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IMPROVING THE MAIN DIRECTIONS OF FISCAL POLICY

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ANNOTATION

This article examines reforms aimed at strengthening the role of fiscal policy in the state's economy, effective management of the budget and tax system, optimization of government spending, and ensuring economic stability. Issues of ensuring tax revenues to the state budget, managing public debt, effectively distributing social expenditures, and implementing fiscal measures to stimulate economic growth are also highlighted as key areas.

KEYWORDS: *Fiscal Policy, Fiscal Policy, Government Debt Management, Budget Expenditures, Social Spending, Optimization, Tax System, Budget Control, Economic Sustainability.*

INTRODUCTION

Fiscal policy is a crucial instrument for ensuring the state's economic stability, financing social and infrastructure projects, as well as stimulating the country's economic growth. It is primarily implemented through managing budget revenues and expenditures, collecting taxes, and controlling government debt. Concurrently, the effective execution of fiscal policy creates the necessary financial conditions for the growth of the state's economy, ensuring employment, and enhancing social well-being.

In today's context, improving fiscal policy is essential for more effective public finance management, ensuring economic growth, and enhancing social services. As economic modernization processes continue in Uzbekistan, refining the main directions of fiscal policy will contribute to increasing the efficiency of the state budget and tax system, as well as strengthening economic stability. Consequently, the renewal of fiscal policy and the effective implementation of its priorities are of utmost importance for the country's long-term economic development.

LITERATURE REVIEW

According to a foreign economist, S. Bregg, in his "Financial Director's Desk Book,"[1] wrote: "Figuratively speaking, when budgetary policy is dominated by both sides like a swan, tax policy is not the same as when the sea side needs road fuel like a crab." On the contrary, instead of agitation, the effectiveness (effectiveness) of budgetary and tax policy will remain low or equal to 0.

If the budgetary and tax policy is conducted correctly and reasonably, one can spend a one-soum amount and, in some cases, expect a ten-soum return. On the contrary, funds worth billions of soums may be lost without efficiency, "as water sinks into the sand."

A foreign scholar, E.A. Sidorova, wrote in the textbook "Budget and Financial Policy in the European Union"[2]: "Currently, in economics (finance) science and global practice, there are a number of conceptual approaches to the problem of budget deficit and budget policy." It is important to take them into account or pay attention to them when developing a budget policy in relation to the budget deficit.

This textbook also explains that "under the first concept of budget policy, which is related to the budget deficit and budget deficit, the state budget of the country should be balanced annually." However, this idea did not arise spontaneously or artificially. Because in the 1930s (1929-1932) prior to the "Great Depression," the annually balanced budget was universally recognized as the desired goal of state finances and financial policy.

However, according to J. Soros's work "Alchemy of Finance"[3] "there is no tax policy that is absolutely independent of budgetary policy and is not directly dependent on it, and vice versa. In the next financial year, the

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main directions of tax policy and some possible changes in it, along with some other reasons, were analyzed, ultimately, to determine the size of the budget expenditures incurred in that year. In turn, based on the main directions of budget policy for the current year and some possible changes, the size of the volume (amount) of budget revenues will undoubtedly be determined. In this sense, it is impossible to correctly imagine tax policy without budget policy and, conversely, budget policy without tax policy. The mutual participation, comparability, and independence of both of them are evidence of the uniformity of budgetary and tax policy.

RESEARCH METHODOLOGY

The research employed methods widely used in the methodology of scientific research. The use of deductive or inductive methods in the study of the topic from the general to the individual and vice versa is effective, while the method of abstract-logical thinking is important in the systematic analysis of the process. In the process of scientific analysis, these methods of scientific research, in particular, methods of observation, generalization, grouping, comparison, and analysis, were widely used.

ANALYSIS AND RESULTS

Based on theoretical and practical experience, the analysis conducted to improve the main directions of fiscal policy has revealed a number of positive and negative aspects.

1. To enhance the effectiveness of tax policy in improving the tax system, it is necessary to digitize and simplify the system of state tax collection. Currently, in many developing countries, including Uzbekistan, the number of taxpayers and the transparency of tax payments are increasing. However, to achieve an increase in tax revenues, the tax collection system needs to be further optimized. Reducing tax benefits and their fair distribution will contribute to effective tax collection and ensuring economic stability.

2. An important issue in optimizing the budget system is the efficient allocation of budget expenditures and the increase in investments aimed at developing the social sector. At the same time, the increased use of public debt to cover the expenses of the state budget requires caution. However, to optimize the budget system and provide effective services to users, it is necessary to increase infrastructure and social spending.

3. Increasing public debt and its management can have negative consequences for the economy. This is especially important when difficulties arise in securing long-term debt repayments. Therefore, it is necessary to introduce an effective system for managing public debt. Public debt should be used only for strategic projects that lead to a decrease in development and inflation.

4. On social and economic stability the effective implementation of fiscal policy will lead to accelerated economic growth and improved social well-being. One of the important results of fiscal policy should be an increase in funds allocated to social programs and an improvement in the standard of living of the population.

What are the results of the analysis conducted on improving the main directions of fiscal policy?

- Improving fiscal policy primarily serves to ensure economic stability through optimizing the tax system, effectively distributing budget expenditures, and managing public debt.
- Effective fiscal policy allows for financing the social sector, implementing investment projects, and stimulating economic growth.
- Improving the tax collection system and optimizing budget expenditures will help ensure the efficient distribution of economic resources and the stability of public finances.
- The introduction of effective mechanisms for managing public debt is crucial for reducing economic risks and ensuring long-term economic growth.

It is known from global experience that the instrument for regulating the economy through the improvement of fiscal policy should be considered the most important direction of each country, as it is necessary to calculate the necessary issues of financial policy, which is considered the most important direction of the country, since the quality function of the budget-economic system should be based on the fact that it is necessary to ensure the economic efficiency of the budget-economic system, the economic efficiency of the financial system, the economic efficiency of the financial system, the economic efficiency of the financial system, the economic efficiency of the financial system, the economic efficiency

At the same time, fiscal policy has identified a systemic mechanism in the field of taxation that simultaneously hinders economic growth, entrepreneurial and investment activity, the formation of a healthy competitive environment, as well as ensuring the required level of collection of taxes and other mandatory payments.

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Firstly, the high level of tax burden for taxpayers of general taxes, as well as the significance of the level of tax burden difference between economic entities paying taxes under the simplified and general taxation systems.

Secondly, the administrative system for collecting value-added tax, the amount of demand that attracts the working capital of taxpayers, and also leads to an increase in the intermediate and final value of consumer goods, as well as the development of the medium-sized economy of large and small businesses.

Thirdly, the high tax rates on the payroll tax, which leads to the verification of the real number of employees and the payroll fund by taxpayers.

Fourthly, due to the lack of an effective system for monitoring and controlling the effectiveness of benefits, there has been a negative impact on ensuring healthcare competition, a lack of financial and economic resources for economic entities, including personal property, which has a negative impact on the use of benefits.

Fifth, the lack of improvement in the forms and methods of electronic tax administration and tax control of information exchange mechanisms between state bodies and organizations.

Sixth, the effectiveness of the risk management system in analyzing the implementation of control activities, which negatively affects the quality of control activities and hinders the reduction of disruptions in the activities of conscientious business entities, is justified.

Seventh, as a result of the inefficiency of local tax and levy administration mechanisms, the insufficient level of their collection, as well as the lack of sufficient economic efficiency in determining the value of immovable property and land assets, as well as the lack of sufficient economic efficiency in determining the value of immovable property and land assets, as well as the lack of sufficient economic efficiency in determining the value of immovable property and land assets, as well as the lack of sufficient economic efficiency in determining the value of immovable property and land assets, as well In international practice, when discussing fiscal policy at the macro level, it is necessary to emphasize that its specific content is reflected in the form of a budget-tax policy, which, in turn, serves as a means of ensuring the quality of political and economic activity of the budget-tax system.

In this regard, a number of laws and regulations adopted in Uzbekistan for 2025 consider the financial reforms to be implemented for the development of entrepreneurship, in turn, as an important means of ensuring budget stability.

Specifically, on December 24, 2024, the adoption of the Law of the Republic of Uzbekistan "On the State Budget of the Republic of Uzbekistan for 2025" (No. LRU-1011) [4], "On the introduction of amendments and additions to the main directions of tax and budget policy for 2025" (No. LRU-1014) [5], "On the introduction of amendments and additions to the normative legal acts of the Republic of Uzbekistan" (No. LRU-1013)[6], "On the introduction of amendments and additions to the normative legal acts of the Republic of Uzbekistan

This law introduces amendments and additions to 37 articles of the Tax Code, as well as to 5 articles of the Budget Code.

With this law, GDP is expected to grow by 6% and inflation will decrease to 7−8%. The threshold of the consolidated budget deficit was reduced from 4% to 3% of GDP (49.3 trillion soums), and the limit of external debt was increased to $5.5 billion.

As is known, in accordance with the "Uzbekistan-2030" Strategy[7], fiscal policy aims to implement flexible fiscal policy in response to external and internal influences in order to ensure long-term sustainable economic growth, which is defined as the main goals for the medium and long term.

The development of this strategy takes into account medium-term forecasts for the development of the global economy.

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According to the IMF report in April of this year[8], global economic growth is projected to remain unchanged in 2024-2025, as in 2023, i.e. 3.2 percent.

Table 1.

National Forecasts Of Key Macroeconomic And Budget Indicators [10]

	Execution	**Execution**	**Confirmed**	**Expectation**	**Forecast**		
	2022	**2023**	**2024**	**2024**	**2025**	**2026**	**2027**
Population, *Million People*	**35,7**	**36,4**	**37,1**	**37,1**	**37,8**	**38,6**	**39,4**
GDP Growth Rate, *As A Percentage Of Last Year*	*5,7*	*6,0*	*6,0*	*6,0*	*6,2*	*6,4*	*6,2-6,4*
GDP Per Capita, *US Dollars.*	**2 275**	**2 496**	**2 698**	**2 698**	**2 950**	**3 055**	**3 200**
Inflation, As Of The End Of Last Year, *İn Percent*	**12,3**	**8,8**	**9,0**	**9,0**	**8,0**	**6,0**	**6,0**
ConsolidatedBudget İndicators, *İncluding:*	**x**	**x**	**x**	**x**	**x**	**x**	**x**
Revenues, *Trillion Soums*	286,5	321,9	375,0	379,4	437,8	520,1	587,9
Expenses, *Trillion Soums*	321,7	381,0	427,6	432,1	484,3	572,3	646,2
Deficit, *Trillion Soums*	-35,2	-59,2	-52,6	-52,7	-46,6	-52,2	-58,3
Deficit, *As A Percentage Of GDP*	-4,0	-5,5	-4,0	-4,0	-3,0	-3,0	-3,0

The inflation rate in Uzbekistan is projected to be around 9 percent in 2024, to decrease to 8 percent in 2025, and to 6 percent by 2026. Due to the growth of economic activity in Uzbekistan and the high prices of the country's important export goods on the world market, revenues of the State budget in 2024 are expected to exceed the approved forecast.

At the same time, external risks remain due to global economic uncertainties and geopolitical contradictions. As a result of the adoption of a number of decrees and resolutions of the President of the Republic of Uzbekistan on the socio-economic development of the country, the expenditures of the State Budget for 2024 will be revised.

At the same time, the consolidated budget deficit will not exceed 4 percent of GDP. Based on long-term fiscal goals and macroeconomic prospects, including ensuring that the consolidated budget balance in the medium term does not exceed a deficit of 3% of GDP, the consolidated budget revenue forecast for 2025 is projected at 437.8 trillion soums or 28.4% of GDP, and the expenditure forecast is projected at 484.3 trillion soums or 31.4% of GDP. At the same time, in 2026-2027, the revenue targets of the consolidated budget are projected at 30.1% and 30.5% of GDP, respectively, and the expenditure targets are projected at 33.2% and 33.5% of GDP, respectively.

In the coming years, the maximum volume of new agreements signed annually on behalf of the Republic of Uzbekistan and under the guarantee of the Republic of Uzbekistan on attracting external borrowings is set at 4.5 billion US dollars, of which 2.5 billion US dollars are allocated to support the State budget, including financing the budget deficit, and the remaining part - to financing investment projects.

Measures will be strengthened to prevent the growth of external debt attracted to support the budget by adhering to the introduced budget rule on the consolidated budget deficit in the medium term, while achieving the strategic goal of not exceeding the 50 percent limit of the ratio of public debt to GDP by attracting external debt, mainly to highly effective investment projects. The consolidated budget deficit, arising in the medium term, is mainly covered by attracting external debt, issuing government treasury bonds, receipts from the privatization of state assets, balances at the beginning of the year, and other sources.

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Table 2
Difference of budget indicators established by the Law on the State Budget for 2024 from updated forecasts [10], trillion soums

Law of the Republic of Uzbekistan, No. LRU-886 dated December 25, 2023				Forecast *"+" more, "-" less*	
		2024	**2025**	**2024***	**2025**
I.	**Consolidated budget revenues**	**375,0**	**452,6**	**+4,3**	**-14,8**
1.	State Budget revenues**	270,4	330,6	+4,0	-5,9
2.	STF Income**	55,3	63,9	-	+0,4
3.	FRD Revenues	18,9	22,8	+0,3	-6,8
4	Receipts to extrabudgetary funds of budget organizations	30,5	35,3	-	-2,9
II.	**Consolidated budget expenditures**	**427,6**	**498,3**	**+4,4**	**-14,0**
1.	State Budget Expenditures**	280,7	323,8	+2,1	-12,3
2.	STF Expenditures	85,8	99,1	-	-1,3
3.	Expenditure of FRD funds	18,8	22,8	+2,3	-
4.	Expenditure of extrabudgetary funds of budget organizations	30,5	35,3	-	-2,9
5.	Expenditures on state programs from external debt	11,8	17,4	-	+2,5
III.	**Transfers to STF**	**32,2**	**38,8**	**-**	**-3,2**
IV.	**Consolidated Budget Balance**	**-52,6**	**-45,7**	**+0,1**	**+0,9**
V.	**State budget and STF balance**	**-40,9**	**-28,4**	**-1,9**	**-8,5**

One of the most important decisions in fiscal policy was the meeting of the President with entrepreneurs on December 27, 2024. Entrepreneurs openly expressed their views on the industry and expressed their proposals. It is gratifying that there are proposals for equal conditions for everyone, not privileges, as before. Following a thorough review of the issues raised, Decree PF-229 "On Further Measures to Ensure Equal Conditions and a Fair Competitive Environment for Entrepreneurs" was signed on December 27th.

This decree can serve as a basis for improving the competitive environment, protecting the legitimate interests of entrepreneurs, and creating favorable conditions for their business activities. Such work, aimed at strengthening interaction between the state and the private sector through dialogue with entrepreneurs, will serve to further improve the business environment in the future.

Based on the foregoing, improving fiscal policy contributes to ensuring economic stability and increasing social well-being. Optimization of the tax system and budget ensures effective management of public finances. Proper management of public debt reduces economic risks. In the long term, they will support economic growth.

CONCLUSION AND RECOMMENDATIONS

From the foregoing, it can be concluded that it is necessary to reduce the level of tax burden on the economy, as well as to eliminate imbalances in the level of tax burden between economic entities that pay taxes under the simplified and generally established taxation system.

It is also necessary to optimize the number of taxes through their unification, as well as to combine taxes with a similar tax base, reduce and simplify tax reporting, and minimize operating costs.

In this regard, it is important to ensure the stability of the macroeconomic situation, the stability of the formation of the state budget of Uzbekistan and its revenues.

The most important issues will be the simplification of tax legislation, the elimination of contradictions and conflicts in regulatory legal acts in the field of tax relations, and the strengthening of the protection of the rights and legitimate interests of conscientious taxpayers.

In particular, ensuring the stability of tax legislation and the direct application of the norms of the Tax Code of the Republic of Uzbekistan, including establishing the amounts of tax and other mandatory payment rates in the

Code, with the maximum limitation of cross-references and by-laws regulating taxation issues, will create conveniences for taxpayers.

Maintaining a favorable regime for foreign investors and investments, providing them with comprehensive support and reliable legal protection is one of the main directions of fiscal policy.

Furthermore, improving the forms and mechanisms of tax control, including through the widespread introduction of modern information and communication technologies that ensure more comprehensive coverage and accounting of taxable objects and taxpayers, and introducing taxation procedures for transactions related to transfer pricing are key directions of fiscal policy.

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