



DIRECTIONS FOR STRENGTHENING THE TAX REVENUE BASE OF LOCAL BUDGETS

Nodira Soatova

Lecturer at the Department of International Finance-Credit, Tashkent Institute of Finance, Uzbekistan

ABSTRACT

The article describes the formation of tax revenues of local budgets, determining the direction of revenues of local budgets, increasing the efficiency of factors affecting the mechanisms of generating revenues of local budgets and the tax potential in determining the revenue base of local budgets, the procedure for forming the structure of local budget revenues, the mechanism for distributing tax revenues between different levels. budgets.

KEYWORDS: State budget, tax, tax policy, tax revenues, local budget, local budget planning, local taxes, revenue bases, revenue policy, territorial finance, local government, inter-budgetary relations, legal entities, individuals, mandatory payments, tax rates, tax system.

INTRODUCTION

In modern statehood, the effective organization of local budget revenue policy plays an important role in solving the tasks of socio-economic development of the regions. In developing revenue policy, it is important to objectively assess the capacity of regions to mobilize taxes and payments in the budget system, increase the effectiveness of factors affecting the mechanisms of formation of local budget revenues and assess the possible negative socio-economic consequences.

The issue of improving and reforming the responsibilities and powers of local governments is one of the most pressing issues in the practice of public finance management in developed countries, in particular in developing countries. Today in Uzbekistan, the process of improving the mechanisms of local government is carried out in accordance with democratic and social standards.

The Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 [1] aims to increase the base of local budget revenues, ensure their financial independence, improve inter-budgetary relations aimed at strengthening the revenue side of local budgets, comprehensive and balanced socio-economic development of regions, districts and cities. Priorities have been identified, such as the active attraction of foreign investment in the regions through further improvement of the investment climate. In order to ensure the practical implementation of these tasks, it is important to study the best practices of developed

countries and apply their positive results in practice. In particular, the report of the President of the Republic of Uzbekistan Sh.M.Mirziyoev on the main results of socio-economic development of the country in 2016 and the most important priorities of the economic program for 2017 on strengthening the tax revenue base of local budgets, ensuring their stability and sustainable development emphasized the need to expand the revenue base of budgets. In particular, it was noted that "local budgets do not have sufficient funds to finance sustainable socio-economic development of the regions." [2] 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. In particular, factors such as tax potential, the order of formation of local budget revenues, mechanisms for the distribution of tax revenues between different levels of budgets play an important role in the effective implementation of revenue policy in developed countries and in determining the revenue base of local budgets.

MAIN PART

The coronavirus pandemic, which is currently causing great concern around the world, has not bypassed Uzbekistan. Effective measures are being taken under the leadership of the head of state to

provide additional support to those who lost their main sources of income during the coronavirus pandemic, vulnerable groups and businesses and prevent the economy from defaulting. In his speech at the Extraordinary Summit of the Cooperation Council of Turkic Speaking States on April 10, 2020, President of the Republic of Uzbekistan Shavkat Mirziyoyev said: [3] is extremely important. A number of decrees and action plans have been developed and put into practice to reduce the negative impact of this threat on the sustainable socio-economic development of our country.

In particular, the Decree of the President of the Republic of Uzbekistan dated March 19, 2020 PF-5969 "On priority measures to mitigate the negative impact of the coronavirus pandemic and the global crisis on sectors of the economy."

According to the decree:

The main directions of the establishment of the Anti-Crisis Fund under the Ministry of Finance of the Republic of Uzbekistan in the amount of 10 trillion soums without the establishment of a legal entity and the use of the Anti-Crisis Fund are:

- ✓ Entrepreneurship and employment support;
- ✓ repayment of loans under the state guarantee of the Republic of Uzbekistan;
- ✓ Take measures to provide state support to strategic enterprises through the allocation of interest-free budget loans for the implementation of priority expenditures;
- ✓ by allocating interest-free budget loans for a period of up to one year, the budget of the Republic of Karakalpakstan is replaced by income

not received in the local budgets of the regions and Tashkent City;

- ✓ reduction of the minimum monthly amount of social tax for individual entrepreneurs to 50% of the basic calculation amount;
- ✓ reduction of deductions from enterprises engaged in wholesale trade in alcoholic beverages from 5% to 3%;
- ✓ the amount of fees for the right of retail sale of alcoholic beverages for public catering establishments from the established amounts 25 percent reduction;
- ✓ The deadline for submission of the declaration of total annual income of individuals for 2019 has been extended until August 1, 2020;
- ✓ District and city Councils of People's Deputies are empowered to reduce the fixed amount of personal income tax by 30% for individual entrepreneurs whose activities are directly or indirectly related to tourism;
- ✓ Local authorities are empowered to defer (pay in installments) for 6 months without collecting interest on property tax, land tax and water use tax;
- ✓ suspension of accrual of property tax, land tax and tax penalties for the use of water resources;
- ✓ Until October 1, 2020, exporters have the right to make independent decisions on the provision of subsidies at the expense of funds allocated to the Export Promotion Agency to cover part of the transport costs;
- ✓ It should be noted that unprecedented benefits and rights, such as increasing the capitalization of the State Fund for Entrepreneurship Support to 500 billion soums.

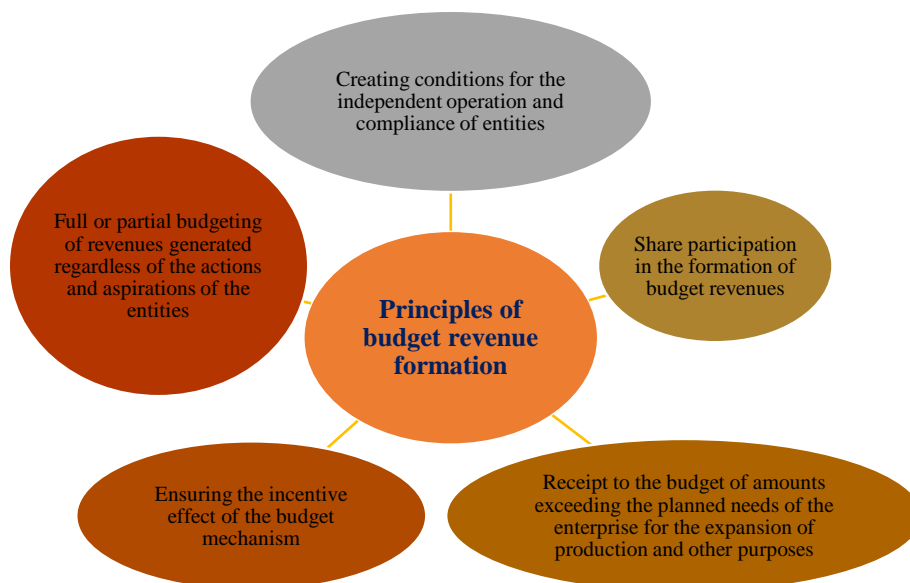


Figure 1. Principles of budget revenue formation

Another topical and complex problem facing today is the existence of a shadow economy.

The shadow economy also exists in developed countries, but its share in the economy is assessed according to how much. In our economy, this level is a bit high. Today, international and local experts estimate that it is 45-50 percent of GDP. In this regard, it is worth noting the words of President Sh.M.Mirziyoev in his Address to the Oliy Majlis on January 24, 2020: In our opinion, in some cases, the adopted normative legal acts also serve the development of the shadow economy. For example, if we refer to the regulatory documents, according to the amendments to the individual entrepreneurs, from January 1, 2019, depending on the amount of revenue from the sale of goods (works, services), including 100 mln. up to UZS, fixed tax; 100 mln. 1.0 billion soums single tax payment at the rate of 4%, up to UZS; and 1.0 billion. Taxes and other obligatory payments by legal entities in excess of UZS. In our opinion, this situation is due to the concealment of revenues of enterprises, ie 1.0 billion soums. soums, creating another firm and continuing its activities through that firm. As a result, taxes that could go to the state budget are not falling and the shadow economy is developing.

In this case, it is possible to apply incentive economic policies, ie revenues of 1.0 billion. A decreasing tax burden can be applied to legal entities in excess of UZS. That is, as the revenue increases, the tax burden should also decrease, but the lower limit of the tax burden should be set. As a result, it will be beneficial for businesses to operate without concealing their revenues, which will help reduce

non-bank turnover and increase revenues to the budget. Local budgets are one of the important factors in increasing the potential of financial resources by strengthening the tax revenue base and ensuring the stability of local budgets.

The formation of the tax revenue base of local budgets at the expense of national taxes is characterized by the inability to finance their expenditures at the expense of local taxes and levies, which are the primary source of income of local budgets. In this regard, it should be noted that in the context of limited powers of local authorities on local taxes and fees directly attached to them, the implementation of deductions from national taxes further limits their powers to strengthen their revenue base. However, local governments are also given some powers over deductible national taxes, which are the upper and lower limits set by the Cabinet of Ministers on income tax for individuals engaged in entrepreneurial activity and strict tax on legal entities and individuals engaged in individual entrepreneurial activity. have the authority to set their exact rates for their territories without exceeding this limit, depending on the level of the established base rates. However, the limited authority of local authorities over the taxes and levies that form the basis of their income, in a sense, limits the interest of local governments in consolidating their income. At the same time, the existence of a system of subsidies in the formation of local budget revenues means that they are subject to a high budget. This does not allow for the full implementation of public policy aimed at ensuring the freedom of local authorities in the context of economic liberalization.

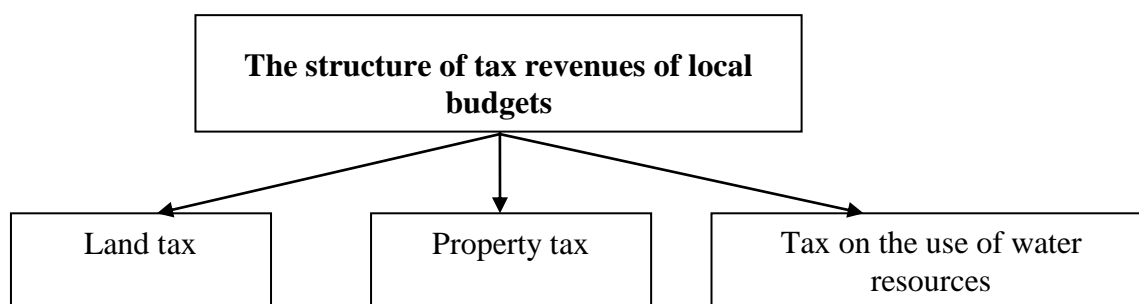


Figure 2. The structure of tax revenues of local budgets

Local taxes and levies are classified in a specific way. In this case, they can be divided into two depending on the powers of public authorities and local governments, their fiscal significance and period of validity:

- 1) local taxes and fees, which are introduced by the legislative body and apply in all regions of the country;
- 2) local taxes and fees imposed in accordance with the decision of local self-government bodies.

Currently, there are systemic and organizational problems in the formation of local budgets. Systemic and organizational problems are directly related to the financial capabilities of the regions. Financial opportunities depend on the natural conditions of the region, the level of socio-economic development, the economic structure and specialization of the region and the position of the country in the division of labor, and a number of other factors.



From January 1, 2018, the heads of financial authorities and state tax service are being held accountable and encouraged:

a) rewarding the heads of tax and financial bodies in the amount of up to 50 percent of their salaries, including:

- in the amount of 10 percent for execution of the approved forecast of local budget revenues;

- 20 percent for reduction of tax arrears on payments to the budget;

- in the amount of 20 percent for performance of calculation indicators on determination of reserves of increase of local budget revenues;

b) the imposition of fines in the amount of 30 percent of their salaries for non-compliance with the above criteria, including:

- 10 percent for non-fulfillment of the local budget forecast;

- 10 percent for the increase of tax arrears on payments to the local budget;

- in case of non-fulfillment of calculation indicators on determination of reserves of increase of local budget revenues in the amount of 10 percent.

Rewarding and application of measures of responsibility of heads of financial and tax bodies is carried out by the Minister of Finance and the Chairman of the State Tax Committee of the Republic of Uzbekistan on the recommendations of the Chairman of the Council of Ministers of the Republic of Karakalpakstan, khokims of regions and Tashkent.

The Decree of the President of the Republic of Uzbekistan "On additional measures to increase the financial freedom of local authorities, strengthening the responsibility of tax and financial authorities to ensure the completeness of revenues to local budgets" was issued.

This decree provides for sustainable financing of integrated development of regions on the basis of radical strengthening and decentralization of the revenue base of local budgets, further improvement of inter-budgetary relations, strengthening financial freedom of local authorities, promoting small business and private entrepreneurship, creating new jobs and employment, engineering and communication. , in order to increase their responsibility in the implementation of targeted measures to expand the tax capacity through the rapid development of road transport and social infrastructure.

The following have been identified as priorities of fiscal policy at the level of local budgets [5]:

1. Radical strengthening of the revenue base of local budgets by attaching specific types of taxes and other mandatory payments to them;

2. Exclusion of regional, city and district budgets from subsidies, gradual reduction of their

dependence on higher budget allocations, thereby increasing the freedom and responsibility of local authorities in addressing issues of socio-economic development of the regions;

3. Identification of additional reserves on a systematic basis to increase local budget revenues;

4. Ensuring transparency in the formation of local budgets and control over its implementation, with the broad involvement of parliamentary and public control;

5. Strengthening the responsibility of local authorities, financial and tax authorities to strengthen the revenue base of local budgets and ensure the timely, targeted funding of approved expenditure parameters, further development and maintenance of social facilities and infrastructure.

According to the new procedure, in terms of sources of income and types of expenditures, the budget of the Republic of Karakalpakstan, parameters of local budgets of regions, the city of Tashkent and districts (cities), as well as calculation indicators for determining reserves to increase local budgets in the Jogorku Kenesh of Karakalpakstan. The city of Tashkent and districts (cities) of the republic are considered and approved in detail at the sessions of the Councils of People's Deputies on a quarterly basis.

CONCLUSION

Based on the above, it can be concluded that the effectiveness and efficiency of the ongoing reforms in Uzbekistan is to provide local budgets with timely and adequate funding, increase local budget revenues, in particular, increase the interest of local authorities in budget execution, local budget execution. Ensuring broad public opinion and participation in the process is an important priority.

REFERENCES

1. Decree of the President of the Republic of Uzbekistan No. PF-4947 of February 7, 2017 "On the Action Strategy for the further development of the Republic of Uzbekistan." People's Speech, February 8, 2017.
2. Mirziyoev Sh.M. Critical analysis, strict discipline and personal responsibility should be the daily rule of every leader's activity. Report of the enlarged meeting of the Cabinet of Ministers on the main results of socio-economic development of the country in 2016 and the most important priorities of the economic program for 2017, January 14, 2017. - Tashkent: Uzbekistan, 2017. - 104 p.
3. Speech by President of the Republic of Uzbekistan Shavkat Mirziyoyev at the Extraordinary Summit of the Cooperation Council of Turkic Speaking States. <https://president.uz/>
4. Address of the President of the Republic of Uzbekistan Sh.M.Mirziyoev to the Oliy Majlis. January 24, 2020
5. Decree of the President of the Republic of Uzbekistan No. PF 5283 of December 13, 2017 "On



additional measures to increase the financial freedom of local government, strengthening the responsibility of tax and financial authorities to ensure the completeness of revenues to local budgets".

6. Khotamjon Kobulov, Sherzod Jalilov, Sherali Sultonov, Nodira Soatova. *Modeling the processes of forming a strategy for the revenue potential of local budgets // Journal of Advanced Research in Dynamical and Control Systems. VOLUME 12, ISSUE 6. DOI: 10.5373 / JARDCS / V12I6 / S20201161. Pages: 1210-1216*
7. Kh. Kobulov. *Methodology for assessing the tax potential of the territory // WORLD SCIENCE: PROBLEMS AND INNOVATIONS: collection of articles of the XLVI International Scientific and Practical Conference (September 30, 2020). Penza: ICNS "Science and Education". 2020, p. 87-90*