

## Necessity and Directions of Strengthening the Revenue Base of the Regional Budget



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**ABSTRACT:** The article describes the theoretical and scientific interpretations of the current features of the mechanism of management of local budget resources in the regions. The formation and effective use of budget resources in the region has been studied. Also, local budgets form the material basis of socio-economic development of the regions. Through them, the budgets of the regions are formed and used. Local budget funds will be directed primarily to expanded reproduction and socio-cultural activities, but at the same time will serve to provide social protection to low-income groups and finance other activities.

The ongoing reforms in the financial and budgetary system of the country are aimed at ensuring the effective functioning of the mechanism of management of budgetary resources in the regions and further increasing the capacity of local budgets. However, despite this, the management of regional budget resources today does not meet modern requirements. In particular, there are shortcomings in areas such as the efficient use of regional budgets, the use of advanced methods of their management. However, the management of budget resources in the regions plays an important role in ensuring the rational use of financial resources, and the analysis of the resource potential of the region has a significant impact on tax relations, strengthening the revenue base of the regional budget and its use.

**KEYWORDS:** Financial resources, budget resources, local budget, sustainability of budget resources, tax potential, regional opportunity, regional potential.

### INTRODUCTION

The formation and use of budget resources is aimed at meeting the socio-economic needs of the region, improving the welfare of the population, accelerating economic development. In this regard, the effectiveness of local budget resource management is primarily reflected in the rapid socio-economic development of the region, its pace. At the same time, there is no denying the importance of indicators that represent the solution of social problems. In particular, the cost of budget resources per capita, the share of funds allocated from the local budget to health or education, the coverage of low-income families with social assistance, and others.

The effective functioning of the budget resource management system is reflected in the timely and full collection of funds in the budget, the mobilization of revenues from resources to the budget.

“Sustainable financing of integrated development of regions on the basis of radical strengthening and decentralization of the revenue base of local budgets, further improvement of inter-budgetary relations, strengthening financial freedom of local authorities, promoting small business and private entrepreneurship, creating new jobs and employment, engineering and communication, Ensuring an increase in their responsibility for the implementation of targeted measures to expand the tax capacity through the rapid development of road transport and social infrastructure ...”

In general, the mechanism of local budget resources management is twofold, which, on the one hand, generates the necessary financial resources to meet socio-economic needs through local authorities, and on the other hand, these resources are used economically and with the greatest social efficiency. .

Adoption of the Budget Code in our country has a positive impact on the process of formation of local budget resources through the further strengthening of the sources of formation of the base of local budget revenues. At the same time, there is a need for new approaches to budget planning and execution, aimed at strengthening the coherence between budget resources and the need to meet budget commitments.

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"The purpose of regional development programs is to select and justify the direction of regional development based on the state policy on the development of common areas."

The formation of financial balances of the regions, as well as a sufficiently accurate calculation of tax opportunities in the region are important in the rational determination of the role of taxes in the formation of budgetary resources in the regions. Of course, the main factor determining the financial potential of the region will be the volume of gross domestic product of the region and its correct definition. In justifying the expenditures through the regional budget, along with the objective needs, the per capita income is also taken into account.

### **MATERIALS AND METHODS**

It is practically impossible to achieve absolute equality of budget expenditures per capita in all regions, but efforts will be made to achieve this in social development. The norms on which local budget expenditures are based should take into account the actual situation, socio-economic characteristics of the region and the socio-economic goals set for the future. Taxes that come directly to the regional budget should form sufficient budgetary resources for the fulfillment of these tasks. In general, there is always a need to improve the mechanism that encourages regional governments to seek to expand their budgets.

Russian researcher DV Margasov notes the following negative consequences of the increase in local debt:

"First of all, we will have to increase local tax rates or allocate them to the local budget. This weakens the economic incentives for the development of the region, reduces the interest in investing in innovations, leads to social tensions, undermines economic growth.

Second, the increase in interest costs leads to a limitation of the amount of public resources allocated to the socio-cultural sphere and innovative development.

Third, the state will place the real economic responsibility on the shoulders of the next generation, which means less opportunities for the next generation to develop manufacturing and non-manufacturing sectors.

The revenue and expenditure parts of the regional budgets are interrelated categories. The resources of the regional budget are the financial base for the activities of local governments, and the costs meet the socio-economic needs of the region. Given that the dynamics of needs is continuous, it can be said that although the expenditures from the regional budget are objectively determined by the needs of the region, the amount of resources that can be accumulated in the regional budget emerges as a major limiting factor. In the formation of regional budget resources through local taxes, the financial relationship between local authorities and legal entities and individuals registered in the region is reflected, first of all, in various tax and non-tax payments by enterprises, organizations and the population. In this sense, the budgetary resources formed in the region are formed and converted into budget revenues, depending on the actual methods of management, the existing economic system and within it.

"The current practice of managing the regional economy confirms the importance of local tax policy and increasing the tax capacity at the local level.

The economic significance of the tax potential is clearly reflected in the need to increase the financial potential of the regions and the effectiveness of tax policy in them.

It is known that one of the conditions for financially sustainable development of the economy is the formation of resource bases of budgets at different levels in an optimally interconnected manner. This process is reflected, in particular, in the independent formation of resources of regional budgets and state support of regional budgets, and is primarily reflected in the formation of local budgets at the expense of local taxes and replenishment of national taxes paid to the republican budget.

As a result of the activities of local governments in the region, the tasks in various areas must be addressed, for which the objective need to accumulate sufficient and sustainable financial resources at their disposal determines the specifics of the formation of local budget revenues. Therefore, local taxes and levies serve to create a financial source of socio-economic development of the regions. The activities of local governments will be aimed at meeting the socio-economic needs, as well as expanding the economic potential of the region, the reproduction of natural and other resources. Local taxes are an attached source of revenue for regional budgets.

The support of regional budgets for resources at the national level is largely carried out through regulated sources of revenue. Attached revenues are funds that go to the regional budget on a regular basis, in a fixed amount, or in full, bypassing the high budget. They are mainly expressed as leaving the relevant part of the state taxes paid in the region at the disposal of the local budget. In this way, the central government ensures the sustainability of budgets at different levels, helping to balance their revenues and expenditures.

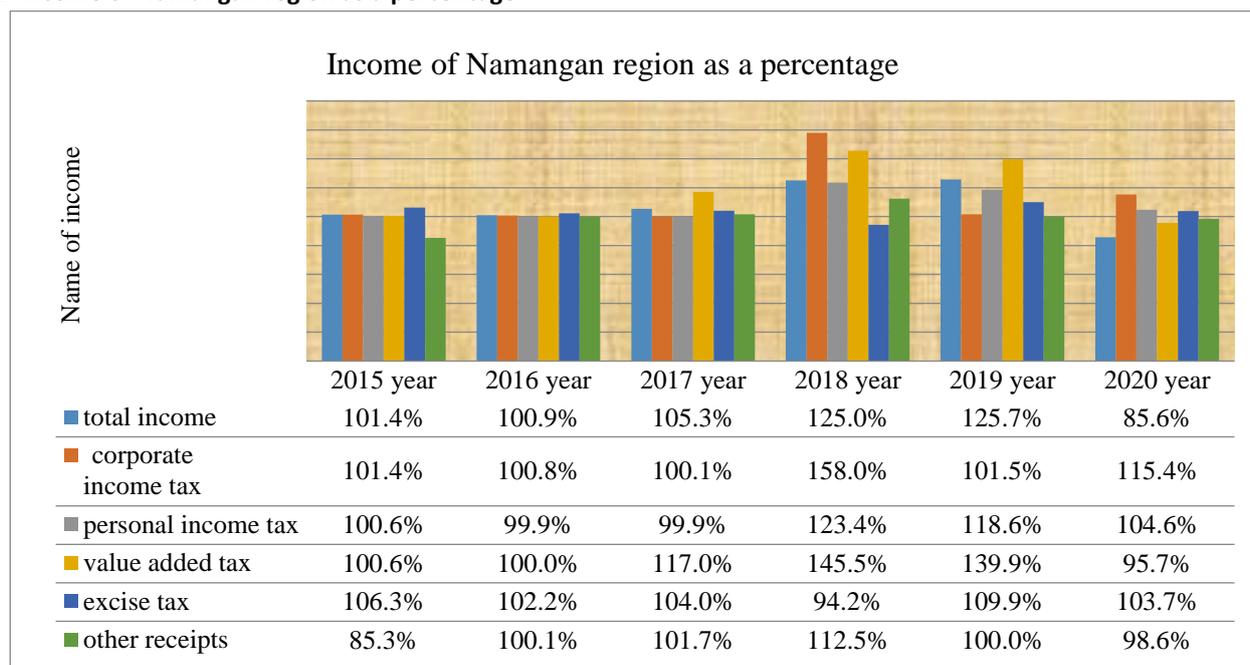
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### RESULTS AND DISCUSSION

The state financial bodies decided to study the budget resources published in the constituent structures of the organization, to exercise control over the economical and efficient use. It focuses on the timely provision of budgetary funds to exercise control over the use of budgetary resources in the lower extremities.

The first potential that emerges as an integral part of the budget plays a decisive role in the formation of budget resources. Therefore, the strategic planning of the development of the potential of the year as a region is a separate type of economic and annual planning, which is implemented on a national scale. through planning, state and local governments as a whole should determine the extent to which explanations can be made a few years in advance, provided that the requirements of the year are met, and these volumes should be published in social-production incentive programs.

**Table 1. Income of Namangan region as a percentage**



The table shows that the share of value added tax in the budget revenues of Namangan region in 2015-2020 tends to increase. The share of value added tax in budget revenues in 2015 was 100.6%, in 2017 it was 117.0%, in 2019 it was 139.9% and in the first 9 months of 2020 it was 95.7%. Such a change in the share of value added tax is related to a change in the tax rate.

The share of corporate income tax in budget revenues was 101.4% in 2015, 100.1% in 2017, 101.5% in 2019 and 115.4% in 9 months of 2020. This shows that despite the conditions of the coronavirus pandemic, the object of taxation of enterprises has increased compared to previous years.

The personal income tax accounted for 100.6% of budget revenues in 2015, 99.9% in 2017, 118.6% in 2019 and 104.6% in the first 9 months of 2020. If we take into account that in 2015 the personal income tax rate ranged from 7.5% to 23% and in 2019-2020 this tax rate was reduced to a total of 12%, we can see that the shadow economy is being eliminated by this type of tax. The share of excise tax in the revenues of the regional budget was 106.3% in 2015, 104.0% in 2017, 94.2% in 2018, 109.9% in 2019 and 104.6% in the first 9 months of 2020. Other revenues in the regional budget revenues in 2015 amounted to 85.3% of budget revenues, in 2017 - 101.7%, in 2019 - 100.0%, and in 9 months of 2020 - 98.6%.

In general, the share of value added tax, excise tax, income (profit) tax of legal entities and personal income tax in the budget revenues of Namangan region has been changing over the years. This is explained by the growing share of regulatory revenues in budget revenues.

In the context of the coronavirus pandemic, it is important to maintain the tax potential of the regions and mitigate the negative effects of the pandemic. Therefore, the President of the Republic of Uzbekistan has adopted a number of decrees and resolutions. In this regard, the Decree of the Republic of Uzbekistan dated April 3, 2020 "On measures to support the population, industries and businesses during the coronavirus pandemic" and April 27, 2020 PF-5986 "On measures to support the spread of coronavirus infection It should be noted that the decrees "On measures to provide additional support to vulnerable groups and businesses." These and a number of decrees and decisions adopted after them, on the one hand, serve to maintain the financial stability of economic entities.

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It is known that by the Decree of the President of the Republic of Uzbekistan No. PF-5969 dated March 19, 2020, 10 trillion soums were transferred to the Ministry of Finance of the Republic of Uzbekistan without legal personality. The Anti-Crisis Fund was established in the amount of 1 billion soums. One of its tasks was to support entrepreneurship and employment. The adopted legislation provides significant benefits to businesses and eases their status as taxpayers. For example, a two-fold reduction in the tax rate for the use of water resources for agricultural enterprises and farms will cost them 150 billion soums. leading to savings of UZS. Until October 1, 2020, micro-firms, small businesses and sole proprietors are allowed to pay interest-free deferred taxes on turnover, property, land and water resources, including dues and current payments, and then until December 31, 2020. extended. At the same time, previously calculated fines and penalties on these taxes were waived. In general, the budget for 2020 will be 2 trillion. soums.

Strategic planning of the development of the tax potential of the region can be imperative and indicative. In imperative planning, the national tax authorities direct local tax inspectorates from above to direct tax collection targets to the budgets of different levels.

Indicative planning identifies priority groups in the development of the tax potential of the region, measures to indirectly stimulate certain types of economic activity, as well as measures to exclude certain types of economic activity from the shadow economy. In particular, the development of small business and private entrepreneurship, expansion of exports, localization are currently a priority.

The calculation of the tax potential is carried out in world practice using a number of methods: by assessing the gross domestic product, by the method of assessing the acceptability of the tax system, by the method of direct calculation, and so on. The use of each of these methods faces certain difficulties in economic practice. Therefore, in the context of our country, the assessment of the tax potential of the region on the basis of the actual tax base gives the most reliable results.

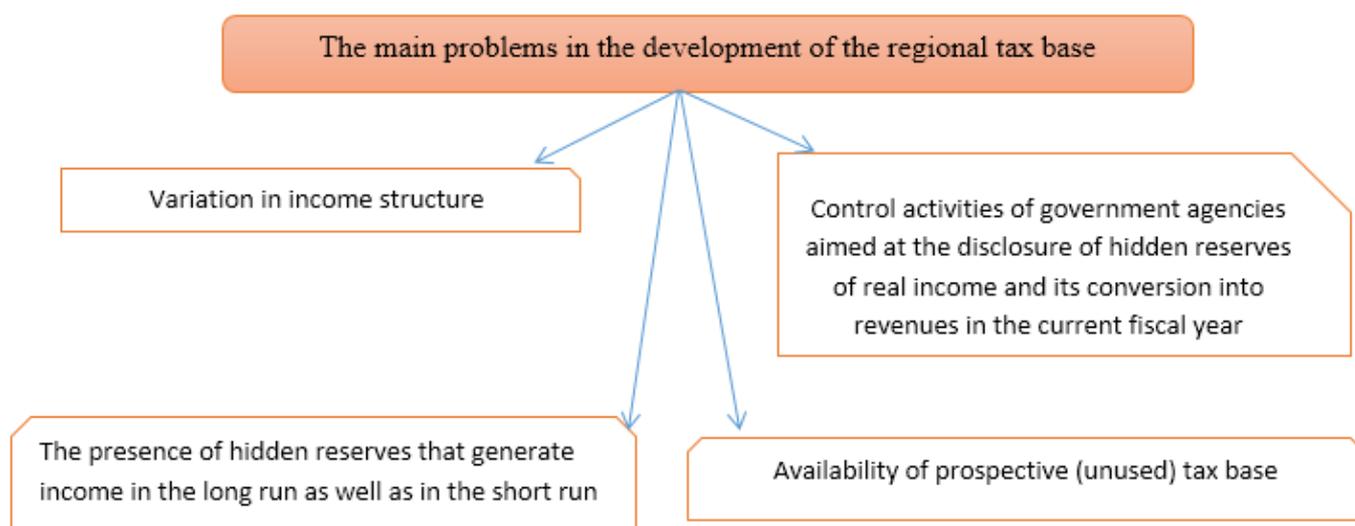
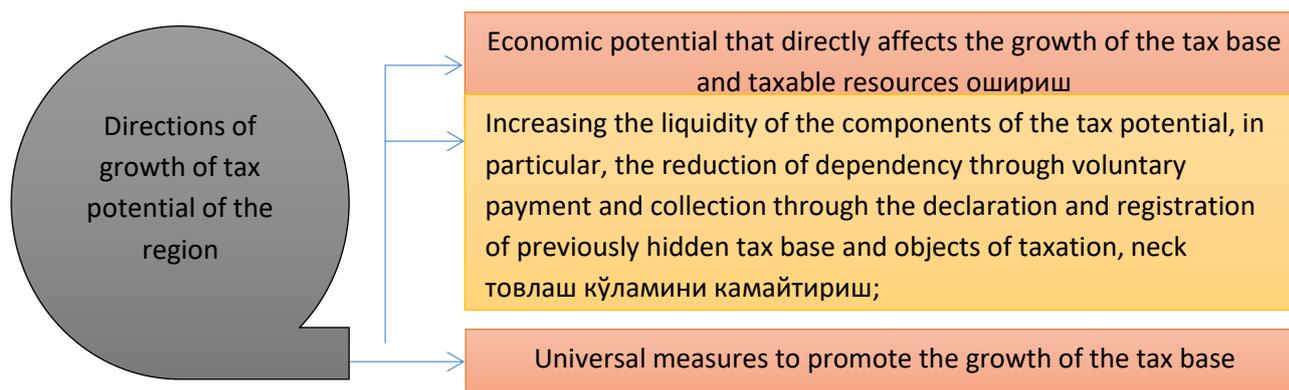


Figure 1. The main problems in the development of the regional tax base.

Measures to eliminate these shortcomings will be carried out in conjunction with measures aimed at stimulating entrepreneurship, investment activity and strengthening the economy in the region. These include preferential lending, reduction of the tax burden, development of infrastructure facilities, simplification of the principles of entry of new economic entities into business, and others.



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Increasing the tax potential liquidity of the region is achieved through the creation of a shadow economy and the reduction of dependents, minimization of embezzlement and reduction of indebtedness of business entities through real payments. This will be facilitated by improving the quality and effectiveness of control measures aimed at disclosing and recovering damages from fraud, the disclosure of the shadow economy, the collection of illegal income and taxes from this category of businesses. The liquidity of the tax potential of the region can be increased through a set of measures aimed at strengthening tax discipline.

### CONCLUSION

In conclusion, budgetary relations serve to move material resources in the necessary directions in socio-economic life. Budget relations emerge in real life as legally formalized relationships. The legal form becomes a necessary means of economic movement. In the new development of the country in the formation of budgetary resources through taxes and levies, the independence of local authorities within reasonable limits, that is, their fiscal independence is manifested as an objective necessity. It should be noted that differences in the definition of the tax base and the determination of the tax rate, the irrational application of tax benefits in some cases can negatively affect the location of economic resources in the regions and lead to their redistribution. Economic control over these processes is also declining.

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