

## IMPROVING THE METHODOLOGY FOR ASSESSING THE LEVEL OF TAX COLLECTION

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ABSTRACT	KEYWORDS
In this article, the democratization and renewal of the society in Uzbekistan, the modernization and reform of the country’s economy fundamentally reorganize the activities of various sectors in a comprehensive way, the sectors, having acquired their own characteristics, form an integrated system in interdependence, therefore, the reforms implemented in the tax system of Uzbekistan are a socially oriented market. It is reflected that it should be aimed at decision-making of the economy and should provide economic stability, free conditions based on democratic principles for the activities of citizens and economic subjects.	Tax burden, tax system, tax policy, local taxes, property tax, land tax, state budget, local budget, tax trend, tax progression.

### Introduction

Democratization and renewal of society in Uzbekistan, modernization and reform of the country's economy require a comprehensive reorganization of the activities of various sectors. Because the fields, having acquired their own characteristics, form an integrated system in interdependence. The reforms implemented in Uzbekistan are aimed at establishing a socially oriented market economy and should provide economic stability and free conditions based on democratic principles for the activities of citizens and economic entities.

In particular, deepening of economic reforms is a process that goes hand-in-hand with the strengthening of the foundations of the multi-system economy, the development of the private sector, and the implementation of an effective tax system that provides state revenues. Ensuring the efficiency of the tax system is of particular importance.

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” [1]. 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.

According to the purpose of the 28th principle of the Decree of the President of the Republic of Uzbekistan dated January 29, 2022 No. PF-60 “On the new Uzbekistan development strategy for 2022-2026”, tax burden on business entities until 2026 it is planned to reduce from 27.5% to 25% of GDP [2].

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 cumulable 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].

In the current literature, taxes are considered as mandatory, non-equivalent payments to the state budget and extra-budgetary funds from individuals and legal entities in accordance with the current regulatory documents [11].

They can be interpreted with some additions to the principle of inequality in taxes. In the scientific literature, the tax system is interpreted differently, when viewed in a narrow sense, "The sum of taxes and other payments collected in the prescribed manner constitutes the tax system" [12].

A number of other scholars have expressed certain opinions about tax principles. In particular, the Russian economist N.Turgenev recognized such specific principles as equal distribution of taxes - accuracy of taxes - convenient time of tax collection - low cost of tax collection - existence of a general rule in tax collection [13].

### **3. Research Methodology**

The article used the methods of structural analysis, comparative comparison, expert assessment, statistical grouping, economic statistics, multifactor econometric analysis. In addition, the scientific ideas of local and foreign scientists are cited as the theoretical and methodological basis of the research.

### **4. Analysis and Discussion of Results**

According to current tax theory and practice, giving priority to the fiscal function of taxes in order to fill the budget cannot form the basis of tax strategy. In order to achieve adequate formation of budget revenues, the introduction of new taxes and the establishment of increased standards of taxation are denied.

An excessive increase in the tax burden leads to a reduction of the tax base, which prevents the creation of new business structures and exposes existing structures to mass bankruptcy.

For this reason, it is necessary to determine the generalized tax burden at the most favorable level of taxation. In this situation, taxes should not threaten business and investment activities, as well as the standard of living of the population, and should provide the necessary (sufficient) budget revenues.

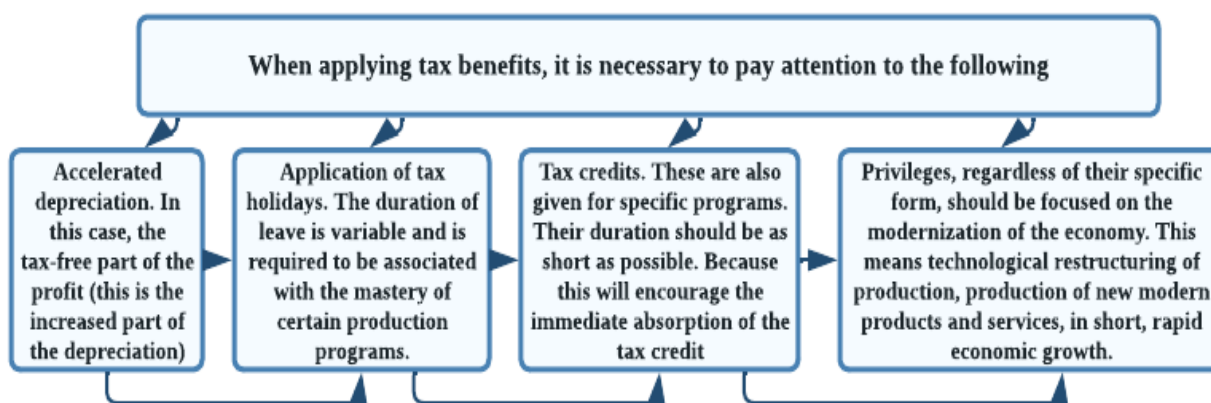
In our opinion, taking this into account, it is appropriate to distinguish the function of applying entrepreneurship from the set of tax functions. In order to ensure the activity of business entities, it is necessary to have a reasonable tax burden. The general direction of taxation in foreign countries has been to reduce the tax burden on profits.

As the tax burden increases, the net income of citizens decreases. Every citizen will have to work harder to earn their previous income before the increase in taxes. Usually, subjects start looking for additional jobs elsewhere instead of improving their productivity in their main workplace.

In addition, there has been a change in the rates of VAT, income tax and excise duties of the main taxes that form the budget income. The minimum rates of personal income taxes have been increased. As a result of all of them, the tax burden for each taxpayer actually increased.

Economists-scientists and specialists have researched and analyzed certain shortcomings in the process of formation of the tax system of our country. In particular, the following should be highlighted:

- the priority of the fiscal approach in tax policy was carried out by setting high tax rates in the presence of a large number of benefits;
  - the tax system has effectively failed to fulfill its important function of stimulating production, as private savings and investment have declined due to the 30.0% tax on corporate income. Usually, if the share of taxes exceeds 40.0-50.0% of income, then investment activity stops completely and production decreases;
  - inequality in the distribution of the tax burden among taxpayers, the main tax burden fell on the income of enterprises, while natural raw material resources, property and income of individuals were taxed at a relatively low level, and they had an insignificant share in the total budget income;
  - a significant amount of all tax revenues was redistributed through the state budget due to the lack of rational distribution of state and local tax types, attaching taxes to budgets of different levels.
- It should be noted that the current high rates of income taxation have been inefficient due to the availability of large tax credits. In the practice of applying privileges, it is also allowed to transfer the privilege given to one taxpayer to another as an additional burden. According to some authors, the exemption of agricultural enterprises from value added tax leads to an increase in the tax burden on enterprises that process their products.

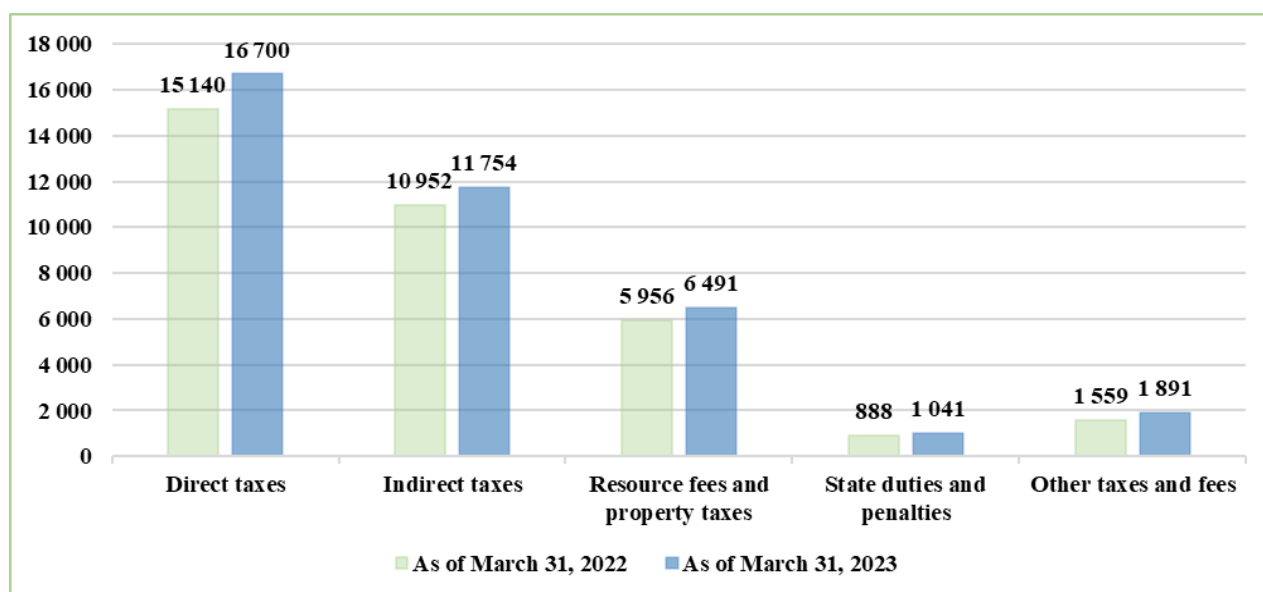


**Figure 1. Special attention should be paid to the following when tax benefits are used selectively [14]**

At this point, it should be said that tax credits are a factor that eases the tax burden and are focused on incentives. These are in the form of reduction of the tax base and tax rate, tax exemption, conversion of tax into credit, granting of tax holidays. The tax legislation of Uzbekistan also provides for a number of benefits. Exemptions are applied selectively rather than targeted, benefiting a certain group of taxpayers. For example, in 2005-2006, newly established farms in the process of agricultural farming were exempted from land tax for a period of 5 years. This helps them stand on their own feet.

Tax incentives can be divided into two groups: effective incentives and non-effective incentives. In Uzbekistan, the second group of benefits is numerous. Since the benefits they provide are not significant, they cannot change the economic activity of taxpayers.

One of the ways to reduce the corporate tax burden is to use tax credits. A tax credit is an incentive for the government if it provides relief for the payer. The ability to incentivize benefits is often inherent in proper taxes. The effect of benefits on the taxpayer is a primary effect, while the effect on the national economy is a cumulative or secondary effect.



**Figure 2. Information on budget revenues in the Republic of Uzbekistan by types of taxes as of March 31, 2022-2023 (in billion soums) [15]**

As we can see in the picture above, the income from direct taxes to the state budget is 44.1%, from indirect taxes 31.0%, from resource payments and property tax 17.1%, state duty and fines 2, It is 7 percent, and other taxes and fees are 5.0 percent.

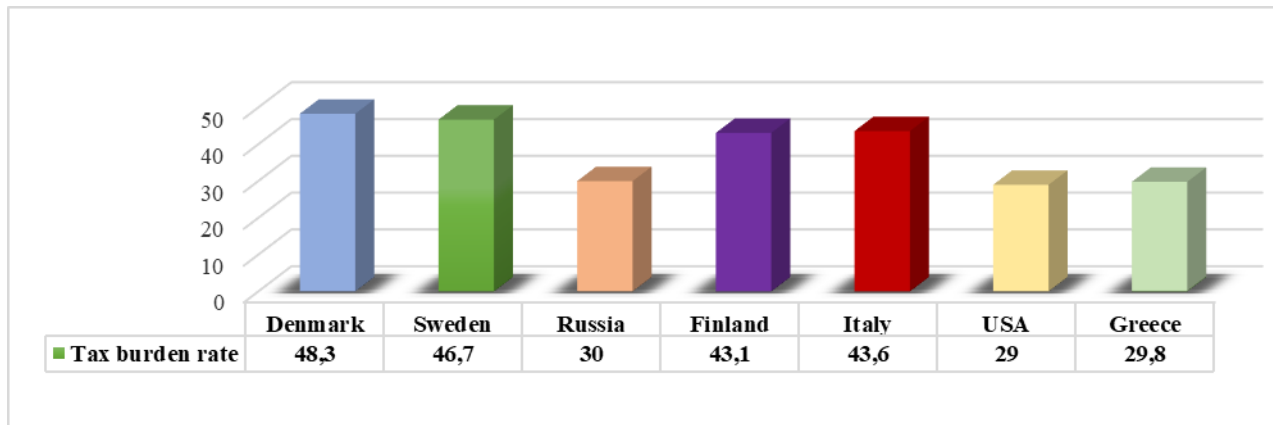
Privileges used in the collection of tax from the income of individuals in Uzbekistan are full exemption from tax. This benefit applies to some civil servants. In order to benefit from this privilege, it is enough to have a certain profession and work in a government office. Benefits here are public and related to employee performance not. The beneficiaries of the profit tax are joint ventures, newly opened enterprises, and enterprises included in the state investment program. Tax relief for joint ventures serves to attract foreign capital and is given in connection with the main production activities. However, in practice, joint ventures enjoy benefits even when engaged in trade activities. In Uzbekistan, tax credits apply to the main types of taxes, such as income (profit) tax, value added tax, property tax, land tax and other tax and tax-free payments.

Social benefits are more likely to be used where there is a large population in need of protection, but this requires a strong economic capacity to compensate for the losses they cause. These benefits are more applicable where the state has assumed large obligations.

It is clear from the data in the figure 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 3. The level of tax burden in some countries of the world (As a percentage of GDP) [16]**

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.

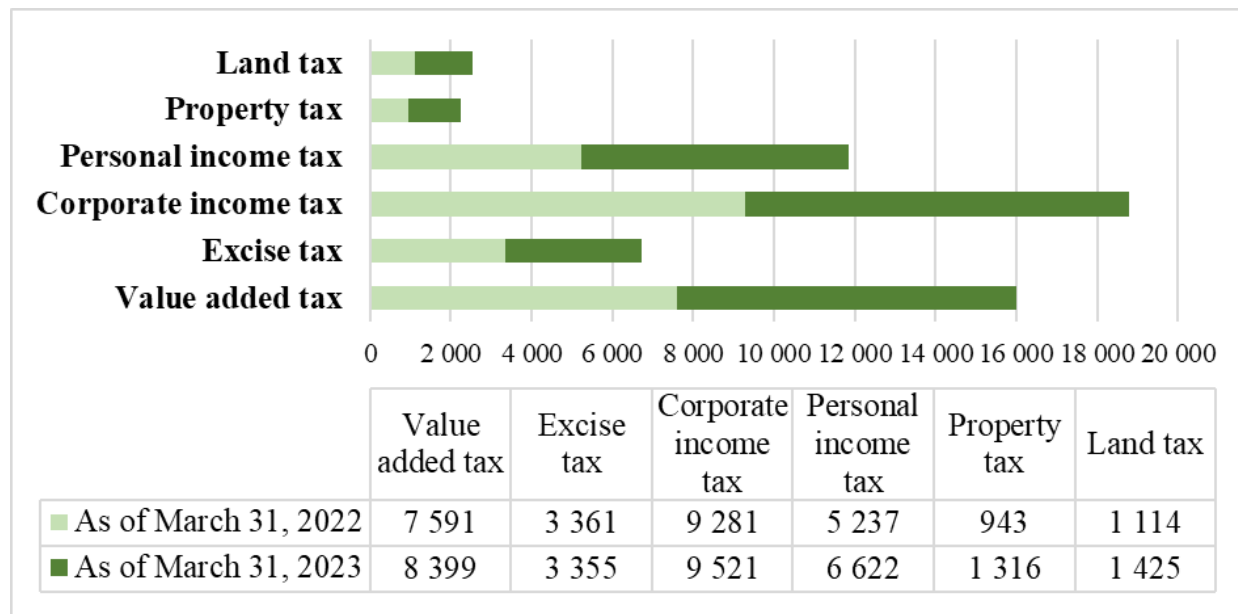
As shown in the figure above, the full reduction of tax revenues in the prescribed manner in the budget - this will lead to an improvement in the economic life of the country. Funds directed to the socio-economic spheres, which are part of the expenditure classification of the state budget, are also 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 (Figure 4).

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.

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.



**Figure 4. Information on budget revenues in the Republic of Uzbekistan by types of taxes as of March 31, 2022-2023 (in billion soums) [15]**

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 [17].

**Table 1 Property tax revenues in European countries Indicators (billion euros) [18]**

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 1). 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.

## 5. Conclusions and Suggestions

We have formulated the following conclusions and suggestions, based on hundreds of split jobs over the years of production in Uzbekistan, based on developed jobs, assemblies and direct production:

1. It is not enough to think of the tax burden as a function of the tax rate and the tax base, because it is also a function of the taxpayer's residual income. Therefore, it is not enough to determine the tax collection coefficient to determine the burden. The tax burden should be determined at the micro level, because there will be no taxes applied at the macro- and mego-level. It is necessary to analyze this burden in comparison with the tax object, but in addition to the tax paid by the taxpayer, the income remaining at his disposal should also be considered. The financial resource left after tax also determines the limit of the tax burden. This limit serves as a criterion for how much resources can support extended reproduction.

2. It is necessary to apply the tax burden to households, because they are the main subject of the economy. First, the amount of collected taxes is compared with the gross income of the household, and secondly, the income per household is compared with the cost of living. When determining the tax burden on the house, it is necessary to include a part of indirect taxes. The tax burden creates tax pressure, but is not limited to it, as it also includes the terms and conditions of tax payment and its costs. Economic incentives are inversely proportional to tax pressure.

3. Improvement of taxes means their optimization, the criterion of which is the compatibility of the interests of the taxpayer and the tax collector, the compatibility of the fiscal and incentive functions of taxes. To do this, it is required to redistribute the tax burden, give relief from the profit and personal income tax, and transfer the fiscal losses it creates to other taxes.

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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