

## THE NEED TO INCREASE THE INDEPENDENCE OF LOCAL BUDGETS IN UZBEKISTAN

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A B S T R A C T	K E Y W O R D S
This article highlights ways to strengthen the revenue base of local budgets while ensuring their independence, the distribution of budget revenues, including taxes, between the republican and local budgets while ensuring their independence, the distribution of budget revenues, including taxes, between the republican and local budgets while ensuring the sustainability of local budgets.	local budgets, independence of local budgets, revenues of local budgets, tax revenues, inter-budgetary distribution of budget transfers.

### Introduction:

As part of the economic reforms implemented in the country, special attention is paid to the issues of ensuring the independence of local budgets, including further increasing the importance of local budgets in the socio-economic development of regions, and strengthening the income bases of local budgets.

At least 5 percent of the budget of each district in the direction of the "Strategy of Actions on Five Priority Areas of Development of the Republic of Uzbekistan in 2017-2021" dedicated to the rapid development of the national economy and ensuring high growth rates It is decided to spend 100% of the budget on solving the most urgent problems based on the proposals of the population within the framework of the "Citizens' Budget" program [1].

In 2023, the President of the Republic of Uzbekistan, Sh. Mirziyoyev, paid special attention to increasing financial independence in solving the problems of the regions. For this purpose, starting from January 1 in the new year, a part of property and land taxes will remain with the neighborhood itself [2].

### 2. Literature Review

The state budget is a financial instrument that ensures timely and complete fulfillment of a number of social and economic tasks of the state, and is mainly made up of taxable and non-taxable incomes. State budget revenues are part of the centralized financial resources of the state, which serve to perform state functions. State budget revenues represent the financial relations that arise in the process of formation of monetary funds, and form local budgets at the discretion of various levels of authorities.

Professor Sh.A. Tashmatov recognized that the system of distribution of budget revenues between budgets of different levels serves to ensure the interest of local authorities in maximizing tax revenues, the need to improve this process, as well as the assessment of territorial tax potential and the mechanism of local tax collection [3].

As for the independence of local budgets, economist A.Kh. Islamkulov emphasizes that it is necessary to clearly define the powers of the central and local state authorities in the financial-budgetary, budget-tax spheres, and the optimal distribution of income based on expenditure obligations between budget levels serves to ensure the stability of local budgets [4].

In turn, the economist Q.A. Usmanov paid attention to the formation of a sufficient and high-quality database necessary for budget revenue planning in the country, as well as the revision of legal documents in this regard and the issues of budget revenue planning [5].

### 3. Analysis and Discussion of Results

According to the Budget Code of the Republic of Uzbekistan, the revenues of the budget of the Republic of Karakalpakstan, the local budgets of regions and the city of Tashkent consist of the following [6]:

1) in accordance with the established regulations:

- profit tax;
- income tax from individuals;
- excise tax;
- tax on the use of the subsoil (excluding the tax on the use of the subsoil for construction materials).

2) tax for the use of water resources;

3) property tax;

4) land tax;

5) subsoil use tax for construction materials;

6) turnover tax;

7) non-refundable cash receipts from legal entities and individuals, as well as from foreign countries;

8) fee for the purchase and (or) temporary importation of motor vehicles into the territory of the Republic of Uzbekistan;

9) is formed at the expense of other incomes. Other income includes proceeds from the sale of property transferred to the budget of the Republic of Karakalpakstan, the local budgets of the regions and the city of Tashkent in accordance with the legislation, income from the placement, use and sale of state assets according to established regulations, state duties includes dividends (income) on the share of authorities and other income in accordance with the law.

Over the past five years, special attention has been paid to ensuring the independence of local budgets, strengthening the revenue base, and financial decentralization. The change of authority over certain expenses, i.e. the financing of expenses of groups 1 and 2 of catering establishments, which were previously part of local budget expenses, from the republican budget led to a change in the share of income and expenses of local budgets in the state budget (Table 1).

**Table 1. In 2020-2022, the share of local budget revenues in the structure of State budget revenues [7], bln. soum**

Revenues	2020 year			2021 year			2022 year		
	State budget	Local budget		State budget	Local budget		State budget	Local budget	
		sum	%		sum	%		sum	%
<b>I. Total revenue:</b>	132938	34751,9	26,1	147202	26970,3	18,3	200000	37412,2	18,7
<b>1. Direct taxes</b>	45207	20019,8	44,3	46845,2	14329,7	30,6	68511	18988,5	27,7
<b>1.1 Profit tax</b>	28712	8873	30,9	27779,4	1714,6	6,17	43737,7	3108,6	7,11
<b>1.2 Turnover tax</b>	1353,9	1353,9	100	2160	2160	100	2728,3	2728,3	100
<b>1.3 Income tax from individuals</b>	15141	9792,8	64,7	16905,8	10455	61,8	22045	13151,6	59,7
<b>2. Indirect taxes</b>	46428	6077,8	13,1	62526,7	2380,8	3,81	73164,9	3349,8	4,58
<b>2.1 Value added tax</b>	31177	0	0	46955,4	0	0	53300	0	0
<b>2.2 Excise tax</b>	11697	5235,8	44,8	11820,1	2380,8	20,1	15038,3	3349,7	22,3
<b>2.3 Customs duty</b>	3553,7	0	0	3751,2	0	0	4826,6	0	0
<b>3. Resource fees and property taxes</b>	21257	5916,8	27,8	19426,8	6506,9	33,5	25690,4	8980,6	35
<b>3.1 Property tax</b>	1974,3	1974,3	100	2510,3	2510,3	100	3217,7	3217,7	100
<b>3.2 Land tax</b>	2386,7	2386,7	100	2941	2941	100	4119,8	4119,8	100
<b>3.3 Subsoil use tax</b>	16417	1076,8	6,6	13588,2	668,3	4,92	17352,9	643,1	3,71
<b>3.4 Tax for use of water resources</b>	478,8	478,8	100	387,3	387,3	100	1000	1000	100
<b>4. Other income (and non-tax income)</b>	20046	14606,9	72,9	18403,6	3753,2	20,4	32633,7	28185,7	86,4

In the analyzed period, the share of local budget revenues in the state budget revenues is 31.3 percent in 2019 and 21.6 percent in 2022. On the one hand, this situation shows that local budget revenues are not proportionate to expenses, and on the other hand, it indicates that the country is giving priority to the development of the social sphere. In turn, according to the budget legislation, local budgets are not allowed to end the financial year with a deficit. In this regard, the deficit of local budgets is covered through financial transfers.

The distribution of taxes between the republican and local budgets is carried out in accordance with the powers of the budgets to realize income and expenses. (Table 2).

**Table 2. Peculiarities of local budget revenue formation for 2022 [7]**

Budget levels	Tax types
<i>It will be transferred to the district and city budgets in full</i>	<ul style="list-style-type: none"> <li>property tax collected from individuals;</li> <li>land tax collected from individuals;</li> <li>taxes paid on the basis of a declaration on the income received from the rental of property by individuals, as well as income tax from individuals paid by individual entrepreneurs;</li> <li>tax for the use of water resources, excluding the tax paid by power plants;</li> <li>tax on the use of land for construction materials.</li> </ul>
<i>The following are fully transferred to the republican budget of the Republic of Karakalpakstan, the regional budgets of</i>	<ul style="list-style-type: none"> <li>tax imposed on property of legal entities;</li> <li>land tax collected from legal entities;</li> <li>tax for the use of water resources paid by power plants;</li> <li>excise tax on sales of gasoline, diesel fuel and gas to final consumers;</li> </ul>

<i>the regions and the city budget of the city of Tashkent</i>	<ul style="list-style-type: none"> <li>• turnover tax;</li> <li>• state duties in amounts determined by legislation (except for patent duties and state duties for issuing licenses);</li> <li>• fines charged to the State budget of the Republic of Uzbekistan in the amounts determined by legislation;</li> <li>• fees for the right to retail trade of certain types of goods;</li> <li>• other fees charged to the State budget of the Republic of Uzbekistan in the amounts specified by legislation;</li> <li>• receipts from the sale of property transferred to the state income in the amounts specified by the legislation, dividends (income) and allocations according to the share of local state authorities;</li> <li>• income received from placement, use (leasing) and sale of state assets in accordance with the regulations established by the law.</li> </ul>
<i>It is transferred to the republican budget of the Republic of Karakalpakstan, the regional budgets of the regions and the city budget of the city of Tashkent in the specified shares.</i>	<ul style="list-style-type: none"> <li>• Income tax from individuals (63 percent in Navoi region, 42 percent in Tashkent region, 5 percent in Tashkent city, 100 percent in the Republic of Karakalpakstan and other regions)</li> <li>• revenue from profit tax (63 percent in Navoi region, 40 percent in Tashkent region, 5 percent in Tashkent city, 100 percent in the Republic of Karakalpakstan and other regions).</li> </ul>

Despite the implementation of measures aimed at ensuring the independence of local budgets, some regions do not have the opportunity to cover their expenses with their income. According to the legislation of the country, inter-budgetary transfers allocated from the republican budget of the Republic of Uzbekistan are the revenues of the republican budget of the Republic of Karakalpakstan, regional budgets of the regions and the budget of the city of Tashkent.

**Table 3. Republic of Karakalpakstan for 2020-2022 budget, regions and Tashkent city local share of social transfers in budget revenues, in % [8]**

№	The name of the regions	Regulatory interbudgetary transfers		
		2020 year	2021 year	2022 year
1.	Republic of Karakalpakstan	0	44,6	39,2
2.	Andijan region	22,0	27,2	35,5
3.	Bukhara region	0	18,5	13,2
4.	Jizzakh region	29,9	28,8	32,3
5.	Kashkadarya region	20,5	38,03	37,1
6.	Navoi region	0	0	0
7.	Namangan region	32,7	39,5	37,0
8.	Samarkand region	10,6	29,3	20,3
9.	Surkhondarya region	32,5	42,4	44,6
10.	Syrdarya region	31,4	41,8	37,9
11.	Tashkent region	0	0	0
12.	Fergana region	10,5	23,9	24,5
13.	Khorezm region	24,6	30,5	27,6
14.	Tashkent city	0	0	0
<b>Total</b>		14,5	26,0	24,7

From the above data, we can see that all regions, except Tashkent city, Navoi and Tashkent regions, finance their expenses through social transfers.

In order to bring the state financial management system to a new level and further strengthen the budget discipline, increase the transparency of the tax-budget system, increase the efficiency and effectiveness

of the use of the funds of the State budget of the Republic of Uzbekistan, and introduce modern methods of planning the State budget for the medium-term period. The "Strategy for improving the public finance management system of the Republic of Uzbekistan in 2020-2024" of the Cabinet of Ministers of the Republic of Uzbekistan was approved [9].

In this document, special attention was paid to the issue of allocation of obligations between the levels of the state budget. In order to ensure a more rational and efficient system of public finance management, it is necessary to improve the inter-budgetary relations between the budgets of the budget system, which envisage a clear separation of the expenditure obligations of each of them and strengthening the sources of income. The only way to calculate and allocate the amount of inter-budget transfers and the introduction of a transparent methodology was determined.

#### **4. Conclusions and Suggestions**

The growing importance of local budgets in the socio-economic development of the country makes it necessary to increase their independence. Despite the implementation of policies related to ensuring inter-budget balance and increasing the responsibility of local governments, the share of revenues at the disposal of local budgets remains low. The development of inter-budget relations, the rational distribution of income between budgets is reflected not only in the state of the budget system, but also in the indicators of the population's standard of living and economic and social development of local governments.

Despite the decrease in tax rates, the amount of local budget revenues is increasing, and the share of local taxes and fees in its composition has increased compared to previous years, but it is not enough to cover the costs of local budgets. Therefore, when distributing taxes between budgets, it is necessary to take into account the costs of local budgets.

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