

## THE ROLE OF RESOURCE TAXES IN SHAPING REVENUES OF THE REPUBLIC OF KARAKALPAKSTAN

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**.Abstract:** Article is written about the role of resource taxes in the formation of budget revenues of the Republic of Karakalpakstan. In particular, investigated and analyzed the land tax paid by legal entities, taxes for the use of subsoil and water resources in local budget of the region. The proportion of districts in the revenues of resource taxes in the local budget is highlighted. Also, recommendations on stabilization of budget revenues of the Republic of Karakalpakstan are given due to the growth of income from resource taxes.

**Key words:** budget revenue, taxes, rente, budget profit, land tax

**Introduction.** The essence of imposing taxes on resources is redistributing the “rente” or extra profit by way of budget-tax mechanism in order to make the most efficient use of natural resources. In a world-wide practice, imposing a tax on utilization of natural resources is charged as “rente” taxes, that is, special taxes used for utilization of income tax and natural resources. In the practice of some foreign countries, there are excise taxes for economic players reaching high profitability as regards the utilization of natural resources. Thus, it is essential to create effective system of imposing taxes on natural resources for the countries where the market share of raw materials is high.

**Literature review.** The main types of resource payments are bonuses, “rente” and “royalty”. Bonuses are considered as an important financial resource for the state, but they are essential elements of raising profits of state budget. The size of bonuses is determined according to the laws of a certain country and they are the object of agreement on utilization of natural resources. “Rente” is another form of payment for the utilization of natural resources and it is charged by the state when the agreement on utilization of natural resources is being made. “Rente” is the form of payment which enables the state to make regular profits from the very moment the agreement is

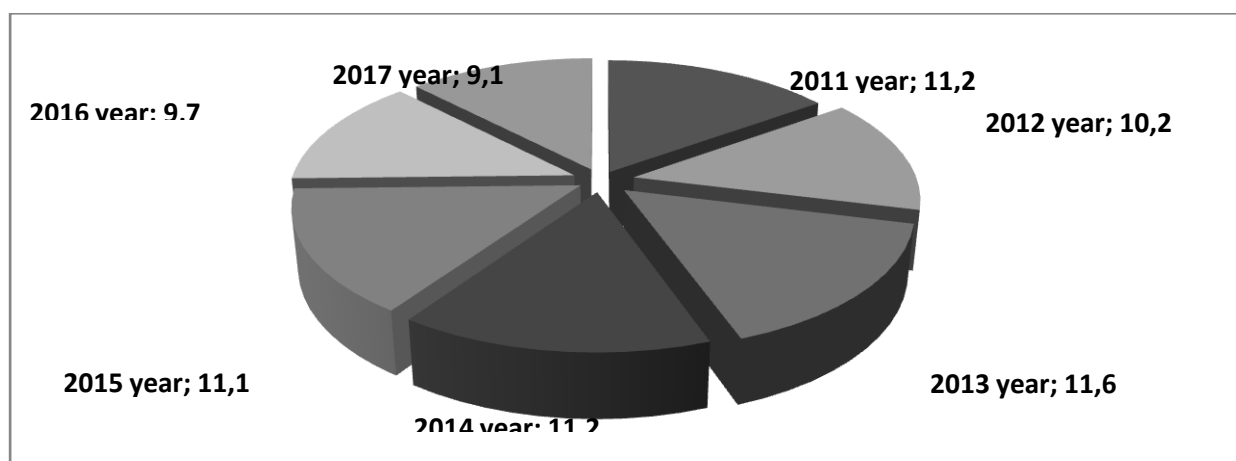
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made, despite the profitability of production and the presence of mining. The amount of this tax can be determined for both the whole territory of production ore and one particular area. “Royalty” is paying the state the fixed portion of the cost of production for the state right to produce revenues. “Royalty” is charged as an interest by the state from the total profit of the user of natural resources. There have been instances in the world, where “royalty” has been varied according to some conditions. For example, in the USA, this share is discernible by one parameter in the area of mining (in the land-16%, on the offshore area-12%), in Nigeria this is done according to the depth of the mining (2, p.201).

According to the law of the Republic, all the minerals are the national property of our people. According to the law “On the minerals” issued on September 23, 1994, all the consumers of minerals have been charged special taxes depending on the size of the minerals since 1995. The main reason of introducing the tax of exploiting minerals is to increase the efficiency of mineral exploiting, considering the benefits of future generation.

**Analysis.** According to tax code, the tax charged from exploiting minerals is the part of general state taxes and tax revenues go to the budget of the state. In order to gain the information on tax revenues to the state budget from minerals, we shall, firstly, analyze the share of resource taxes in the state budget profits of the Republic of Uzbekistan (figure1).



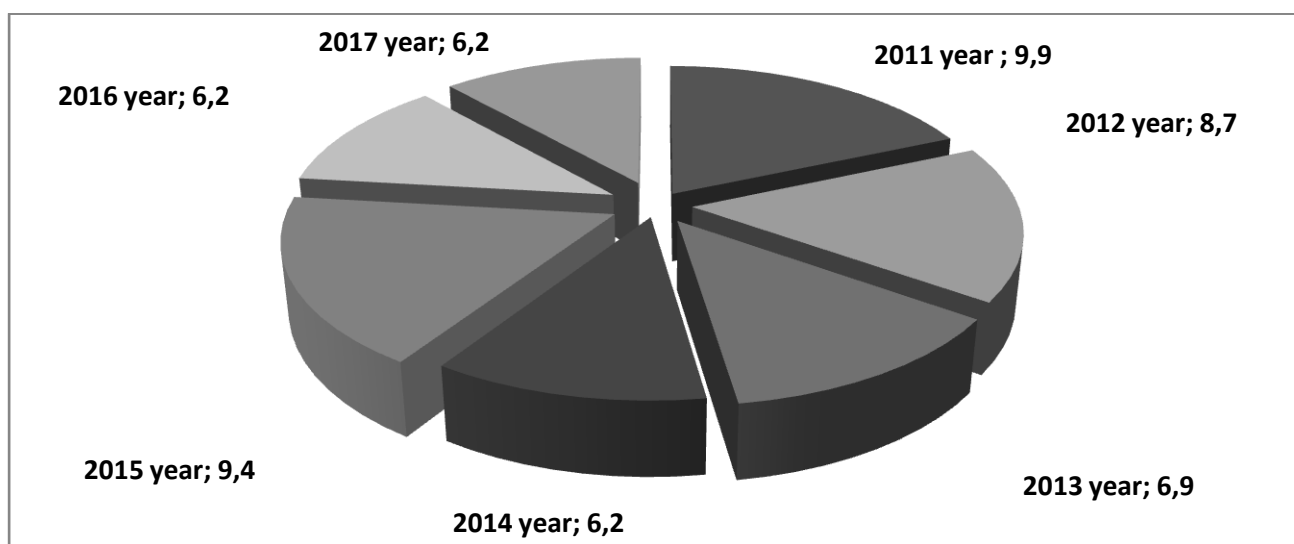
**Figure 1. The proportion of resource taxes in state budget profits of the Republic of Uzbekistan (%)<sup>1</sup>.**

As shown in figure 1, the proportion of resource taxes in state budget profits of the Republic of Uzbekistan has a falling trend in general, but during the analyzed period, from the year 2012 to 2013, this figure was reported to have amounted for 1,4% in 2013. The amount decreased by 0,4 %

<sup>1</sup>Compiled by the author according to the Ministry of Finance of the Republic of Uzbekistan.

in 2014 compared with 2013, and in 2015, this figure decreased by 0,1% compared with the year 2014. In 2016, it decreased by 1,4% compared with 2015; in 2017, it went down to 0,6% compared with the year 2016, and in 2017, this figure decreased by 2,1% compared with the year 2011. Thus, at present, the resource taxes have their place in the state budget of the Republic.

The analysis of the proportion of resource taxes in the local budget profits in the Republic of Karakalpakstan was as follows (figure 2):



**Figure 2.** The share of resource taxes on the budget profits of the Republic of Karakalpakstan (in %)<sup>2</sup>.

As is known from the analysis, the proportion of resource taxes in the regional-local budget profits had a falling trend through the analyzed years. During the analyzed period, from 2011 to 2014, the share decreased regularly, that is, it made up 9,9% in 2011, and in 2012 this figure was 8,7%, in 2013 – 6,9%, in 2014 – 6,2%. This figure was 9,4% in 2015, and compared with the year 2014, it rose by 3,2%. During the years 2016 and 2017, it made up 6,2% and compared with the year 2015, it fell to 3,2%. In 2017, compared with the year 2011, it decreased by 3,7%. The analysis showed that, at the present moment, the share of resource taxes in both state budget profits and regional-local budget profits is decreasing.

Now, in order to find out which tax types result in the decrease in the share of resource taxes, we shall analyse the tax payments of juridical persons forming the resource taxes (excluding property-tax).

The following information is on the composition of resource taxes.

Table 1.

<sup>2</sup>Compiled by the author according to the Ministry of Finance of the Republic of Karakalpakstan.

**The tax payments of juridical persons forming the resource taxes in the budget profit of the Republic Karakalpakstan (mln.sums)<sup>3</sup>.**

Index names	Years							The change in 2017, compared with the year 2011 (+;-)
	2011	2012	2013	2014	2015	2016	2017	
Budget profits in the Republic of Karakalpakstan (total %)	100	100	100	100	100	100	100	X
Resource taxes, including:	32582,0	32899,4	31310,9	34346,6	67163,5	59081,7	79881,5	+47299,5
-land tax levied from juridical persons	4251,7	6306,3	5895,0	5602,1	13448,7	9598,6	15373,9	+11122,2
Share%	13,0	19,2	18,8	16,3	20,0	16,2	19,2	+6,2
-tax on utilization of minerals	18584,3	19394,1	17451,8	20425,8	44394,9	43193,7	52791,7	+34207,4
Share%	57,0	58,9	55,7	59,5	66,1	73,0	66,1	+9,1
-tax on water resources	57,0	7198,9	7964,1	8318,7	9319,9	6343,3	11715,9	+1970,0
Share%	9745,9	21,9	25,5	24,2	13,9	10,8	14,7	-15,3
	30,0							

As is known from the table 1, the tax on utilization of minerals takes the first place among the resource taxes. In 2011, it amounted for 57,0% among the resource taxes. This figure was 66,1% in 2017, it rose to 9,1% compared with the year 2011. During the analyzed years, the tax on minerals had a rising trend. It is important to note that, it made up 73% among the resource taxes in regional-local budget profits in 2016, this index was the highest. To sun up, at present, this tax has become the main source of income among the regional-local budget profits. This tax is important not only in securing the profitability of utilization of natural resources, but also it carries out fiscal task. In our republic, the tax on minerals was fixed for only 53 types of minerals, but tax revenues to the budget

<sup>3</sup>Compiled by the author according to the Ministry of Finance of the Republic of Karakalpakstan.

are very dependent on certain types of minerals. This tax type is considered to be main type which is fixed in utilization of natural resources.

The second type of resource taxes is the one which is charged for water resources. This tax type made up 30% of resource taxes during the analyzed period. Especially, in 2011, tax on water resources amounted for 30% in the regional-local budget profits, which is the highest index in the analyzed period. It should be noted, that this tax type had a falling tendency during the years, in 2017 this figure made up 14,7%, that is, compared with 2011, in 2017 it decreased by 15,3%.

Land tax charged from juridical persons is one of the main taxes forming the resource taxes [1, p. 417]. During the analyzed period, the land tax charged from juridical persons was 13% in 2011 in the regional-local budget profits. This index had a rising trend during the years and in 2017 it made up 19,2%, increasing by 6,2% compared with the year 2011. Thus, land tax share has been rising regularly among the resource taxes in the recent years.

**Conclusion.**In conclusion, the resource taxes and the analysis of their share in regional-local budget profits helped us make the following:

-The taxes on utilization of minerals and water resources are the constant source of income in making use of natural, raw resources, independent of the changes of economic state of affairs. From this point of view, we can say that due to the increase in revenues of resource taxes, there also has been an increase in the income of the regional-local budget profits. And this ensures to develop the region economically, since the taxes are the main source in the regional-local profits;

-It is important to stimulate the interest of economic subjects through taxes. Especially, it is essential to give addressed financial incentives to economic subjects in Karakalpakstan. In its turn, this helps private business and enterprises to flourish in Karakalpakstan.

## LITERATURE

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