

Local Budget Revenues As an Important Link of Territorial Revenue Power

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Abstract: The article discusses the current state of local budget revenue generation practices, its problems and new aspects, as well as ways to increase the efficiency of the local budget revenue generation system, based on the objectives of effective fiscal policy of the state in the Republic of Uzbekistan.

Keywords: budget system links, local budgets, local budget revenues, regulatory revenues, etc.

It is known that the development strategy of Uzbekistan identifies important tasks such as increasing the base of local budget revenues, ensuring their financial independence, the formation and development of an interregional competitive environment, and studying the best practices of developed countries in ensuring these tasks and applying their positive results in our country are urgent. Thinking about the development of the regions, the President of the Republic of Uzbekistan Sh.M. Mirziyoyev said that "local budgets do not have enough funds to finance sustainable socio-economic development of the regions".

Therefore, the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 aims to increase the base of local budget revenues, ensure their financial independence, improve inter-budgetary relations to strengthen the revenue side of local budgets, regions, priorities have been identified, such as the active and attraction of foreign investment in the regions through the comprehensive and balanced socio-economic development of districts and cities and the improvement of the investment climate. In order to fulfill these tasks, it is important to study the best practices of developed countries and apply their positive results in the country [2].

Local budgets play an important role in the implementation of national economic and social tasks, primarily in the allocation of public funds and the development of social infrastructure. They are the main source of funding for local governments and play a key role in the implementation of state socio-economic policies on the ground. Therefore, our main goal is to sustainably finance the integrated development of the regions on the basis of strengthening and decentralizing their income

base, further improving inter-budgetary relations, strengthening the financial freedom of local government [3].

Today, different economic literatures have different views on the system of local budget revenues (Table 1). In general, in the speeches of the authors, the concept of “sources of revenue generation of local budgets” has been used since the formation of the country’s fiscal system, but its content is still controversial.

Table 1. Interpretation of the content of the system of local budget revenues in the economic literature

S/n	Interpretation of the need for local budget revenues	Authors
Foreign authors		
1.	The basis of the revenue base of local budgets consists of local taxes and levies and revenues from real estate taxes, which are set, calculated and collected by local governments, and they play a special role in determining the medium-term revenue prospects.	Tommazo Olivero, Annaliza Skognamiglo [4]
2.	Local budgets, within the limits of their statutory powers, have their own revenue base, ie financial support for the implementation of expenditure obligations. In this process, local authorities are advocating a pragmatic approach, thereby highlighting the shortcomings of local policy to meet various austerity pressures and restrictions.	Aldag A.M., Kim Yu., Varner M.E. [5]
Local authors		
3.	The distribution of public funds between the budget units is based on the principles of independence of local budgets, their financial support by the state, the formation of their revenues from regional sources. Based on these principles, local budget revenues are formed from their own revenues and revenues from managed sources.	Vakhobov A.V., Kasimova G.A., Jamolov X.N. [6]
4.	Although local taxes are considered the primary source of funding in local budgets, they are not sufficient to finance expenditures attached to the local budget. When determining the budget parameters, deductions from national taxes are determined. This process is developed annually during the approval of budget parameters and is determined and approved in accordance with the decision of the President.	Malikov T. [7]

The definition of this concept is not enshrined in law, which requires clarification of existing approaches and their content. Based on these directions, it should be noted that the revenues of local budgets are formed in accordance with the norms established by law:

- Local taxes, levies, duties and other obligatory payments to the budget of the Republic of Karakalpakstan and local budgets;
- from the state taxes, levies, duties and other obligatory payments transferred to the budget of the Republic of Karakalpakstan and local budgets according to the norms established by the legislation,

- proceeds from the placement and commissioning of state property;
- from the funds transferred to the state property on the right of inheritance, gift in accordance with the legislation,
- budget transfers from higher budgets,
- formed from non-refundable cash receipts from legal entities and individuals, as well as from foreign countries, as well as other income.

Presidential Decree № 5283 of 13 December 2017 “On Additional Measures to Strengthen the Responsibility of Tax and Financial Bodies to Increase Financial Freedom of Local Public Authorities and Ensure Completeness of Revenues to Local Budgets” identified the priorities of fiscal policy at the level of local budgets. Including:

- radically strengthen the revenue base of local budgets by attaching specific types of taxes and other mandatory payments to them;
- subsidization of regional, city and district budgets, gradual reduction of their dependence on higher budget allocations, thereby increasing the freedom and responsibility of local authorities in addressing issues of socio-economic development of the regions;
- identification of additional reserves on a systematic basis to increase local budget revenues;
- strengthening the responsibility of local authorities, finance and tax authorities to strengthen the revenue base of local budgets and ensure the timely, targeted financing of approved expenditure parameters, further development and maintenance of social facilities and infrastructure, etc.

Information on strengthening the base of local budget revenues, creation of additional sources of revenue to the budget as a result of the implementation of the Decree of the President of the Republic of Uzbekistan dated December 13, 2017 №-5283

№	By directions	On 01.01.2019	
		Number of enterprises	Additional tax base (million soums)
1.	For newly established entities in the field of industrial production	8 522	15 857, 7
2.	For newly established small businesses	28 523	2 205 ,1
3.	Newly established service, service enterprises	42 146 1	820,7
4.	Rehabilitation, modernization and re-equipment of existing enterprises	13 856	3 197,0
5.	By rehabilitating unpromising manufacturing companies by selling them to new owners	1 341	613,8
6.	The order in which taxes are paid centrally by local companies	3 387	1 390,9
7.	Due to the expiration of tax benefits	25 976	1 185,2
8.	To increase tax collection	1 804	1 162,0
	Total	125 555	27432,4

As shown in Table 2, as a result of the above measures to strengthen the revenue base of local budgets, as of January 1, 2019, the number of enterprises reached 125,555, the number of additional revenues to the budget amounted to 27,432.4 million soums. In the context of accelerating reforms in the framework of the Action Strategy, for the first time the State Budget of the Republic of

Uzbekistan, together with experts from the International Monetary Fund and other international financial institutions, was developed in accordance with international standards. Also, for the first time, according to the Law of the Republic of Uzbekistan "On the State Budget of the Republic of Uzbekistan for 2020", the expenditures of the republican budget by ministries and departments are covered by the chambers of the Oliy Majlis approval by local councils of people's deputies.

In conclusion, we can say:

1. In the medium term, local budgets have a great opportunity to increase the additional tax base due to general economic factors, in particular, the establishment, modernization and re-equipment of newly established entities and existing enterprises in the field of industrial production.
2. In order to ensure the financial independence of local budgets, it is first necessary to strengthen their revenue base. Among the financial factors in strengthening the revenue base of local budgets, there is an opportunity to ensure a high level of revenue to local budgets through the introduction of centralized payment of taxes by local enterprises and increase tax collection. In general, it is desirable to strengthen the role of local governments in deepening reforms to strengthen the revenue base of local budgets in the context of general economic and financial factors.

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