



# Ways to Increase the Share of Direct Taxes in the Formation of State Budget Revenues

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## ABSTRACT

This article provides a detailed analysis of the importance of local taxes in the state budget, national and global practice, their role in state budget revenues and forecasts of local tax revenues. It also researches the current state and tax rates on land and property taxes in various countries in Asia and Africa. In addition, property tax revenues in Europe have been studied in terms of developed and developing countries. Scientific conclusions and recommendations on the current situation with local taxes in our country are given by studying the importance of local taxes in the state budget, learning national and international practice.

## Keywords:

Tax System, Tax Policy, Local Taxes, Property Tax, Land Tax, Water Resources Tax For Use, State Budget, Local Budget, Tax Trend, Tax Progression.

## 1. Introduction.

The Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 was approved by the Presidential Decree on February 7, 2017. According to him, the third priority is the further development and liberalization of the economy, which includes the financing of sectors of the state budget expenditure classification as a result of further development of the country's tax system, resulting in economic and social development [1].

Revenues and expenditures of the State Budget from year to year in our country application of effective mechanisms in the formation of the state budget tax Reforms to increase incomes and use them wisely is being done. President Sh.Mirziyoyev said "... a new tax the main idea of the concept is to reduce the tax burden, simple and sustainable the tax system. This is our economy increase competitiveness, all-round convenience for entrepreneurs and investors creating an

environment that can be achieved "[2]. For these purposes it should be noted that local taxes also play a role in achieving this.

Today, the instability of tax legislation, its excessive instructions, orders and other normative documents have a negative impact on the effective functioning of this system. It is also a requirement of today to improve the tax legislation and prepare and implement a single document in this area. Important and effective work is being done by our state in this regard.

Meeting the needs of the community and local in each country the role of local taxes in stimulating development is taken into account. The revenues of local self-government bodies are included in their budgets from their own sources, i.e. local taxes, in proportion to the costs must provide. In this case, local tax revenues tax, of course, in creating an effective mechanism for the budget in the formation the tax burden on taxpayers must be taken into account, otherwise the tax taxpayer dissatisfaction has a negative impact on the

efficiency of the tax system possible. To study the international experience taking into account the mentioned aspects and adaptation to our national practice local tax types in our country serves to increase revenues.

## 2. Literature review

The tax burden represents a set of indicators of the country's tax system. A certain percentage of the income of individual businesses or other taxpayers is paid to the state in the form of taxes or fees [3].

Importance of local taxes, their peculiarities and their Many scholars have studied the role of budgeting it should be noted that in particular, Lars P. Feld, Friedrich Schneider in his view, state and local taxation are local at the local government level sometimes provides for voluntariness in determining tax rates and bases and funding for public services at the state and levels holds the share of all taxes and levies paid in the country in GDP represents the tax burden [4].

These definitions represent the gross tax burden on the national economy. The economic literature emphasizes that the tax burden can be determined not only at the national level, but also for industries, regions or individual taxpayers [5].

Scientists and experts have the same approach to determining the tax burden at the macro level. There is no consensus on its definition at the micro level, including at the level of business entities. This is because the source to which taxes are attributed is interpreted differently by the authors. That is, a number of economists determine the tax burden relative to profit or income [6].

The controversy over the micro-level assessment of the tax burden is that most scholars take into account the amount of taxes actually paid. The tax burden on business entities cannot be fully assessed by the amount of taxes actually paid during the reporting period [7].

Salvatore Bimonte, Arsenio Stabile development, regulation, various payments and

that it is the responsibility of local municipalities to collect property taxes emphasizes. If these tasks are not well implemented and in a systematic way if not, between fiscal policy and urban policy an imbalance may occur [8].

Tax burden is the ratio of the sum of all taxes and fees paid by business entities or citizens to the state, local budgets and various funds in a strictly defined manner to the workload, income or other object of taxation [9].

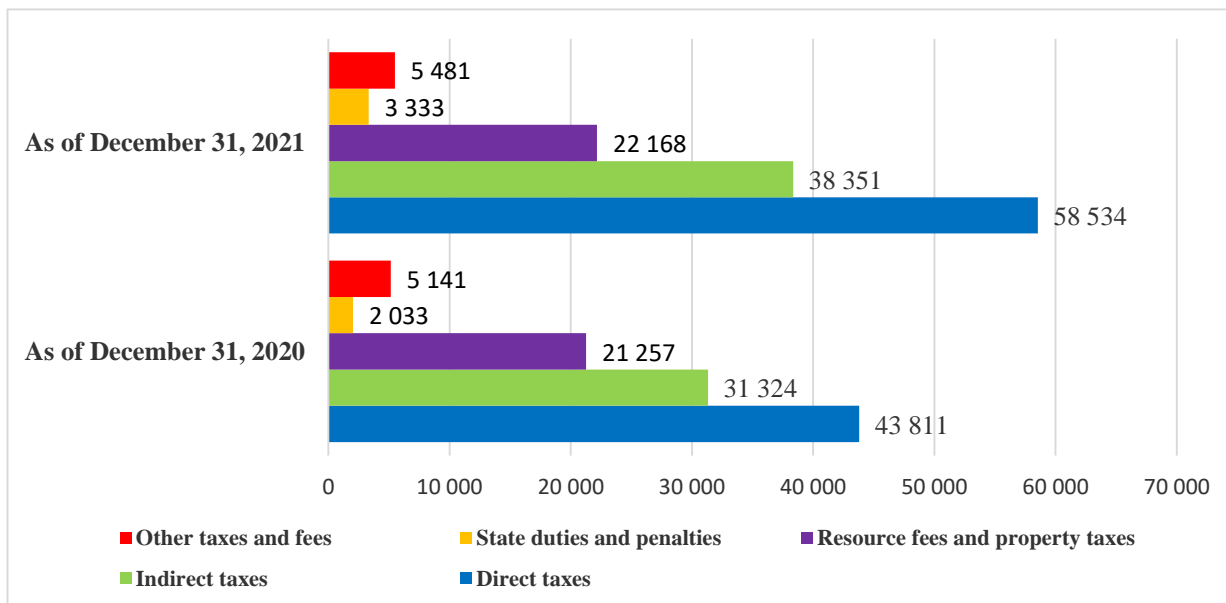
Analyze optimal taxation in the context of an endogenous growth model where growth is endogenous as a result of constant returns to cumutable factors. Because of their focus on the accumulation of human capital as opposed to innovative activity as the engine of growth, their policy prescriptions are quite different from ours. By contrast, what we find is that while physical capital accumulation should not be distorted in the long run, both labour and innovative activity should be taxed in the sense that their after-tax returns are less than their marginal products. This is because there is an endowment of time for labour and innovation in each period, beyond the initial capital endowment [10].

## 3. Research methodology.

In this article, the importance of local taxes in the state budget and this comparison, scientific abstraction, analysis in the coverage of world experience and synthesis methods were used.

## 4. Analysis and discussion of results.

Local taxes are important in shaping local budget revenues takes place. effective regulation of local government, development of regions, improvement of social infrastructure in the regions taxes are important. 2021 with these aspects in mind analysis of the share of local tax types in state budget revenues required (Figure 1).



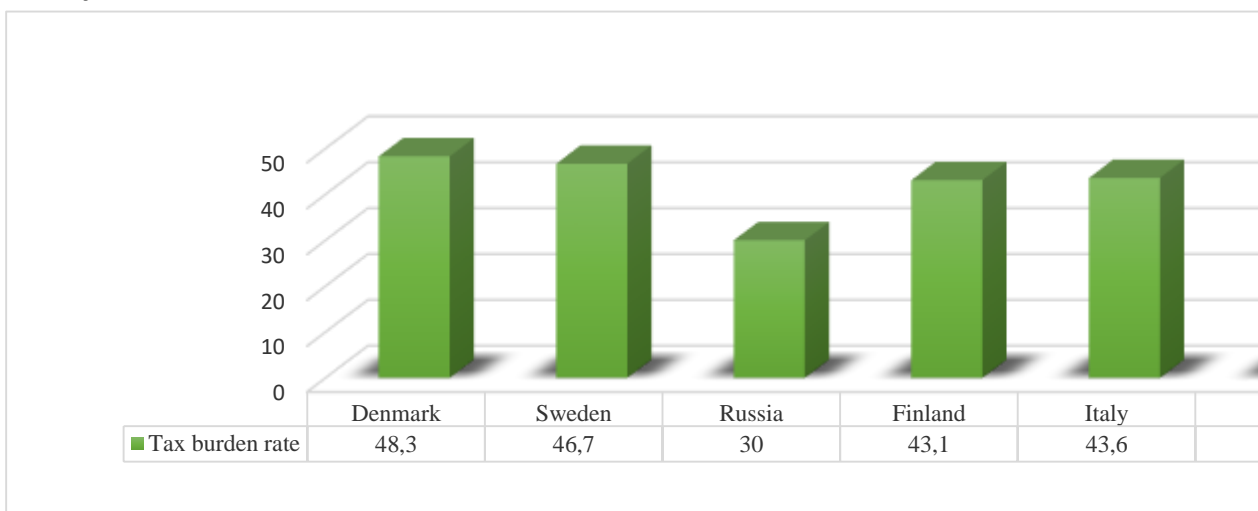
**Figure 1. Information on budget revenues in the Republic of Uzbekistan by types of taxes as of December 31, 2021 (in billion soums) [11]**

An analysis of the figures for 2021 according to the data below through which we can know that taxes are part of local taxes significantly lower than other types of taxes we will witness. In particular, the total local revenue in the State Budget in 2021 the share of taxes is 6.4%, property tax is 3%, land tax is 3%, water the tax on the use of resources is 0.4%. Let’s see it is possible that local taxes have a small share in state budget revenues.

It is clear from the data in the table that the high tax burden falls on the countries of Denmark and Sweden, at 48.3 and 46.7 percent, respectively.

The theoretically interpreted normative level of this tax burden is much higher than 30%, but in these countries the living standards of the population are high and most importantly the mechanism of tax collection and its operation is much better than in countries with much lower tax burden. Economic growth will also be high.

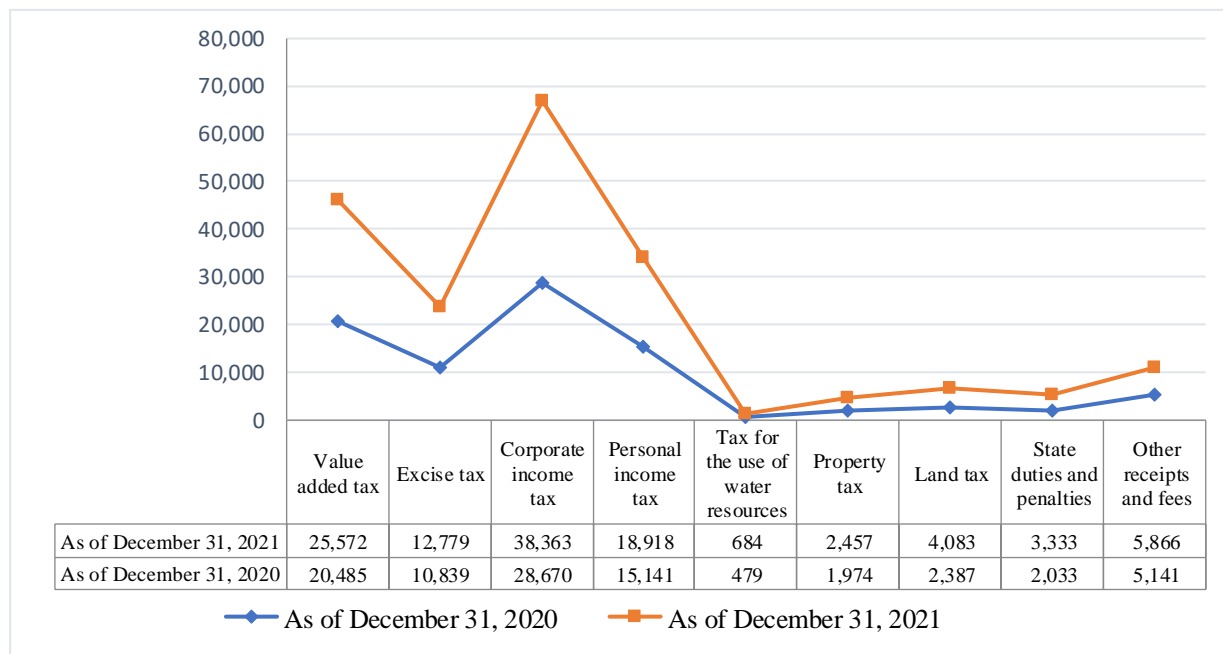
At a time when the tax burden in the Republic of Uzbekistan is 23.5%, the above figures are quite different. This testifies to the effective implementation of tax policy in our country. We can analyze the tax burden over the years from the figure below.



**Figure 2. The level of tax burden in some countries of the world (As a percentage of GDP) [12]**

As we can see from the analytical indicators in the above Figure data, if we assume that the total budget revenues in tax areas in 2020 will be 100%, in 2021 this

indicator rates will increase by 23 % compared to 2020. This will play a major role in further developing production and ensuring economic growth in the country.



**Figure 3. Information on budget revenues in the Republic of Uzbekistan by types of taxes as of December 31, 2021 (in billion soums) [13]**

As shown in the picture above, the full reduction of tax revenues in the prescribed manner in the budget - this will lead to an improvement in the economic life of the country. Funds directed to the socio-economic spheres, which are part of the expenditure classification of the state budget, are also made through tax revenues. Financing of existing sectors is one of the priorities of the state. As a result of prudent tax policy pursued in the country, significant macroeconomic and microeconomic development will be achieved.

Macro-level refers to the tax system of the whole country, in other words, it means the state's intervention in the economy, its tax pressure. In this case, the tax burden is distributed to enterprises, industries and sectors. The macro-tax burden is insignificant for each of the legal entities and individuals. Because they pay taxes and fees to the budget and extra-budgetary funds from their own income.

The tax burden on the general population is calculated as the ratio of all taxes

collected by the population to GDP. World experience shows that the tax burden on the population is divided into micro and macro levels. In our study, we also found it necessary to dwell on the tax burden on the population of our country.

In Europe and the United States, land and property taxes are usually an object market each year is set in the range of 0.5-1% of the value. East Asia such as China and the Philippines property tax rates in countries are about 1-2%, In South Korea, the annual property tax is 0.15 times the value of real estate. It is set in the range of 0.5%. Many in sub-Saharan Africa different tax rates relative to different values of assets in countries For example, in Kenya, the land tax is set at 10% to 30% possible. In other African countries, the rates are much lower possible. For example, eligible users in Rwanda pays taxes on land and buildings at 0.1% of the value of the assets [14].

**Table 1**  
**Property tax revenues in European countries Indicators (billion euros) [15]**

Nu.	Country	2012	2013	2014	2015	2016	2017	2018	2019
1.	Austria	1,8	2,3	2,0	2,0	2,0	1,9	2,1	2,2
2.	Belgium	12,6	13,8	14,3	14,4	14,9	15,4	15,8	16,3
3.	Estonia	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
4.	Finland	2,4	2,6	2,7	3,0	3,1	3,5	3,3	3,5
5.	France	81,4	84,1	86,7	92,1	95,0	100,8	97,4	97,7
6.	Germany	24,6	26,1	28,2	31,1	33,4	33,6	35,5	37,6
7.	Greece	5,2	5,7	5,1	5,4	5,5	5,6	5,6	5,9
8.	Ireland	3,1	3,6	4,2	3,9	3,8	3,9	4,3	4,4
9.	Italy	43,6	43,9	46,9	46,3	46,9	44,2	44,9	43,8
10.	Latvia	0,2	0,2	0,2	0,2	0,3	0,3	0,3	0,3

As part of the study of international practice, the property tax rates of 10 European countries were analyzed (Table 2). Europe compared to other countries in terms of property tax rates. We can see that the highest figure belongs to France (97.7 billion. EUR). In Italy and Germany, property tax revenues are similar 43.8 and 37.6 billion, respectively euro. This is the case in other countries in the table It should be noted that the figure is significantly lower. To conclude possibly property tax revenues in developed countries much higher than in most developing countries. This is directly related to the development of the private sector in the economy, the living standards of the population and high levels of profitability.

The main goal of the implementation of tax reforms is to achieve macroeconomic efficiency, the state seeks to effectively use a series of rates, tax incentives and tax bases that serve in the development and implementation of tax policy. However, it can also have a positive or negative impact on economic development. Their use should be approached with caution, that is, with the solution of problems that have a positive impact on economic development.

The impact of the tax burden and tax policy on the macroeconomic situation is very high, and the change in the country's gross domestic product and national income is directly related to the effectiveness of tax policy. The impact of the tax burden on the

macroeconomic situation can be assessed by issues such as the impact of taxes on aggregate demand and aggregate supply, investment climate, consumption, economic stability.

Taxes are an important source of funding for any state and play an important role in budgeting and regulating the economy. In all countries of the world, taxes are the basis of state budget revenues.

The tax burden and the country's fiscal policy are important factors in achieving macroeconomic stability. The country's tax burden and tax policy play a special role in achieving economic growth, macroeconomic stability and improving the investment climate, and the need to improve these issues is a key requirement of today's economy.

The level of tax revenues occurs not only under the influence of socio-economic factors, but also depends on the effective use of the tax system and how it performs its functions.

The fact that the tax burden of our country is relatively low compared to other developed countries is also recognized as an achievement of the country's fiscal policy.

## 5. Conclusions and suggestions.

Local taxes in the formation of local budget revenues the following scientific conclusions are drawn from the analysis of the importance and international experience in this area and we can make suggestions.

1. First, to local authorities on local taxes revenue generation, in the

implementation of local budget expenditures a certain degree of freedom must be granted. Such freedom is granted to the region has a positive impact on socio-economic development;

2. Secondly, it is necessary to organize the processes related to the collection of taxes and reduce the cost of this. Because making tax payments requires the preparation and submission of various reports, the frequent change in the format of current reports exacerbates the situation. As a result, tax collection measures are becoming more expensive for businesses;

3. Third, Tax arrears are common in Germany. This especially for small businesses. The same is true in Uzbekistan it is advisable to apply the concept. In this case, the tax debt is small to ensure that businesses are assured of future development should;

4. Fourth, local in developed countries in international practice the share of taxes in the state budget in developing countries relatively high. It can be said through local taxes Its share in the state budget is to some extent economic and the level of income of the population;

5. Fifth, an effective mechanism for local taxes the tax culture and local conditions must also be taken into account in shaping the tax, as this is an aspect that affects tax collection.

The above proposals and recommendations will serve to increase state budget revenues and ensure stability in Uzbekistan. The above-mentioned scientific and theoretical proposals and recommendations will serve to improve the mechanisms of tax collection, timely and complete payment of taxes to the state budget and further increase budget revenues.

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