



## ENSURING SUSTAINABLE GROWTH OF LOCAL BUDGETS' SOURCE OF INCOME

Madreimov A. O.

Karakalpak State University. Docent T.E

### Annotation

This article presents the theoretical and practical results of expanding the own revenue sources of local budgets. Conclusions are drawn to ensure sustainable growth of local budgets as a source of their own income and improve methods for assessing their financial potential.

**Keywords:** Budgetary system, local budget, tax, tax potential, Representative taxation system, income, tax base, financial potential.

One of the most urgent tasks in the budget system in Uzbekistan is that local budgets have their own income and do not depend on any transfers. "Increasing the role of the Councils of People's Deputies in solving problems in neighborhoods, strengthening their responsibility for socio-economic development of regions, raising the standard of living of the population, forming and controlling the local budget." In the full implementation of these priority tasks, the issues of increasing the source of local budget revenues are urgent. In order to increase the local budget tax revenues, it is necessary to carry out scientific research on the optimization of taxation, ensuring the sustainable growth of the region's source of income, and improving the methods of assessing its financial potential.

Despite the fiscal reforms carried out to expand the base of local budgets and increase their financial independence, the share of local tax revenues in the state budget is low. In particular, one of the conditions for the sustainable growth of regions in developed countries is: "recognition of the budget as the most important driver of economic growth, which allows for a comprehensive approach to solving important tactical and strategic tasks by increasing the efficiency of budget use." This, in turn, requires expanding the revenue base of the local budget and improving the taxation mechanism.

Today, there are three conceptual approaches to determining the tax potential, which are considered as the following categories: financial, economic and structural. The amount of tax potential and its implementation depends on the provision of social welfare, their quality and quantity. Therefore, studying the essence of the tax





potential, approaches to its assessment, and the factors affecting the tax potential in the formation of sources of budget revenues is of special relevance and importance. In the process of describing the tax potential of the territory, it is important to define its structure and distinguish its structural elements: tax resources, tax base, tax liabilities, tax burden. In order to effectively assess the tax potential, it is important to create and synchronize a complete electronic database of taxpayers, tax bases and statistical information, as well as rapid processing. Using the representative tax system method, it is necessary to assess the tax potential of the regions and, on this basis, forecast the budget revenues and determine the amount of transfers allocated from the higher budget.

One of the most common classifications includes direct and indirect assessment methods. Direct methods are used based on indicators of tax revenue formation in the region, and indirect methods are based on indicators of economic activity of the region (Figure 1).

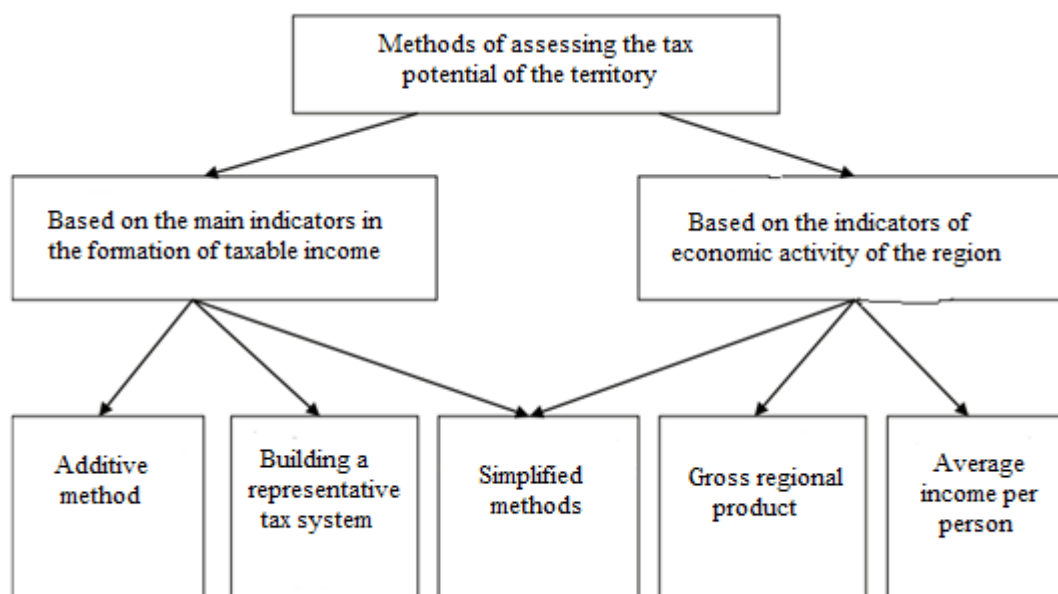


Figure 1. Classification of methods for assessing the tax potential of the territory

At the same time, it is important to use adjustment coefficients that represent indicators such as the level of socio-economic development of the regions, including the structure of the regional gross domestic product, the tax base and the composition of taxpayers.

It is possible to observe the decreasing trend of the share of property and land taxes, which are the sources of local budgets' own income, in the total tax revenues of the state budget and resource taxes.



Table 1 The share of property and land tax in tax revenues in Uzbekistan, in percentage

No	Tax types	2016 y.	2017 y.	2018 y.	2019 y.	2020 y.
<b>1.</b>	<b>Total Tax Receipts:</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
1.1.	Property tax	4,6	4,5	3,5	1,8	1,8
1.2.	Land tax	2,2	2,5	2,0	1,8	1,9
<b>2.</b>	<b>Total resource taxes:</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
2.1.	Property tax	32,3	32,8	22,2	10,9	11,4
2.2.	Land tax	15,0	18,2	13,0	10,8	11,9

The main reasons for the sharp decrease in the share of property tax are the decrease in the tax base (only real estate is taken as a tax object) and the tendency to reduce tax rates (the property tax rate of legal entities was reduced from 5% to 2%) . The annual turnover (income) of 1 bln. for enterprises exceeding soums can be transferred to payment of general taxes. In addition, it is possible to indicate the introduction of tax on the property of all economic entities, land tax and payment of taxes for the use of water resources, as well as the cancellation of special tax and customs privileges.

Table 2. Analysis of the share of property and land taxes in the tax revenues of the local budget of the Republic of Karakalpakstan

Local taxes	share of taxable income (%)			
	2017	2018	2019	2020
Land tax and property tax total	8,7	9,8	8,5	9,7
Tax on property of legal entities	3,3	4,8	2,8	1,8
Tax on the property of individuals	1,7	1,3	1,3	1,2
Land tax of legal entities	1,6	1,5	1,9	2,5
Land tax on individuals	2,1	2,3	2,5	4,2

The share of land and property taxes, which are considered as own sources of income, in the tax revenue of the local budget of the Republic of Karakalpakstan is very low, and the share of these taxes in the tax revenue of the local budget does not have a stable trend.

In recent years, the attention of economists has been focused on the study of local financial management systems in different countries and the identification of problems that exist in them and hinder their development. In general, we will come to conclusions on the elimination of existing problems in the formation of the revenue part of local budgets.

The lack of a comprehensive approach to the formation of the local budget revenue base and the use of revenues is primarily due to the fact that the financial components of local authorities are limited in most cases in many legal documents.



The local budget is one of the urgent issues in increasing the source of tax revenues, and it is taxation with a full assessment of the value of land plots and property. Together with local authorities and competent state bodies, carry out a complete inventory of property located in the regions and simultaneously re-evaluate it into a single electronic database, and ensure full control of the purchase and sale of property and the movement of property on the account .

## References

1. Decree of the President of the Republic of Uzbekistan dated January 28, 2022 No. PF-60 "On the development strategy of the new Uzbekistan for 2022-2026". <https://lex.uz/docs/5841063>.
2. Azoulay A., Côté J.-G. 2017. Les clés du développement économique local Analyse des stratégies de six villes nordaméricaines.
3. Igonina L.L., Kusraeva D.E. 2009. On methods for assessing the tax potential of a region - a subject of the Russian Federation // Terra economicus .. V. 7. No. 4 (part 2).
4. Abdullaev Z.A. 2019. Issues of assessing the tax potential of territories. Electronic scientific journal of finance and banking. I-issue January-February.
5. Information of the Ministry of Finance of the Republic of Karakalpakstan.

