

ISSUES OF RAISING SIGNIFICANCE OF DIRECT TAXES IN THE FORMATION OF BUDGET REVENUES

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Abstract: *This article is devoted to the consideration of the issues aimed at ensuring efficiency of the tax and budget system in the new development strategy in the country. Moreover, the article presents formulas for calculating tax potential, as well as proposals for improving tax policy, enhancing development of current innovative methods and methodological approaches in determining the needs of the budget and key aspects of equalization programs, the use of comprehensive methods of economic and mathematical modeling and forecasting.*

Keywords: *tax, budget policy, budget, tax administration, local budget, tax potential, normative analysis, positive analysis, tax burden, representative tax rate, average rate tax report, tax revenues, tax deductions, tax rate.*

1. Introduction.

Regardless of the structure of the state budget and the level of development, accurate formation of budget revenues for the performance of state functions is considered necessary for every state. In addition, this task is essential in the correct implementation of the tax policy and in the selection of methods of covering the budget deficit. At the current stage of the economy development, in order to solve the issues related to the introduction of the initiative budget, strengthening their revenues by correctly forecasting their revenue sources, increase of the role of local budgets in our republic is considered one of the topical issues.

2. Literature review.

From an economic point of view, finding and attracting additional resources for the growth of tax and non-tax revenues is not only a matter of filling local budgets, but also of developing a modern legal space, conditions for the development of entrepreneurship, various socially oriented city programs and their implementation.

In the opinion of the Russian economist Yu.A. Vlasova “The revenue potential of local budgets requires more active implementation of public-private partnership, introduction of tax incentives and simplification of doing business by accelerating simplification of bureaucratic processes, reducing the share of non-production costs and raising production costs. As a result, it causes increase in the efficiency of the budget policy in the region. A comprehensive decision to raise the revenue potential of local budgets will make a strong favorable impact on the economy of the entire region in the long term” (Vlasova and Abramova, 2015). Another Russian economist, professor O. Sukharev promotes the system of introducing cost-effective activity results aimed at radically changing sources of budget revenues at all levels, encouraging the budget

mechanism (Sukharev, 2020). In particular, A.V. Bryzgalin has investigated the relationship between tax revenues and the tax burden and in his research has evaluated its impact on tax revenue forecasting (Bryzgalin, 2002), while V.G. Pankov and V. Kynyazev have showed significance of tax revenue forecasting in budget forecasting (Pankov and Kynyazev).

The Doctor of Economics S.Khudoykulov determined the forecast indicators of the total revenues of the state budget for 2018-2023 through econometric methods, PhD A. Agzamov determined the forecast indicators of personal income tax for 2019-2023 (Khudaykulov, 2019), U.Pardaev has investigated the issues of forecasting state budget revenues, and Doctor of Economics J.Urmonov determined the forecast indicators of tax revenues of the single tax payment for 2018-2020 PhD (Pardaev, 2018).

3. Research methodology

Statistical grouping of data, comparative and trend analysis methods have been used in the process of analysis. The article compares the scientific and theoretical views of economists aimed at ensuring stability of local budgets as one of the urgent issues of the state financial system.

4. Analysis and results discussion.

It should be noted, that in order to prepare a forecast of tax and levy revenues for the state budget and state targeted funds, a priority objective for the State Tax Committee of the Republic of Uzbekistan is to ensure achievement of the forecast indicators of tax and levy revenues and to ensure control over compliance with tax legislation, correct calculation of taxes and other compulsory payments, as well as their payment in full and in due time.

In our opinion, it is appropriate to calculate the revenue assessment for the current year in legislative documents on taxes and charges, which depend on the actual base for the calculation of the forecast, or the tax base or macroeconomic indicators that determine its value are considered as the basis according to the following methods:

From our point of view, by applying the appropriate rates to the tax bases determined according to the following formula:

The forecast of the profit tax revenue forecast takes into account the following aspects:

- forecast indicators of the socio-economic development for the next fiscal year and planning period;
- the tax base for profit tax for the past periods, the dynamics of estimated amounts and actual receipts;
- other statutory acts and tax rates provided for in Articles 337, 353 of the Tax Code, as well as incentives and preferences provided for in Article 337.

The calculation of the forecast of the gross volume of revenue originated from profit tax is implemented separately for each type of income, without taking into account value added tax and excise tax in accordance with Article 297 of the Tax Code.

In addition, profit tax is calculated according to the relevant rates specified in the Tax Code.

In order to determine the amount of the tax base for calculating profit tax at the basic rate ($V_{tax\ base}$), the following aspects are determined:

- maintaining this ratio, the amount of profit for taxation for subsequent years is calculated;

- for taxation purposes, profit is reduced to the amount of profit that is not taken into consideration when determining the taxable base, as well as the amount of losses that are taken into consideration when reducing the tax base in accordance with the procedure established by law, meanwhile it is increased to the tax base for transactions with securities.

In connection with the use of tax incentives, tax exemptions and preferences provided within the framework of the legislation of the Republic of Uzbekistan on taxes and fees and (or) other legislative documents, the lost income is taken into account in the formation of the forecast volume of the revenue as follows:

- in the form of deducting value indicators that are not taxed on the taxable base or are not taxed at the rate of 0;

- in the form of applying a tax rate that differs from the basic rate.

Profit tax is calculated according to the relevant rates specified in the Tax Code. The total amount of profit tax (***Prof_{Tax}***) is determined according to the following formula:

$Prof_{Tax} = Prof_1 + Prof_2 + Prof_3 + \dots + Prof_n$, here:

$Prof_{Tax}$ – the total amount of profit tax;

$Prof_1 + Prof_2 + Prof_3 + \dots + Prof_n$ – In accordance with Article 297 of the Tax Code, the amount of profit tax on the types of sources of income received for the relevant activities.

The calculation of the forecast volume of the receipts of the profit tax at the appropriate rates (**$Prof_{Tax}$**) is determined by the following formula based on the direct calculation method:

$$Prof_{Tax} = \sum_{i=1}^n ((V_{tax\ base} * K * S + Precalc) * Kcollrate - Vprivelege + Q - O)(+/-F),$$

here:

i, n – industries of the economy;

$V_{tax\ base}$. – The amount of the tax base for calculating the profit tax at the appropriate rate;

$V_{tax\ base} = VI/M * 12$

VI - current tax base in the past period of the current year;

M - number of past months in the reporting period;

12 - number of past months in the reporting period;

P_{recalc} . – tax amount on annual recalculations.

ProfTax. a = T1/M*12,

Prof Tax.a - the expected tax at the end of the year when settlements have been made;

T1- current receipts in the past period of the current year;

K- the industry's expected value added (or GRP) growth rate for the forecast period %;

S – tax rate, %;

K_{coll.rate.} – the calculation level of collection with the account of the dynamics of the collection indicator for this type of tax formulated in previous periods, accounts for tax payables and receivables, %;

The calculated rate of collection is determined as the derivative of dividing the amount of tax received by the amount of tax calculated based on the data of tax statistics in accordance with the data of the 1-H report.

V_{privilege} – the amount of profit tax deducted from the estimated profit tax (at the expense of cash registers);

Q - tax liability during forecast period;

O - amount of tax overpayments during forecast period;

G - adjusted amount of receipts, taking into account changes in legislation, as well as one-time transactions (receipts, returns, etc.).

In addition, the following formula is determined by applying the rates to the tax bases established for personal income tax:

The following aspects are used when calculating personal income tax:

- forecast indicators of socio-economic development for the next fiscal year and planning period;

- the dynamics of the tax base for the tax in compliance with Article 366 of the Tax Code for the previous periods, the dynamics of the actual income from the tax according to the data of the tax statistics for the past periods based on the consolidated data of the tax report forms for the personal income tax and the social tax;

- tax rates, tax incentives and preferences provided for in Chapter 54 “Tax incentives” of the Tax Code.

Calculation of the forecast volume of personal income tax collected from individuals is made using direct calculation method based on the direct use of forecast indicators, rate levels and other indicators (tax incentives provided on taxes, collection rate, etc.).

The forecasted volume of revenues of the personal income tax revenues (***IT_f***) is determined as the sum of the forecast revenues of each type of personal income tax:

IT_f = IT₁ + IT₂ + IT₃ + IT₄, here:

IT₁ – in accordance with Article 371 of the Tax Code, the volume of the receipts of the personal income tax from the income of resident individuals in the form of labor remuneration;

IT₂ – in accordance with Article 375 of the Tax Code, the amount of property income;

IT₃ – in accordance with Article 376 of the Tax Code, the income in the form of material benefits;

IT₄ – in accordance with Article 377 of the Tax Code, other income.

The personal income tax (**IT₁₋₄**) on income from which the source is represented by a tax agent, is determined according to the following formula in reliance upon the tax base of the tax and the forecasted wage fund:

IT₁₋₄ =

$$\sum_{i=1}^n (D_n * K_{ihf} - V_n * K_v) * \frac{S_n}{100} * K_{coll.rate.} + YTTds * YTTs * 12 (+/-)F$$

,

here:

i, n – industries of the economy or regions;

D_n – the total amount of income received by tax agents for the calculation of the tax base in the current year;

K_{ihf} – Ratio describing the dynamics of the wage fund (forecast of socio-economic development indicators of the Republic of Uzbekistan);

V_n – the amount of tax incentives provided in compliance with the legislation;

K_v – the ratio describing the dynamics of tax incentives depending on changes in legislation and other factors (forecast indicators of socio-economic development of the Republic of Uzbekistan, data of the State Committee on Statistics);

S_n – Tax rate according to Articles 381, 382 of the Tax Code, %.

K coll.rate. – taking into consideration the dynamics of the collection indicator for this type of tax formulated in previous periods, the calculation level of collection takes into account activities on the payment of payables and receivables on taxes, %.

F – adjusted amount of receipts taking into account changes in the legislation of the Republic of Uzbekistan, actual receipts, as well as one-time operations (receipts, refunds, etc.).

3. **F=Dn*Qm**

Qm – additionally calculated tax share as a result of legalization and control measures implemented during the forecast year, %;

YTTds - The amount of fixed income tax calculated for individual entrepreneurs on an average monthly basis;

YTTs - Number of individual entrepreneurs expected in the forecast year;

12- number of months in the calendar year.

The forecast amount of personal income tax is calculated by the personal income tax in the form of tax incentives and non-taxable income, taking into account the loss of income due to the use of appropriate incentives, tax exemptions and preferences provided for in the legislation on taxes and levies.

The following applies to the calculation of the turnover tax subject to payment in connection with the application of the special regime of turnover taxation:

- forecast indicators of socio-economic development for the next fiscal year and planning period;
- the tax base of turnover tax for the past periods, the dynamics of estimated amounts and actual receipts;
- tax rates, incentives and preferences provided for in the Tax Code.

Calculating the forecast volume of the receipts gained from the turnover tax represents a direct calculation method using forecast indicators, rate levels and other indicators (tax incentives provided on taxes, collection rate, etc.) with the account of the object of taxation.

The forecast of turnover tax receipts (**TOT**) is calculated according to the following formula:

$$4. \text{TOT} = \sum_{i=1}^n (V_n * S * K + Q - O)(+/-)F,$$

here:

TOT – *assessment of turnover tax receipts for the current year in legislative documents;*

i, n – industries of the economy;

V_n = **D*H**; here,

V_n– The tax base for the forecast period;

D– The tax base of the previous period;

D=V₂-L₂

V₂=V₁/M*12

L₂=L₁/M*12

V₂ – the sales volume expected by the end of the reporting year;

V₁ – actual volume of sales in the past period of the reporting year;

L₂ - preferential turnover expected by the end of the reporting year;

L₁– preferential transactions made in the previous period of the reporting year;

12- number of months in a calendar year;

M- number of past months in the reporting year;

H- growth rate of branches during the forecast period;

S – the rate specified in the Tax Code of the Republic of Uzbekistan;

K – collection rate,%;

Q – existing arrears by tax type;

O – existing overpayment by tax type;

F – the adjusted amount of receipts with the account of changes in legislation, actual receipts, changes in the tax regime, as well as one-time transactions (receipts, refunds, etc.).

5. Conclusion and proposals.

In conclusion we can say that a profit tax, an income tax, a turnover tax are considered the main source of the state budget revenue. The scientific conclusions of the research conducted within the framework of forecasting these taxes show that forecasting is a very complex process, and the forecast indicators for each type of tax are affected by many factors of a rapidly changing nature. From this point of view, in our opinion, it is recommended to efficiently use software products, which are currently widely applied in global practice for forecasting the taxes as sources of income, and it is necessary to develop its methodological foundations.

In addition, in order to ensure the stability of budget revenues for these types of taxes, the following measure are proposed:

1) to reduce the amount of bank contributions to the reserve fund that can be deducted for profit tax from 80% up to 60% (in practice, taxpayers have the right to deduct up to 80% of the allocations to the reserve fund of banks from profit tax according to the Tax Code);

2) to unify the rate imposed on a turnover tax and to set at a single 3 percent. In the framework of this unification, the preferential rate of 1 percent is maintained for taxpayers operating in remote areas (actually, according to the Tax Code, 22 types of rates are established for turnover tax depending on the type of activity and the place of its implementation);

3) to cancel exemption from the personal income tax levied on the income received from the sale of property belonging to individuals to legal entities based on the right of private property (in practice, individuals use this privilege to avoid paying taxes).

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