

## **STRENGTHENING THE ROLE OF INDIRECT TAXES IN STRENGTHENING THE REVENUE BASE OF BUDGETS OF ALL LEVELS**

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### **Annotation**

The problem of strengthening the relationship between taxpayers and the links of the state budget has been successfully addressed and the most important conditions and the effective functioning of budgets at all levels have been studied. Scientific recommendations for the effective redistribution of budget funds are given.

**Keywords.** tax, tax policy, monopoly tax, indirect tax, taxable goods, state budget, tax rate.

### **Introduction**

The most important prerequisite for successfully solving the problem of strengthening the relationship between taxpayers and the state budget is the presence of a well-built and effectively functioning system of budgets at all levels, aimed at implementing an effective redistribution of funds and capable of providing all territories with the necessary financial resources.

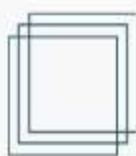
To build such a system, it is necessary to establish relations between taxpayers and the budget, as well as to formulate a development strategy. As part of this, it is important to study the experience of market-developed countries. In this regard, we will highlight certain distinctive features of the tax and budget systems of foreign countries that can be used or proposed for use in the practice of the Republic of Uzbekistan.

In Germany, the territories are being leveled according to the level of budgetary security, including through tax redistribution, and there is also a special tax on high incomes of the population.

In Canada, the provinces have the right to increase the federal tax rate in their territory, and taxes on natural resources are credited to the state budgets.

Along with this, the system of tax deductions used in calculating VAT makes it not only a tax that is difficult to administer, but may lead to the need to return funds from the regional budget to taxpayers. On a national scale, revenues overlap returns and are less noticeable if this tax is centralized in a single budget.

Consequently, the redistribution of tax revenues between the levels of the budget system is limited, because such a redistribution depends on the level of development of the territory and the actions of regional government bodies to improve it. This is intended to help increase tax autonomy and increase tax collection. However, in



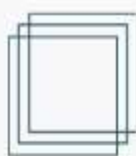
domestic practice, the regulation of the revenue side of the budget is sufficiently regulated by the legal framework, at the same time, the process of strengthening the revenue side is not transparent.

Therefore, a number of problems arise in the relationship between taxpayers and the budget. Ensuring a surplus by cutting budget spending is the most painful way, since the state usually finances those needs of society that cannot be limited by the market due to their unprofitability. This, of course, leads to a sharp reduction in public goods (services) provided to the citizens of the country.

In addition, such approaches will undoubtedly lead to an increase in social tension in society and undermine its political stability. Therefore, the government usually cuts social programs in the very last turn, if it is not possible to implement other methods of regulating the budget deficit.

Along with this, an increase in budget revenues is undoubtedly the best way to cover the budget deficit. However, it is extremely difficult to solve this problem in reality. This is due to the reduction of high inflation. Inflation is growing rapidly, which means that the absolute amounts of income of business entities and citizens and taxes on these incomes are also growing. But due to inflation, budget expenditures are also growing. And as the experience of foreign countries shows, budget expenditures grow faster than the amount of tax revenues, and the deficit does not decrease and even increases. The reason is simple: expenses must be carried out today and at current prices, and taxes are always taken from yesterday's income, formed at the old price level. An increase in tax rates can undermine the population's material incentives to work and slow down the growth of production. But at the same time, we should not forget that the regulation of budget revenue by issuing fiat money may look like the easiest way. In essence, this, in our opinion, is the elimination of the budget deficit. The emission of cash and non-cash money in excess of the real needs of the economy relieves pain for a while, but then generates economic disequilibrium. Of course, it is not difficult for a state that has the right to issue money to issue additional banknotes for the payment or due wages to employees. However, such a path can immediately determine the true value of this money. Therefore, the excess issue of money creates inflation.

Borrowing (borrowing) money. Like a citizen or a business entity, the state can lend money when there is a shortage of money. First of all, at their own, i.e. state (central) bank. But by withdrawing money from the Central Bank, the state loses the income that it could receive from lending to private firms and commercial banks. In addition, such direct lending by the Central Bank to the government of the state in the form of buying government securities or providing loans with registration of the debt of the Ministry of Finance, in fact, means an additional increase in the size of monetary emission. And therefore, it is considered more profitable to lend money by placing government securities among commercial banks, financial institutions, the



population, as well as obtaining loans from external sources, i.e. from the governments of other states and international organizations. Although here there are some negative aspects - the emergence of public debt, both internal and external.

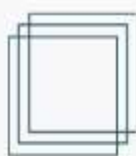
Considering that the budget policy is an effective tool for regulating macroeconomic processes, when forming the budget, the task is to strengthen the stabilization of production and create conditions for the subsequent growth of economic potential based on lowering inflation, creating a favorable investment climate for the implementation of measures to modernize the economy. Under these conditions, the mechanism for managing the budget deficit should not be carried out within the framework of a narrow and ineffective relationship: contraction of the money supply - reduction in the relative budget deficit - reduction in demand - reduction in inflation, but in the system: capital accumulation - expansion of demand - growth in production and employment - growth in budget revenues - reducing the budget deficit - reducing inflation.

The experience of market-developed countries indicates the need to create a budget system that not only provides financial resources to all authorities, but also aimed at creating incentives for the economic development of administrative and economic territories, and, as a result, increasing their own tax potential. At the same time, it will be important to combine both effective principles for the collection and redistribution of income, and the establishment of taxation elements that contribute to the development of an innovative economy. At the same time, it should also be noted that some economists argue that solving the issues of increasing the receipts of mandatory tax payments to budget revenues through the solution of short-term measures is ineffective. Although, the measures taken during the quarantine period caused by the coronavirus pandemic did not quite guarantee the receipt of taxes in budget revenues.

Therefore, instead of short-term measures, it is important to use advanced approaches to regulating mandatory payments to budget revenues. It is the regulation of mandatory payments to budget revenues in the short term that can ensure economic growth and the direction of fiscal stimulation of the economy. However, in countries with economies in transition, an increase in budget expenditures, as well as the use of tax incentives in adverse economic situations, can provide a contradictory effect, that is, lead the economic situation into a state of instability or give impetus to a new innovative development of the economy.

Based on the above, it is possible to single out a number of recommendatory approaches that would contribute to the growth of incomes of the administrative and economic territories of the Republic of Uzbekistan:

- creation of conditions for the use of fiscal incentive mechanisms in order to increase mandatory tax revenues to budget revenues;



- maximizing the revenue base of administrative and economic territories by bringing their revenue base closer to their revenue potential;
- strengthening the role of local budgets in order to create a favorable innovation and investment climate in each administrative and economic territory of the Republic.

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