



ANALYSIS OF TAX REVENUES IN THE BUDGET REVENUES OF THE REPUBLIC OF KARAKALPAKSTAN AND THE CURRENT STATUS OF THE TERRITORIAL TAX POTENTIAL

Karakalpak branch of the Academy of Sciences of the Republic of Uzbekistan, Karakalpak Scientific Research Institute of Natural Sciences PhD applicant Tureev Azizbek Abatovich

Annotation: The article analyzes the practice of formation of budget revenues in the territory of the Republic of Karakalpakstan. In particular, in order to ensure the adequacy of budget revenues, the results of the assessment of the tax potential of the region using various methods were compared. The indicators and factors influencing the differences between the calculated tax potential and the realized tax potential, as well as the state of the tax capacity of the regional budget were studied.

Keywords: regional budget, budget revenues, taxes, tax revenues, tax potential, valuation methods.

Introduction. The budget accounts for the bulk of any state revenue and represents the funds needed to carry out the socio-economic and political tasks of the state. From a legal point of view, a budget is a financial plan aimed at the formation, distribution and use of centralized funds in a particular region of the country and approved by the relevant state or local authorities, which consists of legal norms. Depending on the level of distribution of power between the central and administrative-territorial units, the states are divided into unitary, federal and confederate states. The structure of the budget system, as noted above, stems from the form of state and administrative structure of the country.

As Uzbekistan is a unitary state, its state budget consists of the republican budget of the country and the budget of the Republic of Karakalpakstan, local budgets of the regions and the city of Tashkent.

It should be noted that the Republic of Karakalpakstan is a separate administrative-territorial unit. Nevertheless, in the budget system of Uzbekistan it is included in the category of local budgets. This legal norm, in our opinion, is outdated and irrelevant in terms of its significance today. Because the provision of financial resources for the socio-economic development of the regions of Karakalpakstan through local budgets is not enough. Because local budgets represent budget relations only at the level of the country's regions, and the powers of local budgets are defined to a certain extent. However, in terms

of status, Karakalpakstan is a republic, and on this basis, we need to improve the budget and tax mechanism of the Republic of Karakalpakstan. This is due to the fact that the current state of local budget revenues in the region is not enough to fully realize the financial capacity and tax potential of the republic. This can be seen in the Law of the Republic of Uzbekistan No. LRU-657 "On the State Budget of the Republic of Uzbekistan for 2021". In particular, regulatory inter-budgetary transfers from the upper republican budget to the budget of the Republic of Karakalpakstan for 2021 amounted to 1301.4 billion UZS (Law, 2020). Therefore, the problems of local budgets play an important role in the budget system of the country. It is therefore important to study them.

Research methodology. It is aimed at summarizing scientific ideas and opinions on the tax potential on the basis of theoretical analysis and monographic observations and highlighting the importance of using the tax potential of the region in assessing the adequacy of budget revenues of the Republic of Karakalpakstan.

Analysis and results. According to the Budget Code of the Republic of Uzbekistan, local budget revenues consist of:

1. Direct income;
2. Revenues in the form of high budget allocations;
3. Transferred income and financial assistance.

Article 52 of the Budget Code of the Republic of Uzbekistan stipulates that the formation of local budget revenues is carried out at the expense of the following revenues:

1). National taxes in accordance with the established standards, including:

- corporate income tax;
- single tax payment;
- personal income tax;
- fixed tax on certain types of business activities;
- value added tax;
- excise tax;
- Subsoil use tax;
- tax on the use of water resources;

2). Local taxes and other mandatory payments, including:

- Landscaping and social infrastructure development tax (added to corporate income tax from 2018);
- tax on the use of gasoline, diesel fuel and gas in vehicles;
- property tax;

- land tax;
 - single land tax;
 - the right to retail certain types of goods and fees for certain types of services;
- 3). Non-refundable cash receipts from legal entities and individuals, as well as from foreign countries;
- 4). Revenues from markets;
- 5). It is formed at the expense of other revenues (Budget Code, 2013).

The following types of taxes are transferred in full to the budgets of districts and cities: property tax levied on individuals; land tax from individuals; income tax from individuals, paid on the basis of the declaration of annual income from the lease of property belonging to individuals, as well as paid by individual entrepreneurs; tax on the use of water resources (except for the tax paid by power plants); tax on subsoil use for construction materials (Law, 2020).

According to the practice of formation of local budget revenues in our country, tax revenues in Karakalpakstan budget revenues were analyzed.

Table 1

The structure of revenues of the budget of the Republic of Karakalpakstan *,

(percentage)

Indicators	016	017	018	019	020	20 20 change compared to 2016
Budget revenues, total	100	100	100	100	100	X
1. National taxes in accordance with the established standards	3,8	5,2	1,4	8,0	5,0	+ 11,2
Corporate income tax	3,1	3,0	3,7	5,2	7,7	+ 4,6
Single tax payment	11,6	2,8	,1	3,1	2,0	- 9,6
Income tax from individuals	26,8	26,0	18,8	21,0	28,3	+ 1,5

*Compiled by the author on the basis of the Ministry of Finance of the Republic of Karakalpakstan.

Fixed tax on some types of business activity	5,2	4,8	4,1	1,0	0,5	-
						4,7
Value added tax	33,3	42,0	56,3	55,0	52,2	+1
						8,9
Excise tax	7,6	6,0	6,0	6,7	8,3	+
						0,7
Tax on subsoil use	10,3	4,6	1,9	7,9	0,7	-
						9,6
Tax for the use of water resources	2,1	0,8	0,1	0,1	0,3	-
						1,8
2. Local taxes and other obligatory payments	7,5	7,8	3,6	1,4	4,0	-
						3,5
Landscaping and social infrastructure development tax	3,8	2,6				X
Tax on the use of gasoline, diesel fuel and gas	38,1	36,2	28,8	26,0	25,2	-
						12,9
Property tax			32,1			-
	3,6	7,8		6,5	4,3	9,3
Land tax	24,0					+
		2,2	8,1	4,3	0,7	16,7
Revenues from local fees and markets	10,5			13,2		+
		1,2	1,0		9,8	9,3
3. Other income	8,7					-
		,0	,0	,6	,0	7,7

According to Table 1, in the formation of budget revenues of the Republic of Karakalpakstan in 2016-2020, the amount of national taxes in accordance with the standards established for local budgets is 73-88% of total revenues. At the same time, value added tax, personal income tax, single tax payment (turnover tax in 2020), subsoil use tax, excise tax and corporate income tax play an important role in the formation of regional budget revenues. At the same time, local taxes and other mandatory payments are also an important source of revenue in the formation of regional budget revenues, but their contribution in this period amounted to 11-17%. This group of taxes includes property tax,

land tax, local levies and market revenues, as well as a tax on the use of gasoline, diesel fuel and gas in vehicles (added to excise tax from 2020).

The change in the share of taxes in the revenue of the regional budget is explained by the following cases. This is due to the need to ensure the full implementation of the effective use of taxes and levies today and the formation of local budget revenues based on an objective assessment of the socio-economic potential of the regions in the full use of financial resources. The level of development of the territorial districts of the Republic of Karakalpakstan varies, based on which we can mention the northern economically developed districts of the region, such as Chimbay, Karaozek, Takhtakopir, Shomanay and Moynak. But the mentioned districts have the potential to increase financial capacity and tax potential. The only way to do this is to involve the region's untapped mineral resources in production. At the same time, it is worth noting that the stabilization of changes in tax rates and increasing the collection of taxes are also important issues in improving the budget and tax mechanism of the region.

In the regions, government decisions are being made to expand the budgetary powers of local public authorities and increase their responsibility in the formation of local budget revenues (Resolution, 2017).

However, in his speeches, President Mirziyoyev has repeatedly said that to date, most local governments and financial and tax authorities in the country have not fully implemented the reserves for additional taxes to the budget. For example, in 5 months of 2018, 60% of taxes were paid by 171 large enterprises, for example, in the Republic of Karakalpakstan 50% of total tax revenues were provided by UzKorgaz and Ustyurtgaz, and in Navoi region by 75% by Navoi Mining and Metallurgical Combine. (Report, 2018).

Therefore, improving the budget and tax mechanism of the country's regions requires modern models of local budget revenues. At the same time, depending on the financial capabilities of the regions, it is important to identify and realize the potential sources of reserve tax through the full use of their potential. As for the Republic of Karakalpakstan, it is expedient not only to boast about the existence of huge mineral resources in its territory, but also to use them for some time in the rapid development of economically underdeveloped areas of the region. In carrying out this task, we must first obtain information by assessing the current state of the tax potential of the region.

In our opinion, the assessment of the tax potential of the regions is relevant in the formation of an effective system of inter-budgetary relations in the country, and the interval of strengthening the tax potential of the regions is relevant in the implementation

of policies to ensure local budget resources. Although there is no generally accepted methodology for assessing the financial capacity of the country's regions and their tax potential, the tax potential is assessed in one way or another by the relevant government agencies, including the Ministry of Finance, in the performance of their functions.

We calculate and analyze the tax potential of the territory of the Republic of Karakalpakstan, using the methods commonly used in international practice to assess the tax potential. Typically, when calculating the tax potential of a region, it is assumed that two factors affect the full realization of the tax potential based on the actual valuation method, namely: tax arrears (dependents) and benefits (and overpayments).

First of all, the tax potential of the region was calculated by the assessment (additive) method in accordance with the data of tax reports and the amount of actual collected tax revenues. The results are shown in Table 2.

The tax potential calculated for the budget of the Republic of Karakalpakstan using the data of Table 2, including: income tax from legal entities for 2016 amounted to 19481.9 million UZS. The amount of tax potential calculated by this method is less than the current tax revenues. We can see the same situation in the tax potential calculated for other types of taxes (single tax payment and resource taxes). Therefore, the use of this method in calculating the tax potential in improving the budgetary and tax mechanism of the region is ineffective. Because the calculated tax potential has been realized (realized), i.e. less than the actual revenue. This is inconsistent with the direction of our study, because “the tax potential should provide the maximum amount of tax revenue based on the socio-economic, institutional as well as demographic characteristics of a country or its regions” (Pessino, 2002).

Table 2

Tax potential accrued to the budget of the Republic of Karakalpakstan by the real (additive) method[†], (million UZS)

Indicators	Corporate income tax				
	2016	2017	2018	2019	2020
Tax revenues to the budget of the RK (actual)	19653,6	22086,2	134974,4	116225,3	155668,4
Tax arrears	171,7	342,1	748,1	703,8	13778,5
Tax benefits and overpayment	-	-	-	617,3	316,3
Tax potential of the budget of the RK	19481,9	21744,1	134226,3	116138,8	142206,2
	Single tax payment				
Tax revenues to the budget of the RK (actual)	81433,6	92704,6	135624,3	86113,4	45664,5
Tax arrears	8467,8	12685,5	16239,8	9815,7	9245,6
Tax benefits and overpayment	-	-	-	34209,3	16798,9
Tax potential of the budget of the RK	72965,8	80019,1	119384,5	110507,0	53217,8
	Subsoil use tax				
Tax revenues to the budget of the RK (actual)	43145,0	52818,7	191655,2	220984,3	15655,3
Tax arrears	24,8	44,1	35,0	372,5	828,5
Tax benefits and overpayment	-	-	-	1273,5	75,4
Tax potential of the budget of the RK	43120,2	52774,6	19620,2	221885,3	14902,2
	Tax on the use of water resources				
Tax revenues to the budget of the RK (actual)	6358,7	6687,4	2577,0	1309,7	5740,6
Tax arrears	248,3	510,6	33,7	51,9	630,9
Tax benefits and overpayment	-	-	-	83,0	290,0
Tax potential of the budget of the RK	6110,4	6176,8	2543,3	1340,8	5399,7

In our opinion, another weakness of the considered method can be attributed to some inaccuracies in the planning of the obtained indicators. Because here, the tax base is not used. The tax base is, in our view, an important source of tax revenue and tax potential.

[†]Based on the data of the State Tax Administration of the Republic of Karakalpakstan.

In contrast, when considering the method of the representative tax system, it is possible to assess the prospects of the tax potential of the region with a certain probability by forecasting the tax base by type of tax. This approach, in our opinion, seems equally acceptable at first glance. But before we draw any conclusions on this issue, we need to calculate the tax potential for taxes to the regional budget using this method. Below, the tax potential of the budget of the Republic of Karakalpakstan was calculated and compared by the method of the representative tax system and the method of correlation regression analysis. The results are shown in Table 3.

Table 3

Tax potential of the budget of the Republic of Karakalpakstan calculated by the representative method and the regression-correlation method[‡],

(millionUZS)

Indicators	Corporate income tax				
	2016	2017	2018	2019	2020
According to the representative method					
Tax revenues to the budget of the RK (actual)	19653,6	22086,2	134974,4	116225,3	155668,4
Calculated tax potential	21618,9	28712,0	418420,6	92980,2	529272,5
Difference (+/-)	+ 1965,3	+ 6625,8	+ 283446,2	- 23245,1	+ 373604,1
By the representative method	Single tax payment				
Tax revenues to the budget of the RK (actual)	81433,6	92704,6	135624,3	86113,4	45664,5
Calculated tax potential	81589,7	89875,0	172043,2	88471,2	30252,0
Difference (+/-)	- 156,1	+ 2829,6	- 36418,9	- 2357,8	+ 15412,5
By the regression-correlation method	Tax for subsoil use				
Tax revenues to the budget of the RK (actual)	43145,0	52818,7	191655,2	220984,3	15655,3
Calculated tax potential	5140,0	132067,0	181920,0	154699,0	50404,0
Difference (+/-)	- 38005,0	+ 79248,3	- 9735,2	- 66285,3	+ 34748,7
By the regression-correlation method	Tax for the use of water resources				
Tax revenues to the budget of the RK (actual)	6358,7	6687,4	2577,0	1309,7	5740,6
Calculated tax potential	7436,1	4407,4	2956,9	3084,7	4790,7
Difference (+/-)	+ 1177,4	- 2280,0	+ 379,9	+ 1775,0	- 949,9

In particular, the tax potential for corporate income tax on the representative method for 2016 amounted to 21618.9 million UZS. This figure is 28712.0 million UZS for 2017, 418420.6 million UZS for 2018, 92980.2 million UZS for 2019 and 529272.5

[‡]Based on the data of the State Tax Administration of the Republic of Karakalpakstan.

million UZ\$ in 2020, and the amount of tax potential calculated was, in most cases, a large amount relative to actual revenues.

This is also the case for a single tax payment. However, the assessment of tax potential under the representative method is specific to countries that use this method, and some studies state that it is “considered as an index of utilization of tax potential and calculated as the ratio of actual tax revenues to planned revenues” (ACIR, 1982).

In our opinion, in order to ensure the adequacy of the budget revenues of the Republic of Karakalpakstan, the method of the representative tax system should be put into practice, albeit on a trial basis. Because any “tax potential is the maximum amount of income of a society that can cover public expenditures” (Sobarzo, 2004).

Table 4

Tax capacity of the local budget of the Republic of Karakalpakstan[§]

Indicators	Years	Corporate income tax	
		Real (additive) method	Representative method
Tax potential	2016	19481,9	21618,9
	2017	21744,1	28712,0
	2018	134226,3	418420,6
	2019	116138,8	92980,2
	2020	142206,2	529272,5
Actual tax revenues	2016	19653,6	
	2017	22086,2	
	2018	134974,4	
	2019	116225,3	
	2020	155668,4	
Tax capacity	2016	- 171,7	1965,3
	2017	- 342,1	6625,8
	2018	- 748,1	283446,2
	2019	- 86,5	- 23245,1
	2020	- 13462,2	373604,1
Difference (%)	2016	- 0,8	9,9
	2017	- 1,5	29,9
	2018	- 0,5	209,9
	2019	- 0,07	- 20,0
	2020	- 8,6	239,9
Indicators	Years	Single tax payment	
		Real (additive) method	Representative method
Tax potential	2016	72965,8	81589,7

[§]Compiled by the author based on the results of the study.

	2017	80019,1	89875,0
	2018	119384,5	172043,2
	2019	110507,0	88471,2
	2020	53217,8	30253,0
Actual tax revenues	2016	81433,6	
	2017	92704,6	
	2018	135624,3	
	2019	86113,4	
	2020	45664,5	
Tax capacity	2016	- 8467,8	1156,1
	2017	- 12685,5	- 2829,6
	2018	- 16239,8	36418,9
	2019	24393,6	2357,8
	2020	7552,3	- 15411,5
Difference (%)	2016	- 10,3	1,4
	2017	- 13,6	- 3,0
	2018	- 11,9	26,8
	2019	28,3	2,7
	2020	16,5	- 33,7

Indicators	Years	Subsoil use tax	
		Real (additive) method	Regression correlation analysis method
Tax potential	2016	43120,2	5140,0
	2017	52774,6	132067,0
	2018	19620,2	181920,0
	2019	221885,3	154699,0
	2020	14902,2	50404,0
Actual tax revenues	2016	43145,0	
	2017	52818,7	
	2018	191655,2	
	2019	220984,3	
	2020	15655,3	
Tax capacity	2016	- 24,8	- 38005,0
	2017	- 44,1	79248,3
	2018	- 172035,0	- 9735,2

	2019	901,0	- 66285,3
	2020	- 753,1	37748,7
Difference (%)	2016	- 0,05	- 88,0
	2017	- 0,08	150,0
	2018	- 89,7	5,0
	2019	0,4	- 29,9
	2020	- 4,8	241,1
Indicators	Years	Tax for the use of water resources	
		Real (additive) method	Regression correlation analysis method
Tax potential	2016	6110,4	7436,1
	2017	6176,8	4407,4
	2018	2543,3	2956,9
	2019	1340,8	3084,7
	2020	5399,7	4790,7
Actual tax revenues	2016	6358,7	
	2017	6687,4	
	2018	2577,0	
	2019	1309,7	
	2020	5740,6	
Tax capacity	2016	- 248,3	1077,4
	2017	- 510,6	- 2280,0
	2018	- 33,7	379,9
	2019	31,1	1775,0
	2020	- 340,9	- 949,9
Difference (%)	2016	- 3,9	16,9
	2017	- 7,6	- 34,0
	2018	- 1,3	14,7
	2019	2,3	135,5
	2020	- 5,9	- 16,5

As for the method of correlation regression analysis, the tax potential calculated for the tax on subsoil use using this method for 2016 is 5140.0 million UZS. This figure is 132067.0 million UZS for 2017, 181920.0 million UZS for 2018, 154699.0 million UZS for 2019 and 50404.0 million UZS for 2020. It can be said that this method is also characterized by the results of the representative method. As a result of the methods used, the state of the tax capacity of the regional budget was determined by comparing the differences between the calculated amount of tax potential. These figures are shown in Table 4 below.

Conclusions and proposals. In conclusion, summarizing the above analysis, assessments and approaches to assessing the tax potential, there is room for further expansion based on the characteristics of the methods of calculating and assessing the tax potential. Thus, the research shows that on the basis of the tax potential calculated for the budget of the territory of the Republic of Karakalpakstan on taxes on the basis of various methods, in particular:

- the difference between the tax potential calculated by the actual (additive) method by type of tax and the tax potential realized (realized) was a large amount compared to other methods;

- In the method of the representative tax system, it was found that there is a big difference between the tax potential for 2018, 2020 and the actual income on corporate income tax. This situation can be explained by the addition of the improvement tax and social infrastructure development tax to the income tax structure in 2018;

- In the method of regression-correlation analysis, the difference between the tax potential for subsoil use and the tax potential for taxes on the use of water resources and the actual actual tax revenues was relatively small compared to the representative method. This, in turn, is explained by changes in the tax burden as a result of changes in tax rates in our country.

Summarizing the above considerations and our research, a number of indicators and factors influence the differences between the different methods of calculating the tax potential. This, in turn, includes tax planning, the efficiency of state tax offices, changes in tax rates, as well as the level of tax collection.

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