

Optimization of Tax-Budgeting Relations in Ensuring the Economic Development of Regions of the Republic of Uzbekistan

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Abstract

This paper discusses the improvement of fiscal relations in ensuring the socio-economic development of the regions of Uzbekistan. Moreover, in this article the analysis of sources of incomes of regions is carried out, the estimation of incomes of the local budget and their level of sufficiency is given. The formation of local budget revenues, as well as fiscal relations of the Samarkand region, opinions on the economic development of the regions is expressed. The issues of the development of the regions of the country through taxes have been analyzed, as well as practical recommendations on expanding the powers of local authorities to increase tax revenues.

Keywords: tax, budget, Samarkand, fiscal, tax rate, Uzbekistan

1. Introduction

In the conditions of economic modernization, maintaining high rates of economic growth and macroeconomic stability, increasing the competitiveness of the economy of the Uzbekistan and its regions, intensifying the technical and technological renewal of the economy and its leading industries, expanding its scope, implementing measures and tasks to diversify production are becoming actual objective.

At the present stage of development, special attention should be paid to the implementation of structural works on the integrated and harmonious development of the territories, the rational use of the existing raw materials, production and labor potential of the regions, the optimal location of productive forces, the consistent improvement of the standard of living and income of the population.

As the President of the Republic of Uzbekistan Shavkat Mirziyoyev noted, "The life and experience of the past require us to eliminate serious problems in ensuring the comprehensive development of the territories, the creation and radical reconstruction of the infrastructure ... the main task is a clear coordination of the actions of the governing bodies in the implementation of urgent and perspective tasks of development of regions, cities, regions and the Republic of Karakalpakstan. The goal is to eliminate serious disproportions in the economy and social sphere, and most importantly, in people's living standard"

There is no country in which identical regions in terms of natural and economic characteristics of the regions can exist. Similarly, productive forces cannot be evenly distributed throughout the territory. Unevenness is a peculiar factor of regional economic development. The most interesting thing is that any country or region strives to ensure a uniform distribution of production forces in its territory, proportional to the social and economic development of the regions, but it is unlikely that one can ever achieve such an ideal uniformity.

Market relations require the establishment of healthy competition, not only between industries and enterprises, but also between regions. At the same time, each region strives to use its capabilities and forces more fully and efficiently, increase its export potential and create a favorable investment climate. To further strengthen social and economic stability in our country, taking into account existing regional problems, it is necessary to determine effective mechanisms for their solution. At the same time, the main focus is on further improving the country's investment climate, modernization, technical re-equipment and reconstruction of production, the consistent implementation of programs to create new jobs in regions where there is an excess of labor to attract foreign investment.

2. Analysis

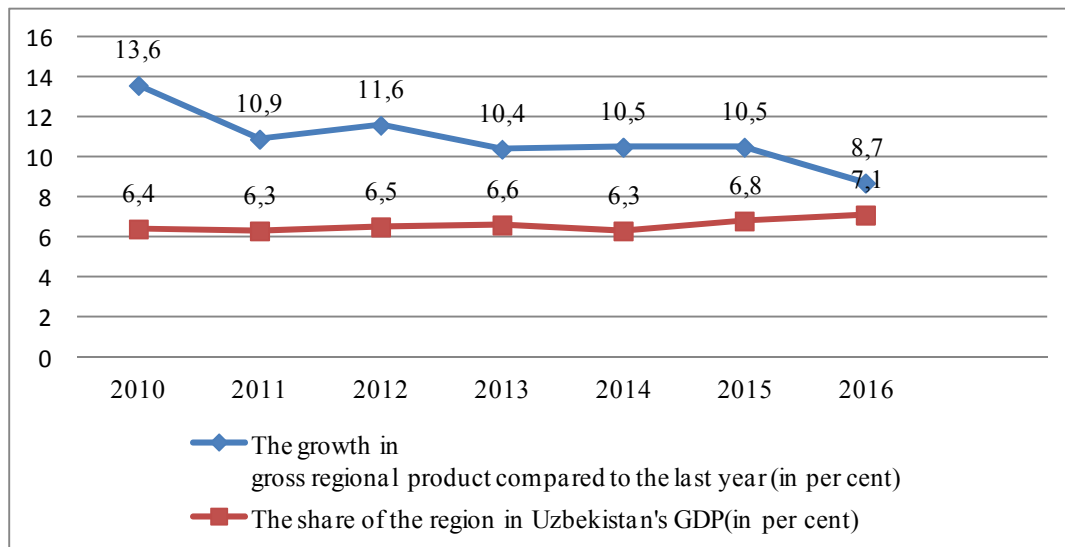


Figure 1. The growth rates of the gross regional product of the Samarkand region and its share in Uzbekistan's gross domestic product (2010-2016)

Source: Author's compilation on the basis of the data of the Statistics Department of the Samarkand region.

Although the region's economy has shown stable growth rates in recent years, there are a number of problems that require an early solution. So, for the last 7 years the average increase in the gross regional product has been 10.9% - the highest growth rates were in 2010 (13.6%); in 2012, this figure was 11.6%, and the lowest rates were observed in 2016 - 8.7%. In 2010, the gross regional product of the region showed the highest growth rates among other regions of the Republic.

The dynamics of the share of the gross regional product of the Samarkand region in the country's gross domestic product has recently shown a certain upward trend. So, in 2010 this indicator was 6.4%; and by 2016 it increased to 7.1%, over the past time the substantial growth in the share of the region's gross regional output in the volume of the country's gross domestic product averaged 6.6%. In the analyzed period, in the structure of the share of the region's gross regional output, in the volume of the country's GDP, from 2011 to 2014, there was a downward trend with simultaneous growth in the level of development in other regions.

From 2011 to 2016, there was a significant difference in the share of regions in the country's GDP. The regions with a high share were Tashkent city and Tashkent region, Kashkadarya and Ferghana regions.

With the economic development and stability of the regions under current conditions of liberalization and modernization of the country's economy, it is important to study the problems of increasing the efficiency of the tax system and the effectiveness of taxes.

The government of Uzbekistan is implementing a system of measures to improve the interaction of budget systems and ensure the independence of local budgets. In particular, in 2010 there was a program for regions. In Uzbekistan municipal budgets i.e. the budgets of the regions used to get subsidy from state budget. In 2012, the program was implemented, after that, many regions stopped getting subsidy. In fact, in 2014 Andijan, in 2015 - Khorezm, and in 2016 Samarkand regions stopped getting subsidy.

Although the constant attention is paid to the development of the activity of economic entities in the tax system of the republic, there are still many unsolved problems in this direction. Meanwhile, as the processes of liberalization and modernization of the economy deepen, these problems are gradually being solved. Naturally, the problems of the country and its regions will not be solved only by improving the tax system. However, taxes are considered one of the main tools in this matter. Therefore, it seems expedient to conduct an analysis and study of the influence of the tax system on the socio-economic development of the regions.

As well as throughout the country, in the Samarkand region in recent years there has been an increase in GRP and an increase in tax and other mandatory receipts. So, in 2016, In Samarkand the gross regional product accounted for 14060.4 billion soums, which is more by 9111.7 billion soums compared to 2011 or it can be said about growth almost three times, and tax and other mandatory payments in 2016 made up 1306.8 billion soums, which is more by 792.5 billion soums compared to 2011, or two and a half times (Table 1)

Indicators	2011 y	2012 y	2013 y	2014 y	2015 y	2016 y
GRP, bln. UZS	4 948,7	6 317,9	8 347,8	10 278,8	12 218,5	14 060,4
Income from taxes and equivalent payments, bln. UZS	961,0	1 213,8	1 504,9	1 794,8	2 095,5	2 482,1
Including:						
- taxes, bln. UZS	514,4	646,7	766,4	891,2	1 084,1	1 306,7
- receipts to state target funds, bln. UZS	446,7	567,1	738,6	903,5	1 011,3	1 175,4
The share of revenues from taxes and other equivalent payments in GRP, in per cent	19,4	19,2	18,0	17,5	17,1	17,7
Including:						
- taxes in per cent	10,4	10,2	9,2	8,7	8,9	9,3
- assessments to state target funds in per cent	9,0	9,0	8,8	8,8	8,3	8,4

Table 1. Dynamics of the share in GRP of tax revenues in Samarkand region

Source: Author's compilation on the basis of the data of the Statistics Department of the Samarkand region.

Analyses show that in the region the growth rates of the gross regional product are higher than tax revenues. This indicates that the region is experiencing normal socio-economic development and economic stability is ensured.

The share of taxes and equivalent payments to GRP in 2011-2016 fell by 1.7 (19.4-17.7) points. You can see that in the field the tax burden is being reduced due to lower tax rates and provided tax privileges. This state of affairs indicates the need to improve, along with taxes, as well as assessments to state target funds. In recent years, contributions to state trust funds have also decreased. However, in the tax legislation of our country the base of such mandatory payments does not directly affect the income level of taxpayers, therefore in some cases it leads to the fact that the significance in the tax burden does not decrease.

Analyses showed that in the region the state of recovery of all types of legally established taxes and mandatory payments equivalent to them is generally satisfactory. It is worth noting that due to the fact that the region's territory is not rich in natural resources, taxes for the use of subsoil and special taxes have an insignificant share in the structure of tax revenues. In addition, the main reason for the average level of economic development in the country is due to the small reserves of natural resources in the region and the low level of their assimilation. Consequently, ensuring the economic growth of the regions requires the processing of agricultural products, the development of those industries that are specialized in the production of finished products from raw materials, the application of additional tax incentives to this sphere and the development of state centralized investment programs.

In our opinion, when studying the influence of the tax system in the socio-economic development of the regions, it is also necessary to study and analyze the significance of taxes at the city and district levels.

The Samarkand region in the territorial structure consists of 2 cities and 14 districts - a total of 16, their share in the total amount of tax revenues vary slightly, but at the city and district levels they are very different.

№	Cities and districts	2011 r.	2012 r.	2013 r.	2014 r.	2015 r.	2016 r.
1.	Samarqand city	10,0	9,6	9,6	15,6	15,6	14,2
2.	Kattakurgan city	2,1	2,4	2,2	4,4	3,9	3,8
3.	Akdarya district	1,7	1,7	2,0	2,4	3,0	3,1
4.	Bulungur District	1,9	2,2	2,3	2,6	2,6	2,6
5.	Jambay district	1,8	2,0	1,9	4,2	4,8	4,8
6.	Ishtihsan district	2,7	2,8	2,5	2,7	2,8	2,9
7.	Kattakurgan district	2,8	3,0	3,4	3,4	3,3	3,4
8.	Kushrabat district	1,0	1,1	1,1	1,2	2,3	2,6
9.	Narpai district	2,6	2,9	2,4	3,2	3,8	3,8
10.	Paiairik rayon	3,3	3,4	3,7	3,6	3,4	3,5
11.	Pastdargom district	4,8	5,5	5,3	6,0	6,9	6,3
12.	Pakhtachi district	1,8	1,9	1,9	1,8	2,0	2,0
13.	Samarkand district	3,9	3,1	3,3	7,3	6,1	8,0
14.	Nurabad district	2,3	1,9	2,0	3,4	4,6	4,1
15.	Taylak district	2,2	2,8	2,6	3,1	3,5	3,6
16.	Urgut district	4,3	4,5	4,6	5,7	5,8	5,7
17.	The budget of the region	50,8	49,1	49,3	29,3	25,5	25,4
	Total	100,0	100,0	100,0	100,0	100,0	100,0

Table 2: Dynamics of growth of revenue of local budgets of the Samarkand region (in per cent)

Source: Author's compilation on the basis of the data of the Ministry of Finance of Uzbekistan

As can be seen from the results of the analysis, from 2011 to 2016 the average share of tax revenues for

cities and districts of the region was 3.75%, the main part of tax revenues in the Samarkand region (from 2011 to 2016, on average 38.2%) came to the regional budget. Moreover, the share of tax revenues in the city of Samarkand and Pastdargom, Samarkand and Urgut districts were above the average. In all other territories, the level of tax revenue was lower than the average. Especially the share of tax revenues was quite low in Kushrabad, Pakhtachi, Akdarya and Bulungur districts. This situation is due to a number of reasons, including the fact that the listed areas are mainly specialized in agriculture, so industry and the service sector are underdeveloped. In some areas of the region, including in the cities of Kattakurgan, Samarkand, Jambay and Nurabad districts, in recent years there has been an increase in the volume of tax revenues. It became possible due to the development of infrastructure in these territories, improving the investment climate, increasing the number of taxpayers and increasing the tax base.

When studying the dynamics of tax revenues by sectors of the economy in the context of the region, we can see a clear disproportion.

№	Fields	2012 y.	2013 y.	2014 y.	2015 y.	2016 y.
1.	Industry	18,1	20,1	21,2	21,7	22,3
2.	Transport	0,4	0,4	0,5	0,5	0,6
3.	Building	1,9	2,6	3,5	4,1	4,8
4.	Trade and catering	5,5	6,8	8,1	9,2	10,4
5.	Agriculture	5,6	5,1	4,3	3,9	3,2
6.	Other industries	68,5	65,0	62,4	60,6	58,7
Total:		100,0	100,0	100,0	100,0	100,0

Table 3: Dynamics of tax revenues by economic sectors in the Samarkand region

Source: Author's compilation on the basis of the data of the Ministry of Finance of Uzbekistan

As can be seen from the data in the table, in the context of the region, tax revenues by industry were quite high, between 2011 and 2016 average of 19% and there was an upward trend. By 2016, the share of industrial enterprises was 22.3% of all tax revenue. In addition, the share of trade and public catering in these years accounted for 8.0%, construction - 3.4% and showed constant growth, the share of agriculture made up 4.4% followed by a decrease over the years.

The dynamics of the share of tax revenues by sectors of the economy indicates that the region has recently developed industry, construction, trade and catering. Due to the reduction of the tax burden for the agricultural sector, their contribution to the structure of all taxes has decreased.

Currently, one of the problems in the practice of taxation is associated with the receipt of taxes in the budget on time and fully. The main work of the bodies of state tax services is aimed precisely at resolving these issues.

In the effective implementation of tax policy, a special role is played by local authorities, in this regard, they should be given more authority to conduct a single tax policy, to fulfill the tasks of ensuring the receipt of taxes in local budgets and other mandatory payments equivalent to them.

It is known that in the conditions of a market economy, the independence of state authorities is ensured. Proceeding from this, reforms are being done in the Republic aimed at increasing the autonomy of local government bodies and a gradual expansion of their powers.

The need to expand the powers of local authorities is determined by the fact that they can fully take into account local conditions and needs. In other words, according to the tax legislation of Uzbekistan, local authorities have a number of powers to establish tax privileges on local taxpayers on local taxes and fees, the size of tax rates within the maximum rates determined by the Presidential Decree.

Local authorities do not have authority for such local taxes as property tax and land tax, since these taxes are established by the legislation of the republic.

At the same time, the maximum amount of certain local taxes and payments, such as the tax on improvement and development of social infrastructure, the tax on consumption of gasoline, diesel fuel and gas for vehicles, a fee for the right to retail certain types of goods and the provision of certain types of services, is established The President's Decree, which limits the powers of local authorities to strengthen their revenues. In addition, local authorities have only one authority for the property tax established by the legislation of the republic: provision of additional benefits to taxpayers within their territory. And this, as we noted above, does not mean that local authorities have absolute powers to strengthen the tax potential.

In accordance with the legislation, the budget of the Republic of Karakalpakstan, the local budgets of the regions and the city of Tashkent must have balanced incomes and expenditures. The budget deficit of the Republic of Karakalpakstan, local budgets of the regions and the city of Tashkent is not allowed.

Annually, the Presidential Decree sets the standards for deductions from the revenues of state taxes to the budget of the Republic of Karakalpakstan, the local budgets of the regions and Tashkent city.

One of the measures that need to be taken during the reform of the budgetary system is the expansion of the budgetary rights of local authorities. So, we need to give them more opportunities to introduce taxes on their

territory and conduct an independent fiscal policy. Along with the granting of broader rights to local authorities, it is advisable to entrust them with obligations to implement a budget with high responsibility. At the same time, it is necessary to determine the legal procedure for considering by higher authorities the issue of the responsibility of managers of financially bankrupt local authorities for ineffective management of the local budget

3. Conclusion

Also, in order to ensure economic growth of the regions, the state needs to fulfill important tasks in the following areas:

- ensuring stable economic growth of regions, achieving a consistent increase in the gross regional product, ensuring an increase in the share of tax revenues of regions in their GRP;
- to strengthen the economic potential of the regions: further reduce the tax burden on enterprises, implement measures to increase investment activity of economic agents and expand their economic independence, create favorable additional conditions primarily for the development of small businesses and private entrepreneurship, increase their role in the formation of GRP and replenishment of the domestic market, the reduction of unemployment in the region, an increase in the average yield and the strengthening of social protection;
- Based on the role of the regional economy in expanding the export potential of the national economy, creating additional economic conditions for the development of the economy, ensuring the necessary conditions for attracting foreign investment to the most remote places in the region.

To ensure stable economic development of regions and economic growth in each area, the following measures are necessary:

- Based on the unique conditions and economic potential of the regions, develop long-term strategic development programs;
- ensuring employment of the population on the basis of further increasing the investment activity of the regions and creating additional jobs;
- Expansion of tax incentives to ensure efficient use of natural, mineral, raw, industrial, agricultural, tourist and labor resources of each region to accelerate social and economic development and ensure the welfare and wealth of the population;
- taking into account the available opportunities and conditions for the development of tourism in the analyzed region, further improving the quality of services and creating a favorable tax climate for them;
- Increasing the export potential in the area in proportion to the increase in GRP, comprehensive support for the activities of exporting enterprises, including small businesses and rural commodity producers in this direction.

Consequently, ensuring the economic growth of the regions requires the processing of agricultural products, the development of those industries that are specialized in the production of finished products from raw materials, the application of additional tax incentives to this sphere and the development of state centralized investment programs.

To sum up, it should be noted that the implementation of reforms aimed at optimizing fiscal relations and expanding powers for local government taxes should be determined as an important direction for improving the tax system of the republic. This, on the one hand, will serve to strengthen the revenue base of local authorities, on the other - it will provide an opportunity for further expansion of the stimulating function of taxes.

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