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FACTORS STRENGTHENING THE TAX BASE OF LOCAL BUDGETS

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Abstract. This article examines the factors affecting tax revenues of local budgets. In particular, the role of tax revenues in the formation of revenues of the State and local budgets, the share of tax revenues of local budgets in the general structure of revenues of local budgets, the structure of tax and non-tax revenues of local budgets and their tendency to change, the structure of revenues of local budgets in the context of regions have been analyzed. Based on the results of the study, some problems have been identified related to the formation of the base of tax revenues of local budgets, scientific proposals and practical recommendations have been developed, aimed at strengthening the base of tax revenues of local budgets.

Keywords: budget, state budget, local budget, fiscal system, taxes, revenues, tax revenues, non-tax revenues, regional economies, sustainable, concept, tax revenues, local taxes, local government organizations

INTRODUCTION

According to international practice, one of the important areas of development of the budget-tax system is to strengthen the financial independence of local budgets.

This issue is primarily related to the stability and strength of their income bases, including tax income bases. In turn, local budgets are responsible for ensuring the stability of tax revenue bases, firstly, for socio-economic development of the country's regions and for ensuring the interests of the residents of the respective regions, for further improving their lives, for increasing the standard of living and well-being, and secondly, for natural raw materials in the region, allows for rational use of production and labor potential and expansion of powers of local state authorities. Ensuring the effectiveness of economic and social reforms aimed at achieving such an opportunity is also directly dependent on their financial foundation. In most developed and developing countries, revenues of local budgets occupy a significant share of state budget revenues. In particular, this indicator is 30% in Japan, 33% in Great Britain, 34% in Austria, 38% in France, 39% in Portugal, 58% in Norway, 60% in Luxembourg [1].

In the countries that are members of the Organization for Economic Cooperation and Development (OECD - Organization for Economic Cooperation and Development), the share of tax revenues in the structure of local budget revenues is 35-55 percent, including 40.7 percent in Canada and 54.1 percent in Switzerland [2]. Such a situation indicates that local budgets are recognized as financially independent and is a positive situation from the point of view of ensuring the socio-economic development of regions.

In the Republic of Uzbekistan, based on the concept of improving the tax policy, large-scale reforms

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are being implemented to simplify the tax legislation, sharply reduce the tax burden, fully cover the taxable objects and increase the collection of taxes, strengthen the revenue bases of the relevant budgets, and improve the tax administration mechanisms of local taxes and levies.

In paragraph 3.5 of the Strategy of Actions on Five Priority Areas of the Development of the Republic of Uzbekistan in 2017-2021 [3], expansion of the scope of modernization and diversification of the regional economy, rapid development of districts and cities with a relatively low level of development, first of all, by increasing the industrial and export potential, priority tasks for reducing subsidized districts and cities and strengthening the revenue base of local budgets at the expense of consistent development of industry and service provision. However, the achievement of such priority tasks requires, first of all, sufficient financial resources in local budgets. In this regard, the President of the Republic of Uzbekistan said that "... the funds of local budgets are not enough to finance the sustainable socio-economic development of the regions" [4], "... it is necessary to expand financial and other opportunities for local authorities" [5], "... local We need to review the powers and responsibilities of the authorities, and further increase their independence" [6], which sheds more light on this issue. Because, in such conditions, issues of strengthening the base of tax revenues in the formation of local budgets' incomes become particularly relevant.

LITERATURE REVIEW

Theoretical and practical aspects of the budget system and inter-budgetary relations, ensuring financial stability of local budgets, formation of their income, strengthening of tax revenue bases have been researched by foreign and domestic economists.

K. McConnell and S. Brew have shown in their work that taxes appear as a part of fiscal policy. At the same time, they tried to prove that the fiscal policy is either a hindering or stimulating policy, based on the tasks to be solved in ensuring stability in the economy. They wrote in their "Economics" that "The main goal of fiscal policy is to end unemployment and inflation. In particular, local scientists, the research work of J. Esmurzaev on the improvement of the mechanism of collection of local taxes and fees in the conditions of economic liberalization [7], the research work of A. Mamanazarov on the issues of increasing the role of taxes in the stabilization of local budgets [8], the research work of Kh. Qabulov on regional economy and local is devoted to directions of increasing the possibilities of budgets[9]. Also, in the research work of A. Khairiddinov, the ways of ensuring the stability of the income bases of local budgets are justified [10]. In the scientific work of U. Orokov, ways to improve the independence of local budgets were studied [11].

ANALYSIS AND RESULTS

The formation of tax revenues of local budgets is a multifactorial process, in which the consideration of the influence of economic, tax administration, regulatory, legal and political factors plays an important role in strengthening the base of tax revenues (Fig. 1).

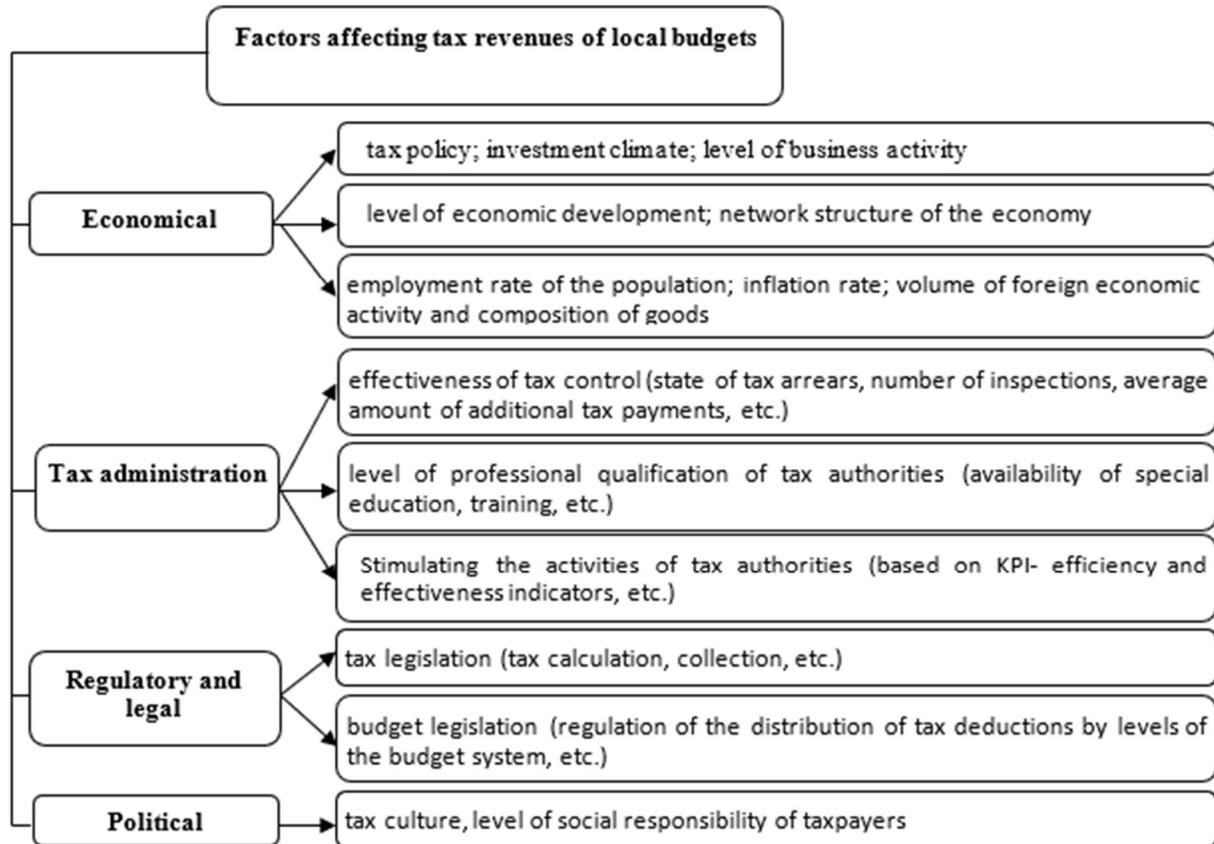


Figure 1. Tax revenues of local budgets

influencing factors

Thus, the strengthening of tax revenue bases of local budgets depends on the strict observance of the principles of formation of tax revenue bases, the distribution of certain taxes between the republican and local budgets, and factors affecting tax revenues.

Provision of financial resources for local government agencies to fulfill their assigned tasks occurs in the process of distribution of taxes and inter-budgetary transfers. In this case, it is necessary to take into account the budgetary and tax interests of local government agencies at different levels, as well as the economic basis of the transfer of financial resources (income) for the equalization of regional incomes. In turn, one of the primary basis and important conditions for the distribution of taxes on the levels of the budget system is the importance of subordination of local taxes to state taxes [12]. Relying on the researches of some Russian and English economists in the 19th-20th centuries [13] aimed at summarizing and systematizing the characteristics of local taxes, it should be noted that the activities of local government agencies in the interest of the local population should be financed from the income of this population. Local budgets are one of the important factors of increasing the potential of financial resources and ensuring the stability of local budgets by strengthening tax revenue bases.

The question of the role of tax revenues in the formation of state budget revenues, including revenues of local budgets, is tried to be explained, in most cases, by the level of their weight. Accordingly, the higher the level of the indicator representing the relevant weight, the higher its role and vice versa.

Based on such an approach, information characterizing the role of tax revenues in the formation of state budget and local budget revenues is presented in Table 1 below.

Table 1
In the formation of revenues of the state budget and local budgets in the Republic of Uzbekistan in 2016-2020
the role of taxable income

№	Indicators	2016	2017	2018	2019	2020
1.	The total amount of state budget revenues, bln. in sum	41043,5	49681,0	79099,0	112165,4	128500,0
2.	The total amount of total revenues of local budgets, bln. in sum	16304,1	18536,5	22944,8	35134,5	27689,0
3.	The total amount of tax revenues of local budgets, bln. in sum	13211,7	16164,6	20588,2	31787,8	23988,0

Based on the analysis of the data in Table 1, the following important conclusions can be drawn: during 2016-2020, the total amount of State budget revenues in our country increased by 3.1 times under the influence of all factors (including inflation, the coronavirus pandemic), and in the same period, the State and the rate of growth of the total amount of revenues of local budgets, which participated in the formation of budget revenues, due to all factors (including inflation, the coronavirus pandemic) was only 1.7. In accordance with the growth of local budget revenues, their tax revenues increased by 1.8 times during the corresponding period. During the analyzed period, the growth rates of State budget revenues were higher than the growth rates of local budget revenues. At the same time, the rate of growth of tax revenues of local budgets is higher than the rate of growth of their total income, and this situation shows a positive situation in terms of solving social and economic problems in the regions. However, due to the coronavirus pandemic that began in 2020, there was a tendency to decrease local budget revenues, including tax revenues. However, timely measures taken by the state [14] made it possible to ensure the stability of local budgets and optimize their costs. It should be noted that in 2016-2020, the role of tax revenues in the formation of local budget revenues has increased, that is, this indicator has increased by 5.6 percent between 2016 and 2020.

During 2016-2020, an average of 87 percent of the total local budget revenues are generated by tax revenues, which automatically indicates that the rest of the local budget revenues, i.e., an average of 13 percent, is generated by non-tax revenues (Figure 2).

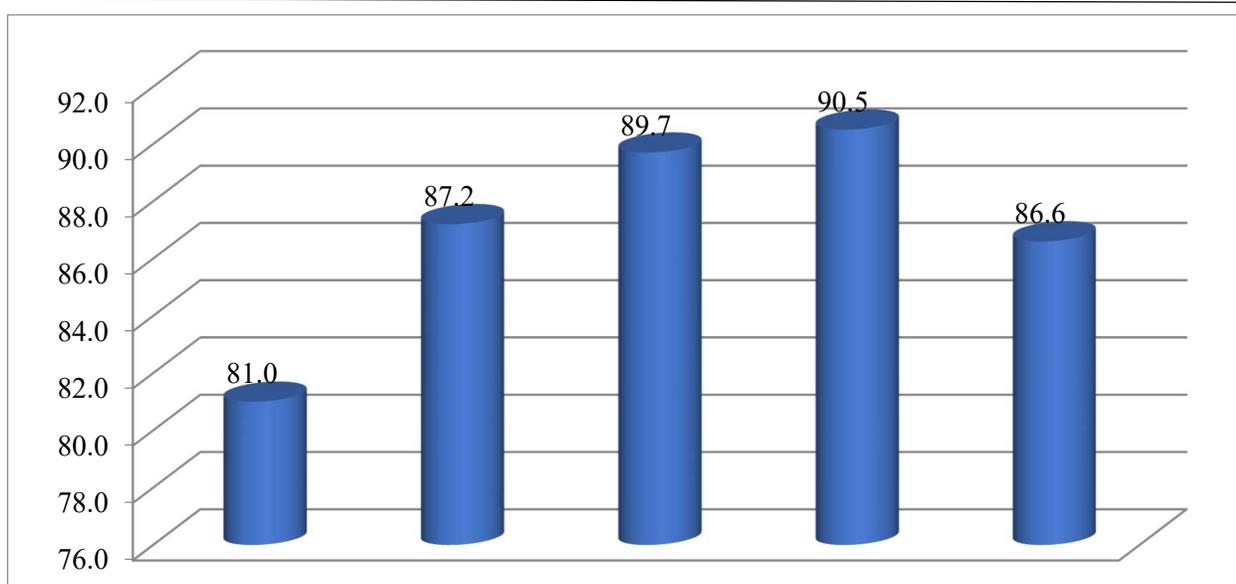


Figure 2. The share of tax revenues of local budgets in the total revenues of local budgets (in percentage terms)

Income tax from individuals (average 23.8%), value added tax (average 18.9%), excise tax (average 15.9%), allocations from the single tax payment to the State budget (an average of 11.5%) had high weight (Table 2). On the contrary, the role of property and land taxes, tax for using water resources and taxes for using underground resources (mineral) in the formation of tax revenues of local budgets is weak, which indicates the urgency of increasing the role of taxes. In turn, the issue of increasing the weight of these taxes in the formation of local budget revenues and improving the mechanism of their collection to the budget will be put on the agenda.

Table 2

The composition of tax and non-tax revenues of local budgets in 2016-2020 and their trend of change (in %)

Indicators	2016	2017	2018	2019	2020
Total revenues	100	100	100	100	100
Taxable income	81,0	87,2	89,7	90,5	86,6
Profit tax of legal entities	2,6	2,3	3,7	9,4	7,6
Income tax from individuals	17,2	15,4	19,8	28,7	37,9
Value added tax	21,7	19,8	22,0	25,5	5,3
Excise tax	20,1	16,6	9,9	11,4	20,0
Allocation to the State budget from the single tax payment	12,5	14,7	18,4	6,3	5,6
Fixed tax	6,2	6,5	5,0	2,1	1,2
Tax for use of water resources	1,2	1,1	0,6	1,0	2,0
Benefit from underground resources (mineral). three. tax	0,5	0,8	0,7	0,9	2,3

Property tax	7,8	13,2	12,7	7,4	8,2
Land tax	7,3	6,8	7,3	7,3	10,0
Abadon. and ijt. infr. development tax	2,9	2,9	0,0	0,0	0,0
Irregular incomes	19,0	12,8	10,3	9,5	13,4
State taxes	16,9	23,2	27,6	32,1	26,2
Penalties	16,9	21,9	17,8	18,7	21,3
DAN fees	5,7	8,6	11,1	12,5	10,7
Local fees	2,1	3,4	4,8	10,2	22,2
Income from markets	7,2	11,2	12,8	11,4	-0,2
Other income	51,2	31,7	25,9	15,1	19,9

At the same time, if it is taken into account that the data presented in the above tables are obtained for the whole of Uzbekistan, the issue should be considered on the example of the regions, and the information showing the relevant situation in the regions of our republic is presented in Table 3 below.

Table 3

In 2016-2020, the share of regional budget revenues in the composition of local budget revenues (in percentage terms)

№	The name of the areas	2016	2017	2018	2019	2020
1.	Andijan region	6,4	6,8	7,4	7,5	7,6
2.	Bukhara region	7,3	7,2	6,0	6,9	6,4
3.	Jizzakh region	2,9	3,9	4,1	3,5	3,8
4.	Kashkadarya region	10,8	9,6	10,2	10,8	8,9
5.	Navoi region	4,8	4,0	5,3	5,3	5,6
6.	Namangan region	5,2	5,6	5,9	6,4	6,4
7.	Samarkand region	8,0	8,4	8,6	7,3	8,6
8.	Surkhandarya region	5,0	5,6	6,0	5,3	5,8
9.	Syrdarya region	2,8	3,1	3,1	2,3	2,6
10.	Tashkent city	14,3	13,2	12,2	10,7	11,4
11.	Tashkent region	11,1	9,6	8,5	10,6	8,6
12.	Fergana region	10,9	11,4	8,0	10,9	9,7
13.	Khorezm region	4,5	4,8	4,8	4,2	4,7
14.	Karakalpakstan Res.	5,8	7,0	9,8	8,4	9,9
Total		100	100	100	100	100

The difference in the weight of regional budget revenues in the structure of local budget revenues (either a high or a low share) indicates that the economic and investment potential of each administrative region, the level of development of business activities, and other factors are different. Also, the strength of local budgets' tax revenue bases depends on the volume of revenues of district and city local budgets within the regional budget [15].

Conclusion

The results of the analysis and research show that there are some serious problems in the financial situation of local budgets, the formation of tax revenues and the strengthening of tax revenue bases:

- firstly, the revenues of local budgets are not sufficient to finance the socio-economic development of the regions of the country. During 2016-2020, the total amount of State budget revenues in our country increased by 3.1 times under the influence of all factors, while the level of growth of the total amount of local budget revenues due to all factors was equal to 1.7, and tax revenues increased only by 1.8 times;

- secondly, the role of property and land taxes, tax for using water resources, and taxes for using underground resources (or minerals) in the formation of local budget revenues is insignificant and does not allow timely and effective solution of the existing socio-economic problems in the regions;

- thirdly, the existence of specific problems in the process of collection of property and land taxes as part of taxable income. The problem is that the population does not try to pay these taxes on time compared to other taxes, and this causes various problems in the process of its collection and indicates that the process of collection of these taxes has not been improved;

- fourthly, as a result of the inefficiency of local tax administration mechanisms, the level of their collection is insufficient.

In this regard, it is desirable to increase the weight (contribution) of the mentioned taxes in the formation of local budget revenues and to improve the mechanism of their collection to the budget, on this basis, to expand the financial capabilities of local state authorities, to strengthen their financial independence. At the same time, this issue requires measures to determine the amount of local taxes, increase the rates of some taxes, improve the taxation practice and apply reduction coefficients in the tax system.

Based on the above, in order to strengthen the tax revenue bases of local budgets, the following suggestions and recommendations are of great practical importance:

- it is necessary to increase the local budget revenues by establishing the minimum amounts of tax for the use of subsoil for construction materials in order to strengthen the revenues of local budgets and to ensure the principle of fairness of taxation;

- in order to ensure the financial stability of local budgets, it is necessary to increase the tax rate for the use of water resources in relation to producers of alcohol products (applying the rates set for non-alcoholic beverages);

- taxation of fully depreciated buildings on the basis of reassessed (market) value should be implemented;

- in order to strengthen the tax revenue bases of local budgets, it is appropriate to include railways, main pipelines, communication and power transmission lines, conserved real estate objects in the property tax and land tax bases and to apply reducing coefficients for them.

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