

CURRENT ECONOMIC CONDITIONS OF FORMATION OF BUDGET REVENUES IN THE REPUBLIC OF KARAKALPAKSTAN

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Abstract:

This scientific article is devoted to the consideration of issues of tax receipts as the major source of budget revenues in the Republic of Karakalpakstan which is northern part of our republic. In particular, the article provides analysis of shares of the tax on the use of water resources, fixed tax levied on legal entities and individuals for certain types of entrepreneurial activity, fixed tax for individuals engaged in entrepreneurial activity, and of excise tax on beer and vegetable oil in the revenues of the regional budget. Moreover, the article contains proposals to provide local budgets with subsidies for cities and districts with subventions as well as suggestions on ensuring the growth of revenues to local budgets.

Key words: regional budget, local budget, revenue formation, structure of tax receipts, budget subventions, increase of budget receipts, potential of natural resources.

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Introduction. When enhancing efficiency of the budget formation process it is advisable to use a special management classification of budget revenues and expenditures. As far as we know, the budget consists of two parts: operating budget and development budget.

1) The operating budget reflects expenses and income required to provide necessary compulsory activity, for example, expenses to ensure that all permanent economic units operate normally.

2) The development budget (investment budgets) includes revenues and expenditures for the improvement of the regional economy (including expenses on construction and acquisition of material property), investment allowances to third parties, allocations to the regions and districts, revenues obtained from the state property sales, as well as special financing operations (e.g. loan repayment, deductions to the reserve fund and withdrawal of monetary resources from this fund)¹.

The regional budget revenues are formed due to tax and non-tax receipts. In our opinion, income (tax revenue) is a decisive factor in the budgetary system used for ensuring the independence of the budgets. In foreign practice there are three types of tax receipts².

1. Local authorities are responsible for tax revenues collected throughout their territories. A certain part of these receipts is transferred to the high-level budget. These funds are mainly intended to cover general expenses of the government.

2. Unlike the first type of the budget revenues considered above, the second type of distribution of tax revenues implies that all revenues are directed to the central government. Later these receipts are redistributed to local governments in the form of grants, funding for various programs, or other transfers. In addition, under this method receipts are redistributed in accordance with the exact set of transfer criteria.

3. The next method of revenue generation in the form of revenue entails the allocation of certain types of receipts to the local budgets. In case of necessity the missing income can be used for the purpose of coordinating taxes or transfer to local budgets. In turn, this method is a two-way method enabling to eliminate some shortcomings. At the same time it is aimed at ensuring consistency between the tax burden and the decisions made by the tax authorities on expenses. In making decisions, local authorities have the ability to coordinate their decision-making power between costs and benefits

¹ Kovalenko Ye. and others. Regional economy and management: Textbook, 2-nd edition, – StP.: Piter, 2008. –p. 132.

² King D.N. Local Government Economics in Theory and Practice. L.: Routledge, 1992. page 12.

Governmental regulation of the formation of local budget revenues and expenditures at all levels in practice in Uzbekistan implies that the receipts from the total national income are fully credited to local budgets. In particular:

- receipts from the tax on use of water resources;
- receipts from the fixed tax levied on the legal entities and individuals engaged in certain entrepreneurship activities;
- receipts from the fixed tax levied on individuals who are involved in entrepreneurship activities without establishing a legal entity (individual entrepreneurs);
- receipts from the excise tax on the beer and oil produced in our republic³.

Analysis. Within the framework of the analytical part we analyze regional revenues and budget subventions from local budgets. The receipts to the revenue part of the budget of the Republic of Karakalpakstan are presented below (Table 1).

As it is obvious from Table 1, the overall amount of tax receipts accrued to the regional local budget accounted for 27839,8 mln. UZS in 2011 and it constituted 8,4 per cent of the total tax receipts in the revenue part of the budget of the Republic of Karakalpakstan. While we were analyzing this indicator within the period between 2011 and 2014 we can notice an increase but since 2015 the trend was downward.

In particular, in 2013 this indicator amounted to 8,8 per cent, in 2013 – 9,8 per cent, in 2014 – 10,8 per cent. In 2012 it grew by 0,4 per cent in comparison with 2011, and in 2013 in relation to 2012 and in 2014 in relation to 2013 it showed an annual 0,1 growth rate. Thus in 2015 this indicator accounted for 10,3 per cent, in 2016 – 8,8 per cent, and in 2017 – 8,5 per cent. Moreover, in 2015 this indicator reduced by 0,5 per cent in relation to 2014, in 2016 – decreased by 1,5 per cent and in 2017 – reduced by 0,3 per cent in comparison with 2016.

³ Decree of the President of the Republic of Uzbekistan №3454 “On the forecast of the main macroeconomic indicators and parameters of the state budget for 2018” as of December 29, 2017 /www.lex.uz.

Table 1**Analysis of the receipts to the budget revenues in the Republic of Karakalpakstan⁴, (in %).**

Years	Total receipts accrued to the revenue of the budget of the Republic of Karakalpakstan form general state taxes in accordance with the Decree of the President of the Republic of Karakalpakstan.			In the amount of receipts, including:							
				Share of the tax on use of water resources		Share of the fixed tax levied on the legal entities and individuals engaged in certain entrepreneurship activities		Share of the fixed tax levied on individuals who are involved in entrepreneurial activities without establishing a legal entity (individual entrepreneurs)		Share of the excise tax on the beer and oil produced in our republic	
	mln. UZS	Share of the overall tax receipts in the budget revenue of the Republic of Karakalpakstan, %	dynamics +/-	%	dynamics	%	dynamics	%	dynamics	%	dynamics
2011	27839,8	8,4	X	18,1	X	30,9	X	28,5	X	22,5	X
2012	33297,5	8,8	+0,4	11,1	-7,0	36,0	+5,1	33,0	+4,5	19,9	-2,6
2013	44780,0	9,8	+1,0	13,1	+2,0	37,5	+1,5	35,3	+2,3	14,1	-5,8
2014	60438,6	10,8	+1,0	13,8	+0,7	38,4	+0,9	37,0	+1,7	10,8	-3,3
2015	73339,5	10,3	-0,5	12,7	-1,1	40,1	+1,7	38,9	+1,9	8,3	-2,5
2016	83056,9	8,8	-1,5	7,6	-5,1	43,0	+2,9	41,8	+2,9	7,6	-0,7
2017	109722,1	8,5	-0,3	6,1	-1,5	41,0	-2,0	40,6	-1,2	12,3	+4,7

The largest amount of receipts in the revenue part of the regional local budget belongs to the fixed tax levied on the legal entities and individuals engaged in certain entrepreneurship activities. The second largest share is comprised of fixed tax levied on individuals who are

involved in entrepreneurship activities without establishing a legal entity (individual entrepreneurs), and the smallest portion is the excise tax on the beer and oil produced in our republic and the tax on use of water resources.

By these taxes in terms of the share of tax receipts in the revenue part of the regional local budget we can make a conclusion that in 2011 the share of the fixed tax levied on the legal entities and individuals engaged in certain entrepreneurship activities accounted for 30,9 per cent. Following the dynamics of this indicator change during the years we can notice a steady increase between 2011 and 2016. In particular, in 2012 it grew by 5,1 per cent in relation to 2011, in 2013 – increased by 1,5 per cent in comparison to 2012, in 2014 it rose by 0,9 per cent in relation to 2013, in 2015 it grew by 1,7 per cent comparing to 2014, and in 2016 it increased by 2,9 per cent in relation to 2015. Only in 2017 there was 2,0 per cent reduction comparing to 2016, however, in 2017 this indicator grew by 10,1 per cent in comparison with 2011. Thus it should be noted that this tax is crucial for formation of the local budgets' revenue.

Following the analysis it should be noted in 2011 the share of individuals who are involved in entrepreneurship activities without establishing a legal entity (individual entrepreneurs) accounted for 28,5 per cent. This indicator demonstrates a sustainable growth during this period of time and in 2012 it grew by 4,5 per cent in relation to 2011, in 2013 it increased by 2,3 per cent comparing to 2012, and in 2014 this indicator rose by 1,7 in relation to 2013, in 2015 it increased by 1,9 per cent in comparison with 2014, and in 2016 this indicator grew by 2,9 per cent in relation to 2015. Even though this indicator in 2017 this indicator reduced by 1,2 per cent comparing to 2016, however, in 2017 this indicator grew by 12,1 per cent in comparison with 2011.

If we consider the receipts from the excise tax on the beer and oil produced in our republic in 2011 it accounted for 22,5 per cent. This indicator demonstrates a downward trend over the years. In particular, in 2012 this indicator reduced by 2,6 per cent in relation to 2011, in 2013 it decreased by 5,8 per cent comparing to 2012, in 2014 this indicator fell by 3,3 per cent in relation to 2013, in 2015 it decreased by 2,5 comparing to 2014, and in 2016 it reduced by 0,7 per cent in relation to 2015. Only in 2017 we can witness 4,7 per cent growth in relation to 2016

⁴ Developed by the author on the basis of the data of the Ministry of Finance of the Republic of Karakalpakstan.

and in 2017 there was 10,2 per cent reduction in comparison with 2011. The reason for this reduction is that only Beruniy, Khojeyli and Chimbay districts are engaged in the production of oil so they promote the receipts in the revenue part of the local budgets. However, the other districts are not so successful. The dynamics of the receipts in the local budgets' revenues we can see in Figure 1.

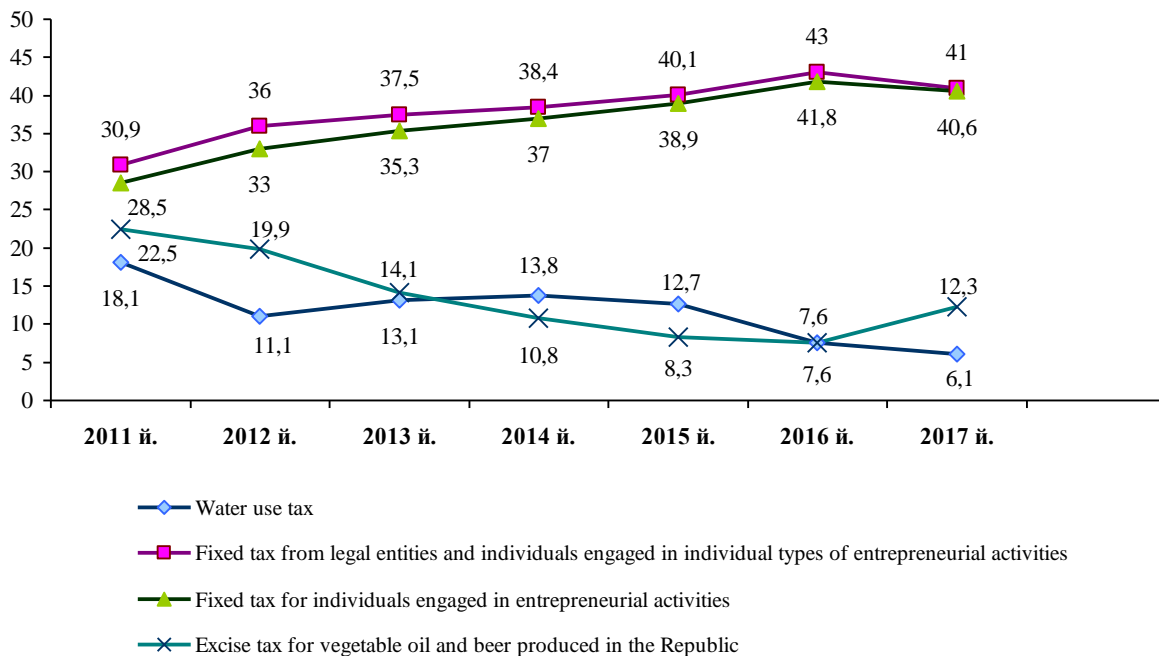


Figure 1. Dynamics of the receipts in the local budgets' revenues ⁵, (in %).

If we consider the receipts from the tax on use of water resources in 2011 this indicator accounted for 18,1 per cent. This indicator demonstrated a fluctuating dynamics over the period of time. In particular, it was increasing from 2012 to 2014 and on the contrary, decreasing from 2014 to 2017. In particular, we can see the growth of 2,0 per cent in 2013 compared to 2012 and in 2014 this indicator increased by 2,0 per cent in relation to 2013. However, in the majority of years we can witness a reduction, for example, in 2015 this indicator fell by 1,1 per cent compared to 2014, in 2016 in decreased by 5,1 per cent in relation to 2015 and in 2017 it reduced by 1,5 per cent in comparison with 2016. Thus we can say that as a result of the reduction in 2017 this indicator decreased by 12,0 per cent in comparison with 2011. In our opinion, such a tendency necessitates a reasonable use of natural resources in our country and justifies the requirement to enhance efficiency of using taxation of natural resources.

⁵ Developed by the author on the basis of the research results.

Relying on the analysis we can make relevant conclusions on the research topic. With this aim the situation with budget subventions the Republic of Karakalpakstan is analyzed in Table 2.

Table 2

Subventions from the republican budget to the budget of the Republic of Karakalpakstan⁶,
(mln. UZS).

Definition of indicators	Years						
	2011	2012	2013	2014	2015	2016	2017
The share of subventions to finance social allowances, wages of public education institutions and single social payments	318498,9	385540,3	454825,4	495357,5	506359,2	475415,7	162865,2

As it is obvious from Table 2, in 2011 the amount of subventions allocated from the republican budget to the budget of the Republic of Karakalpakstan accounted for 318498,9 mln. UZS. In 2012 this indicator amounted to 385540,3 mln. UZS, in 2013 - 454825,4 mln. UZS, in 2014 this indicator was 495357,5 mln. UZS, in 2015 - 506359,2 mln. UZS and in 2016 it accounted for 475415,7 mln. UZS. In 2017 the amount of subvention allocated was 162865,2 mln. UZS. If we consider recipients of subventions in the Republic of Karakalpakstan by districts and towns, according to the statistical data, in 2016 there were 12 recipients of budget subventions which are illustrated in Figure 2.

⁶ Developed by the author on the basis of the data of the Ministry of Finance of the Republic of Karakalpakstan.

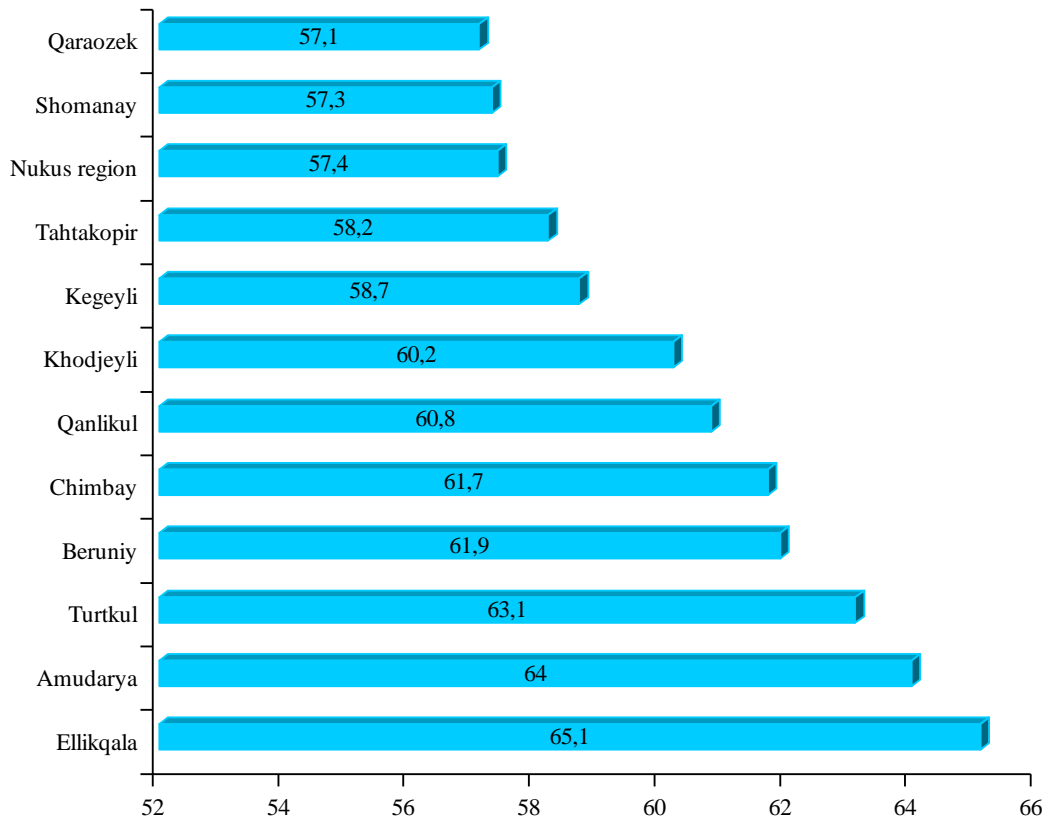


Figure 2. Share of subventions of towns and districts of the Republic of Karakalpakstan⁷, (in %).

We can see that the share of subventions of towns and districts of the Republic of Karakalpakstan accounted for approximately 57-65 %. In particular, in Korauzak, Shumanay and Nukus district this indicator was 57%, in Kegeyli and Takhtakupir districts – 58%, in Khojeyli and Konlikul districts this indicator accounted for 60%, in Beruniy and Chimbay districts – 61%, in Turtkul – 63%, in Amudarya – 64% and in Ellikkala – 65%. In 2017 it was planned to withdraw 3 areas – Khojeyli, Konlikul and Nukus districts from the list of districts which receive subventions⁸.

⁷ Developed by the author on the basis of the data of the Ministry of Finance of the Republic of Karakalpakstan.

⁸ Developed by the author on the basis of the data of the Ministry of Economy of the Republic of Karakalpakstan.

It should be noted that due to the sharp differentiation of the income status of regions and districts of Uzbekistan, it is extremely difficult to reach agreement on budget subventions which differentiate between amounts of different coefficients and transfers. This, in turn, assumes that “provision of social services only by the centralized government leads to the increase in their value and cost. Unexpected increase of the volumes of services provided to some regions may result in shortcomings in other regions”⁹.

In our opinion, with the aim of enhancing the receipts of local budgets it is required to apply new approaches. In particular, we emphasize the need for comprehensive territorial development of the Republic of Karakalpakstan and its territorial connection the full use of natural raw material resources. In particular, with the aim of establishing new enterprises, creating the source for the taxable base and developing regional financial potential it is required to ensure the growth of the receipts of local budgets. From our point of view, this is justified by the economic necessity of efficient use of natural resources with the account of the current stage of deepening of market relations in our country.

Reference:

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⁹ Khaydarov M.T. Issues of enhancing independence of local budgets // *Itisod va Moliya*, 2017. №6, - p. 24.