in Czech Local Government . // Procedia Economics and Finance Volume 25, 2015. - Pages 598-606
3. Qabulov H.A. Directions for increasing the capacity of the regional economy and local budgets. I.f.n. was enrolled to receive a scientific degree . abstract. - Tashkent: BMA, 2006. - 21 p.
4. Esmurzaev J.T. Improving the mechanism of collecting local taxes and fees in the context of economic liberalization (in the case of the Republic of Karakalpakstan). I.f.n. diss., written for a degree. abstract. - Tashkent: BMA, 2007. - 21 p
5. Umarov B. Existing problems in the mechanism of enterprise property taxation and ways to eliminate them: i.f.n. diss., written for a degree. abstract. - T.: BMA, 2002. - 22 p.
6. Meyliev O. Issues of increasing the effectiveness of taxes in ensuring the stability of the regional economy. Doctor of Philosophy (PhD) Dissertation in Economics. - Tashkent, 2018. - 56 p.
7. Tax Code of the Republic of Uzbekistan - <https://lex.en/acts/-1286558>
8. Decree of the President of the Republic of Uzbekistan "On additional measures to improve tax administration" PQ -4389 10.07.2019.
9. APPENDIX 1 to the decision of the President of the Republic of Uzbekistan No. PQ-4389 dated July 10, 2019 "Strategy for improving tax administration"
10. "On measures to fundamentally improve the tax administration, increase the collection of taxes and other mandatory payments" - <https://lex.en/acts/-3271159>
11. "Taxes and taxation" Study guide - Vahabov. A. V. , Jurayev A. S, Tashkent "Economy and Finance" 2019 [http://library.damage\\_uz/ru/book/download/7672](http://library.damage_uz/ru/book/download/7672)
12. "Procedure of collection and calculation of personal income tax"// "Finance-Economy"// Khaydarov M. (2010) No. 7, pp. 40-49.
13. "Analysis of personal income tax"// "Finance-Economy" //Khudaiberganova S. K. (2019)/ #4, page 33-38
14. "ACTION STRATEGY" on five priority areas of development of the Republic of Uzbekistan in 2017-2021 February 7, 2017 PF-4947.
15. "Reforms in the tax system will serve the development of entrepreneurship in the country" - <https://uzlidep.uz/uz/news-of-party/2357>

---

<sup>8</sup><https://lex.uz/acts/-3271159>