



## FORMATION OF STATE BUDGET INCOME AND SHARE OF TAXES

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### **JEL classification: E12, E14**

**Abstract:** *In this article, in the medium-term planning of the state budget of our country in the future, in the process of allocation and redistribution of budget funds, focusing on the result and the formation of income, while maintaining the orientation of the state budget funds for social protection, various budget funds It was envisaged to maintain the proportionality and to create a favorable investment environment, to ensure transparency in the tax and budget system, to use taxes to regulate the economy along with its development, and to raise the target expenditures of the state and its social environment.*

**Key words:** *budget, tax, revenue, state budget, financial plans, economic category, expenditure, savings, budget policy, inflation, budget deficit, structure.*

**Introduction:** The global economic and financial crisis still has a negative impact on the economy of developed and developing large countries in the world market. In order to alleviate this situation, to ensure economic stability and to improve the social and financial situation of the population, many measures have been taken, including the development of regional entrepreneurship and small business in our country, the creation of a favorable investment

environment for representatives of this sector, the attraction of foreign investments to remote areas, In order to ensure transparency in the tax and budget system and reduce red tape and prevent corruption, digital technologies, introduction of know-how to economic sectors and other introduced decisions, despite being seen, in most developing and developed countries growth rates and production are actually decreasing, as a result of which a recession may occur on a global scale, that is, instead of economic growth, it may lead to a continuous decline.

The importance of local budgets in the medium-term planning of the state budget in the perspective of our country, focusing on the result in the process of allocation and redistribution of budget funds, the importance of local budgets in the further development of the budget and tax policy in the "development strategy for 2022-2026" it was envisaged to strengthen the position, to maintain the proportionality of different budget funds while maintaining the orientation of the state budget funds for social protection.

The transition to a market economy in our country, changes in the economic layer, the introduction of new terms and terms and



their practical application, including the new term that entered the economic and financial market, such as "Digital economy", "Green economy", "Market economy" and concepts, the wide introduction of the use of artificial intelligence opportunities and technologies in economic sectors, as a result of which problems and topical issues related to frictional and administrative-territorial and technological types of unemployment have begun to spread widely in foreign countries and are now entering the labor market of our country. The solution was the creation of professions. However, it is expected that this process will cause the development of hidden employment, or the "hidden economy", in addition, the development of digital technologies will increase the stratification among the citizens of the country, which will lead to the increase of poverty.

In the center of the strategy and tactical changes introduced in connection with the reform of state finances, the process of formation, distribution and redistribution of state budget revenues and the more effective use of its funds, identification and strengthening of the factors affecting the reduction of the budget deficit, compliance with the budget system disciplines issues of increasing the role of the state budget in strengthening the socio-economic development of the country.

"Budget is a form of collection and spending of funds intended for financial provision of tasks and functions of state and local self-government"<sup>1</sup>.

Y. Dolganova, N. Isakova, N. Istomina noted that "The budget occupies a

central place in the country's financial system and is an integral part of the state. The budget is not only the financial basis that ensures the performance of the functions of state authorities, but also the basis of the country's independence"<sup>2</sup>.

K. Belsky and others give their opinion that "the state budget is the central pillar of the state's financial system ... it is an important lever for the implementation of the state's financial policy"<sup>3</sup>.

Article 3 of the Budget Code of the Republic of Uzbekistan defines the State budget of the Republic of Uzbekistan. It refers to the money fund organized for the financial provision of the state in the implementation of its tasks, functions and goals. To clarify the meaning of the state budget, we will give the following definitions:

- "The state budget is a centralized fund of state funds, as well as funds of state special funds, which includes the sources of budget revenues and the volume of receipts from them, as well as funds allocated for specific purposes during the fiscal year. costs and expenses are provided;

- The budget as an economic category is reflected in the centralized fund of budget funds. Due to the distribution of this fund, the process of its consumption and formation is expressed through value. This process will take the form of flows of monetary resources collected by the state and spent on targeted and planned tasks;

- According to its economic essence, the state budget is the formation of a budget fund intended to finance the needs of the economy, socio-cultural activities, defense

<sup>1</sup> State budget of the Republic of Uzbekistan. Study guide/ A. Vahobov, Z. Srojiddinova. Tashkent Financial Institute. 2002,115 p.

<sup>2</sup> Долганова Ю. С., Исакова Н.Ю., Истомина Н.А. [и др.]; Финансы: учебник / под общ. ред. канд; Мин-во обр. и науки РФ. - Екатеринбург: Издво Урал. унта, 2019. - 336 с. (с. 80). ISBN 978-5-7996-2748-5

<sup>3</sup>Бельский К.С., Горбунова О.Н., Грачёва Е.Ю. и др.; Финансовое право: учебник / отв. ред. Запольский С.В.; Рос. Акад. правосудия. – 2-е изд., испр. и доп. – М.: Волтерс Клувер, 2011. 760с. (с. 140-141.)



and state administration, as well as the distribution of national income and the redistribution of national wealth with the state and individuals and legal entities. monetary relations arising between;

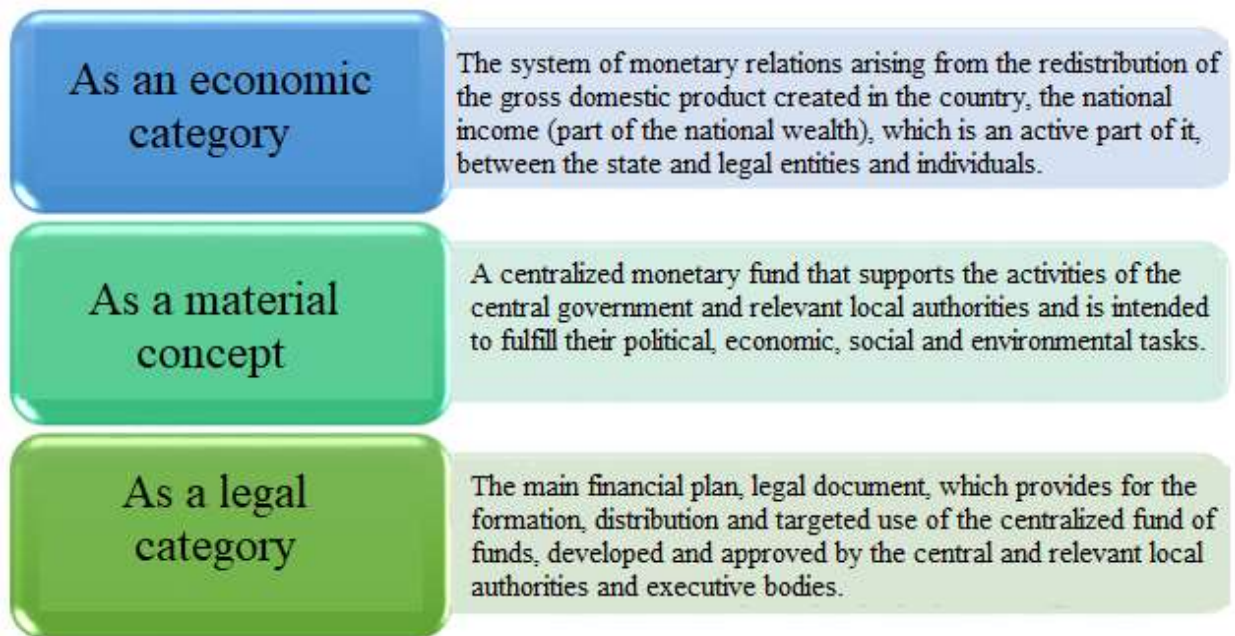
- The state budget takes the leading place in the system of financial plans created by the state leaders and is the main plan of the state financial plan;

- All financial institutions of the financial system of the state budget are considered the central financial link connecting revenues, expenses, state debts, including external and internal debts;

- The state budget is the largest centralized fund of the state, collected through taxes and tax-free revenues. The state budget is used to fulfill its functions and tasks. The approved budget has the force of law"<sup>4</sup>.

In a number of scientific literatures, its socio-economic essence is studied based on the following three types:

- As an economic category
- As a material concept
- It is assumed that it exists and is valid in the form of a legal category (Figure 1).



**Figure 1. Socio-economic nature of the state budget<sup>5</sup>**

The state budget is considered the main financial plan of the state and has different economic essence. The budget represents the amount of financial resources necessary for the state, and accordingly, the tax policy is determined based on the state of natural and legal entities residing in the country, entrepreneurs operating in the socio-economic stratum, and state assets. The use

of budget funds for the fulfillment of its tasks, reflecting the specific directions and functions of the state budget in the redistribution of the gross domestic product and national income, as a result, it will have the opportunity to become an effective pillar of the economy.

A state with the right to manage economic relations can ensure macroeconomic stability, develop, strengthen or weaken economic indicators, increase or

<sup>4</sup>Budget Code of the Republic of Uzbekistan, Article 3/ <https://lex.uz/acts/-2304138>

<sup>5</sup> Nurmukhamedova B.I., Kabirova N.V. Finance. Study guide. T.: Economy and finance. 2017. Page 102.



decrease the size of existing capital and savings, and change the structure of demand and consumption.

The process related to the allocation and redistribution, collection and formation of state budget funds consists of two continuous links, which include the following;

- Formation of state budget revenues;
- Spending of state budget revenues, expenses.

"Budget revenues are funds that come to the budgets of the state budget system in a non-refundable and non-returnable manner established by law"<sup>6</sup>. State income is a multi-faceted concept, which includes budget income, including a part of the national income and the volume of GDP drawn for the budget fund, and extra-budgetary state funds. Budget revenues make up the largest part of state revenues.

As noted by economist G. Kasimova, "local budgets are an important part of the budget of the Republic and are considered the financial basis for the activities of local authorities. The activity of local budgets allows to fully satisfy the local needs and to

implement the actions of the state in a centralized manner. Due to the fact that local budgets are the main source for the elimination of socio-economic problems in the regions and the economic basis of the activities of local government bodies, it is necessary to find sources of attracting additional funds to the budget and to ensure the effective use of existing funds. serves as the main factor. A factor that ensures the stability of local budgets is strengthening the income base.<sup>7</sup>.

Since 2018, in order to form and further develop local budget revenues, decisions and decrees have been adopted, and in 2019, the volume of local budget revenues amounted to 35,180 billion soums.

However, it can be seen from the data in the table below that the local budget revenues have a decreasing trend in the state budget revenues in 2020 (27702.9 billion soums), the share of the Republic budget in the state budget in 2017-2023 presented in the table 62.6, 71.0, 68.6, 79.2, 78.6, 78.7, 82.4 percent, respectively, and occupied more than 60 percent of the state budget revenues in the analyzed years.

**The role of local budgets in the State budget revenues of the Republic of Uzbekistan<sup>8</sup>**  
(billion soums)

**Table 1**

<b>Income</b>	<b>2017-y</b>	<b>2018-y</b>	<b>2019-y</b>	<b>2020-y</b>	<b>2021-y</b>	<b>2022-y</b>	<b>2023-y</b>
State budget	49684,8	79009	112165,4	132938,1	164680,3	201893,8	310677,9
Republic budget	31148,3	56154,8	77031,2	105235,2	129506,9	158860,6	255731,9
Weight in relation to the state budget (in percent)	62,6	71	68,6	79,2	78,6	78,7	82,4
Local budgets	18536,5	22944,2	35134,2	27702,9	35173,4	43033,2	54946

<sup>6</sup>  
<sup>7</sup> Kasimova GA, Shakramov KK, Local budgets. Study guide. - T.: "Economy-finance". 2012. 260 p.

<sup>8</sup> It was prepared based on the information of the Open Budget Portal of the Republic of Uzbekistan.



Weight in relation to the state budget (in percent)	37,3	29,9	31,3	20,8	21,4	21,3	17,6
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The total revenues of the state budget amounted to 36,493.3 billion soums in 2015, 41,043.4 billion soums in 2016, 49,684.8 billion soums in 2017, and 79,009.0 billion soums in 2018. It increased by 7 billion soums, 16302.6 billion soums, 18536.5 billion soums, 22944.2 billion soums.

However, during the pandemic, the role of local budget revenues in the state budget revenues decreased due to the fact that the state gave a number of benefits to the population and economic entities in the formation of taxable and non-taxable revenues, although the local budget revenues will increase further from 2021.

A. Vahobov, T. Malikov stated that "As long as there is a state, there will be payments to the state budget. But the form of payments to the budget changes at a certain stage in accordance with the tasks set before the society"<sup>9</sup>.

Budget revenues can be divided into two main groups: taxable and tax-free budget revenues. This grouping of budget revenues has always been the cause of debate among economists. Therefore, "today there is no clear, unified concept for determining whether budget revenues belong to the tax or non-tax type"<sup>10</sup>. In terms of budget revenues,

they are quite numerous and diverse. According to N. Shevelyova: "such a variety of budget revenues creates the need to classify them in the budget"<sup>11</sup>.

According to V. Vasiliev, "when calculating budget revenues, it is necessary to forecast a number of indicators that serve to form budget revenues. They include: the amount of GDP; inflation rate; price in the world market; exchange rate"<sup>12</sup>.

Therefore, it is necessary to take into account not only the above, the amount of investment, taxable income, etc.

According to S. Pepelyayev's explanation, "Tax is a compulsory, unilateral, objective, non-returnable, non-returnable, state coercive measure of alienation of the property of individuals and legal entities in order to ensure the solvency of public authorities and has the character of punishment or contribution." "is the only form prescribed by law"<sup>13</sup>.

Some economists tried to describe taxes as a means of distribution and redistribution of national income, - "Taxes are a form of taking a part of national income at the disposal of the state in the process of distribution and redistribution."<sup>14</sup>.

<sup>9</sup> Vahobov A.V., Malikov T.S. Finance. Textbook / Tashkent Institute of Finance. - Tashkent: "Noshir", 2012. Page 712 (289b).

<sup>10</sup> Артемов Н. М., Ячменев Г.Г. Правовое регулирование неналоговых доходов бюджетов: учеб. пособие / - М. : Элит, 2008. – 376 с. (С. 7).

<sup>11</sup> Шевелёва Н. А. Бюджетная система России: опыт и перспективы правового регулирования в период социально-экономических. – СПб. : Издат. дом С.-Петербур. гос. ун-та ; Изд-во юрид. фак. С.-Петербур. гос. ун-та, 2004. – 280 с (С.77)

<sup>12</sup> Васильев В.П. Государственное регулирование экономики : учеб. пособие / - Москва : Дело и Сервис, 2018.-164 с. (С. 67). ISBN 798-5-534-05544-3.

<sup>13</sup> Пепеляев С.Г, Основы налогового права. -М.: 1995, С.24



But these comments cannot fully explain the specific task and purpose of the tax system. Because taxes, as an economic relationship, cannot provide examples for the object of these relationships, regardless of whether they are the main source of state budget revenues and an important tool for managing the economy.

The opinions of the local economist O. Olimdjhanov are the most acceptable among the definitions given to taxes, "Taxes are collected from individuals and legal entities in the amount and period determined by law in order to satisfy the state and society's need for funds. are fees that are compulsorily collected at the discretion of the state"<sup>15</sup>.

Historically, taxes are the main tool of the state in managing public affairs, and after the transition to a market economy, it is also considered an indirect tool that regulates relations in the financial and economic resource market.

Budget and tax policy in a broad sense is macroeconomic stability and steady economic growth, ensuring economic structural changes, foreign economic activity, including increasing the volume of exports and imports and the position of foreign investments and the liberalization of the foreign exchange market, financial stability of the population. and aimed at the

implementation of a number of national macro-economic tasks, such as increasing the provision of social protection. From the point of view of the implementation of the budget and tax policy in practice, it is important to determine the correct compatibility between the primary tasks.

Payment of taxes represents the process of distribution of the created value between economic subjects and citizens and the state. The tax system is not only the main part of budget revenues, but also serves to increase the volume of economic production, stimulate the investment environment, increase competitive products, increase the number of small businesses, strengthen the position of the private economy in the market infrastructure, etc. does, therefore cannot imagine a society without a tax system.

In the conditions of the market economy, the state collects the main part of the funds necessary for the implementation of its internal and external tasks, various social, economic and political measures through taxes. In particular, taxes form the revenues of the republican and local budgets, create a financial basis for state social programs, manage the business activities of taxpayers, and encourage their desire to use natural resources effectively.

### The share of taxes in the budget revenues of the Republic of Uzbekistan <sup>16</sup>

Table 1

Indicators	2017-y	2018-y	2019-y	2020-y	2021-y	2022-y	2023-y	Changes in 2023 compared to 2017

377 p.

<sup>15</sup> Olimdjhanov O. Tax policy during the transition to the market economy. "Life and Economy" magazine, 1992.

<sup>16</sup> It was prepared by the author based on the information from the official website of the Ministry of Economy and Finance of the Republic of Uzbekistan.



State budget revenues	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Share of direct taxes	23,2	19,8	28,2	34	35,8	31,9	31,5	+8,3
Share of indirect taxes	52,6	52,2	41,4	34,9	34,2	35,3	35,9	-16,7

In 2017, direct taxes accounted for 23.2% of state budget revenues, indirect taxes for 52.6%. Changes in the budget and tax policy until 2023, including the annual income in the decree No. PF-5468 "On the concept of improving the tax policy of the Republic of Uzbekistan" adopted by the President of the Republic of Uzbekistan on June 29, 2018 1 The transfer of enterprises and firms whose income exceeds a billion soums or reaches the specified limit during the year to paying common taxes, cancellation of tax benefits for civil servants on income tax will cause an increase in the share of income from direct taxes in the income of the state budget.

However, the expansion of the scope of value added tax was started without reducing the 20 percent tax rate. As a result, prices in the economy of our country increased sharply and inflation increased. In addition, for many years, business entities that pay only one tax have tried not to exceed 1 billion soums in order to avoid the value added tax and to hide their income. They can achieve this in three different ways: (1) hiding their income; (2) closing a company with a turnover of 1 billion soums and opening another one; (3) establish parallel firms and control their

income. The mentioned ways serve to expand the underground economy. As a result, the VAT rate was reduced in the last quarter of 2019. But at the same time, the benefits were drastically reduced.

**Summary:** Due to the fact that not all regions of our country are sufficiently developed from a socio-economic point of view, the level of transparency of information on tax policy is low, and as a result of the involvement of tax revenues in the central budget, the request for help from the state budget revenues in the implementation of local budget expenses, in this case, the local budget revenues, the financial freedom of the bodies is a sign that it is not mounted. Taxes are of particular importance in improving the mechanism of formation of state budget revenues. The use of taxes, considered the most effective tool of this mechanism, in the regulation of the economy, along with its development, serves to provide the state budgets with regular and sufficient revenues in the implementation of the tasks and functions set for the purpose of improving the state's target expenditures and its social environment.



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