

WAYS TO INCREASE THE EFFECTIVENESS OF TAXES IN ENSURING THE STABILITY OF THE LOCAL BUDGET TAX REVENUE BASE

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Abstract: The article deals with the composition of local budget revenues, the role of the budget-tax policy in ensuring the economic stability of our country, scientific and theoretical views on the formation of local budget revenues, as well as the organizational, legal and financial foundations of the formation of local budget revenues, the issues of improving the calculation and collection of local taxes in order to recover from local taxes. practical suggestions and recommendations are given.

Key words: local budget, local budget revenues, local taxes and fees, financial stability of territories, budget processes, efficiency, territorial budget tax policy.

INTRODUCTION

Expenditures financed from local budget revenues are directed toward improving the living standards of the population, maintaining infrastructure facilities, and addressing other issues; however, they do not allow for the full financing of additional investments aimed at regional economic development. Therefore, in accordance with the budget legislation of our country, a portion of national taxes collected in the republican budget is redistributed through transfers to cover local budget expenditures.

Economist Sh. Toshmatov, having studied measures aimed at increasing local budget revenues, put forward ideas on improving the system of distributing taxes among budgets at different levels. He analyzed issues such as strengthening the interest of local authorities in increasing tax revenues, identifying regional tax potential, and improving the mechanisms for collecting local taxes.

Many scientific studies focused on improving the mechanisms for calculating and collecting local taxes emphasize that identifying new tax objects and simplifying collection mechanisms are key sources for stabilizing local budget revenues.

LITERATURE REVIEW AND METHODS

In the context of the digital economy, the essence, functions, characteristics of taxes forming local budget revenues, as well as related theoretical problems, have been continuously studied by both foreign and national economists.

Russian scholar I.A. Drozhzhina, as a proponent of establishing a unified system of taxation for land and other real estate objects, noted in her research the necessity of differentiating real estate objects based on their ownership and type of use [1].

According to the position of Russian economist D.A. Smirnov, real estate should be classified depending on the status of the taxpayer [2].

National economists, Professor U. Burkhanov and Associate Professor Kh. Qurbonov, proposed that in strengthening the revenue base of local budgets, property tax rates should be differentiated in large real-sector enterprises, taking into account the high value of fixed assets. They suggested applying differentiated tax rates based on whether fixed assets are used in production

(commercial purposes) or not, and also emphasized the need to further stimulate the activities of small businesses and private entrepreneurship [3].

According to economist A. Khayriddinov, a certain share of national taxes collected within each local administrative territory should be permanently assigned to local budgets as fixed revenues. In this regard, he emphasized the importance of improving the system of normative allocations as one of the key mechanisms of redistributing revenues within the budget system. He also highlighted that priority should be given to закрепленные revenues (assigned revenues) to ensure the stability of local budget revenue bases in a market economy [4].

Furthermore, economist A.Kh. Islamkulov emphasized that in order to ensure the stability of state budget revenues and proportionality among different levels of budgets, it is necessary to clearly define the financial and fiscal powers of central and local authorities. He proposed implementing an optimal distribution system of revenue powers and expenditure responsibilities among different levels of the budget system to ensure the stability of local budgets [5].

The economic reforms being carried out in the country and the expansion of powers of local authorities have assigned them the responsibility of ensuring the socio-economic stability of administrative territories. According to current legislation, regions require a certain financial base to fulfill planned indicators within specified timeframes, and the foundation of this base is formed by local budgets.

DISCUSSION AND RESULTS

By the Decree of the President of the Republic of Uzbekistan dated December 13, 2017, No. PF-5283, titled “On Additional Measures to Increase the Financial Independence of Local Government Authorities and Strengthen the Responsibility of Tax and Financial Authorities for Ensuring the Completeness of Revenues to Local Budgets,” targeted measures were defined to fundamentally strengthen the revenue base of local budgets and ensure sustainable financing of comprehensive regional development based on decentralization. The decree also aimed at further improving interbudgetary relations, enhancing the financial independence of local authorities, supporting the development of small businesses and private entrepreneurship, creating new jobs, and ensuring employment of the population [6]. In particular:

Firstly, to fundamentally strengthen the revenue base of local budgets by assigning specific types of taxes and other mandatory payments to them;

Secondly, to gradually eliminate subsidies for regional, city, and district budgets, reduce their dependence on transfers from higher-level budgets, and on this basis increase the autonomy and responsibility of local authorities in addressing socio-economic development issues;

Thirdly, to systematically identify additional reserves for increasing local budget revenues;

Fourthly, to ensure transparency in the formation of local budgets and control over their execution through broader involvement of депутатский and public oversight;

Fifthly, to strengthen the responsibility of local government authorities, as well as financial and tax bodies, for reinforcing the revenue base of local budgets, ensuring timely and targeted financing of approved expenditures, and further developing and maintaining social infrastructure at an appropriate level.

Table 1

**Analysis of local budget revenues by tax type in 2024-2025[7]
(billions of soums)**

№	Types of taxes	2024-y	2025-y	Difference (+;-)	Growth rate
	Local budget revenues	74 896,70	110 288,0	35 391,30	147,25

	including:				
1	Subsoil use tax	20 170	25 800	5 630,00	127,91
2	Water resource use tax	1 173	1 400	227,00	119,35
3	Property tax	6 805	8 045	1 240,00	118,22
4	Land tax	8 216	10 043	1 827,00	122,24
5	Turnover tax	2 407,3	3 100,0	271,00	109,58

DISCUSSION AND RESULTS

Based on the data presented in Table 1, a deeper analysis of local budget revenues shows that assigned tax revenues increased by 47.25% from 2024 to 2025, indicating a steady growth trend in local budgets. However, there are noticeable differences among the types of local tax revenues.

The relatively small increase in turnover tax (9.58%) requires further analysis. This may reflect low levels of economic growth or the impact of inflation. Such changes in this tax are directly linked to overall economic activity, suggesting that the purchasing power of the population and businesses may not have significantly increased.

It can also be observed that, compared to 2024, in 2025 the tax on subsoil use increased by 27.91%, the tax on water resource use by 19.35%, property tax by 18.22%, and land tax by 22.24%.

The analysis indicates that the growth in land tax reflects increased activity in the land market. This may be due to new construction projects or rising demand for land, which in turn boosts tax revenues. Similarly, the increase in the water resource use tax suggests a rise in the number of entities utilizing water resources.

According to the Law of the Republic of Uzbekistan dated December 24, 2024, No. ORQ-1014, “On Amendments and Additions to Certain Legislative Acts of the Republic of Uzbekistan in Connection with the Adoption of the Main Directions of Tax and Budget Policy for 2025,” several changes were introduced to local budget tax revenues [8]. In particular:

Starting from January 1, 2025, tax rates for the use of water resources were increased by 10% for water users, including power plants, коммунальные services, producers of both alcoholic and non-alcoholic beverages (excluding beer and wine), and industrial enterprises.

In accordance with the Presidential Resolution No. PQ-107 dated April 1, 2023, water tax rates for other sectors will be gradually unified with industrial tariffs.

The tax rate for water used in car washing services increased 5.5 times, from 2,700 UZS to 15,000 UZS per cubic meter.

Separate tax rates were introduced for mineral resources such as marble, granite, natural decorative stones, and sand-gravel mixtures, considering their previously low share in purchase prices.

Fixed tax rates for extracted volumes of mining-chemical raw materials and other non-metallic construction materials were indexed by 10%.

Base rates of land tax for both legal entities and individuals were increased by 10%.

For companies engaged in e-commerce (marketplaces), the profit tax rate increased from 7.5% to 10%, and turnover tax from 2% to 3%.

Property tax rates for residential and non-residential real estate owned by legal entities and individuals were indexed by 10%, with local councils allowed to apply a reduction coefficient of up to 0.5.

Fixed tax rates for individual entrepreneurs were increased by 10%, with minimum and maximum rates differentiated by type of activity and region.

Local councils (Kengashes) of regions and cities, including the Republic of Karakalpakstan

and Tashkent city, were granted authority to set fixed tax rates for individual entrepreneurs within the ranges established by Article 383 of the Tax Code, based on regional economic development.

Individual entrepreneurs with annual income up to 100 million UZS were given the option to pay either a 12% personal income tax on employees' wages or 50% of the fixed income tax.

Social tax for employees of individual entrepreneurs working in markets and trade complexes was reduced to 1 BHM (375,000 UZS), equal to other sectors.

Minimum rental rates for property leased by individuals and legal entities increased by 10–12%.

The minimum taxable value per square meter for legal entities' property was increased:
 in Tashkent city to 3.3 million UZS (from 3 million);
 in Nukus and regional centers to 2.2 million UZS (from 2 million);
 in other cities and rural areas to 1.3 million UZS (from 1.2 million).

Local councils were also granted the right to apply increasing coefficients of up to 2 for minimum rental values used for taxation purposes, and up to 1.5 (or decreasing to 0.7) for water tax rates, excluding certain sectors.

Additionally, local councils were authorized to apply increasing coefficients of up to 1.3 for fixed tax rates on non-metallic construction materials (excluding cement).

The implementation of these tax changes in 2025 is expected to contribute significantly to increasing local budget revenues.

CONCLUSION AND RECOMMENDATIONS

Taking into account that in developed countries the main share of local budget revenues is formed through property taxes, it is necessary to introduce effective taxation mechanisms for the efficient use of existing land and property resources when defining the main directions of fiscal policy. This will ensure both the stability and efficiency of local budget revenues.

It is also essential to conduct a full inventory of all land plots and real estate across the country, ensure their digitalization, and implement an online system through the Cadastre Agency.

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