

TRANSFORMATION OF STATE BUDGET AND TAX POLICY RISKS

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Abstract

In this article the author considers the transformation process as one of the temporary conditions for the development of economic systems that can replace sustainable development. One of the most important tasks of state economic policy is to balance the cyclical fluctuations of the development of economic systems. The actual and expected revenues of the main taxes of the budget of the Republic of Uzbekistan in 2022 were also analyzed. The main objectives of Uzbekistan's medium-term fiscal policy will be considered. The article, focuses on the role of fiscal policy in addressing strategic issues of economic development. At the same time, the methods of logical and systematic analysis of tax risk in the context of digitalization of the economy, the views of foreign and domestic scholars are studied.

Keywords: transformation, tax policy, expenditures and revenues, objectives of public fiscal policy, modernization, budget classification, state budget, budget risks, sanctions risks, risks of the budgets of integration entities.

DAVLAT BYUDJETI VA SOLIQ SIYOSATIDA RISKLAR TRANSFORMATSIYASI

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Annotatsiya

Ushbu maqolada muallif transformatsiyalash jarayonini barqaror rivojlanish o'rnini bosadigan iqtisodiy tizimlar rivojlanishining vaqtinchalik shartlaridan biri sifatida ko'rib chiqadi. Davlat iqtisodiy siyosatining eng muhim vazifalaridan biri

iqtisodiy tizimlar rivojlanishining tsiklik tebranishlarini muvozanatlashdan iborat. Shuningdek, O‘zbekiston Respublikasi byudjetining asosiy soliqlari bo‘yicha real va kutilayotgan tushumlar tahlil qilingan. O‘zbekistonning o‘rta muddatli soliq-byudjet siyosatining asosiy maqsadlari ko‘rib chiqilgan. Maqolada iqtisodiyotni rivojlantirishning strategik masalalarini hal qilishda fiskal siyosatning o‘rni yoritilgan. Shu bilan birga, iqtisodiyotni raqamlashtirish sharoitida soliq risklarini mantiqiy va tizimli tahlil qilish usullari, xorijiy va mahalliy olimlarning fikrlari o‘rganilgan.

Kalit so'zlar: transformatsiya, soliq siyosati, xarajatlar va daromadlar, davlat fiskal siyosatining maqsadlari, modernizatsiya, byudjet tasnifi, davlat byudjeti, byudjet risklari, sanksiya risklari, integratsiya sub'ektlari byudjetlari risklari.

ТРАНСФОРМАЦИЯ РИСКОВ ГОСУДАРСТВЕННОГО БЮДЖЕТА И НАЛОГОВОЙ ПОЛИТИКИ

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Аннотация

В статье автор рассматривает трансформационный процесс как одно из временных условий устойчивого развития экономических систем. Исследуются проблемы сбалансирования циклических колебаний развития экономических систем, являющиеся приоритетными в государственной экономической политике. Также проанализированы фактические и ожидаемые поступления основных налогов в бюджет Республики Узбекистан. Рассмотрены основные задачи среднесрочной налогово-бюджетной политики Узбекистана. В статье акцентируется внимание на роль фискальной политики в решении стратегических вопросов экономического роста. При этом изучаются методы логического и системного анализа налогового риска в условиях цифровизации экономики, взгляды зарубежных и отечественных ученых.

Ключевые слова: трансформация, налоговая политика, расходы и доходы, задачи государственной фискальной политики, модернизация, бюджетная классификация, государственный бюджет, бюджетные риски, санкционные риски, риски бюджетов субъектов интеграции.

Introduction

The Decree of the President of the Republic of Uzbekistan on the development strategy of new Uzbekistan for 2022-2026 was adopted on January 28, 2022. The third pillar of the strategy is to accelerate the development of the national economy and ensure high growth rates. and to increase per capita income to more than \$ 4,000 by 2030, and to pave the way for it to join the ranks of “above-average countries”. It is planned to ensure macroeconomic stability and gradually reduce the annual inflation rate to 5% by 2023.

Reduce the state budget deficit and ensure that it does not exceed 3% of GDP by 2023. Organize to spend at least 5% of the budget of each district on solving the most pressing problems on the basis of the proposals of the population within the budget program of citizens. Public debt management is set to ensure that the amount of new external debt raised annually does not exceed \$ 4.5 billion [1].

In the most general and simple way, fiscal policy is concerned, on the one hand, with the formation of (reasonable) names of budget revenues and, on the other hand, with the (efficient) spending of budget expenditures. In fact, fiscal policy literally includes tax policy. In practice, however, in most cases, the policy aimed at generating budget revenues is usually referred to as tax policy and the policy aimed at spending budget expenditures is called budget policy. In this sense, fiscal policy can also be recognized as a set of fiscal and tax policies that are conditionally independent of each other and relatively independent.

President of the Republic of Uzbekistan Shavkat Mirziyoyev in the decree “On the concept of improving the tax policy of the Republic of Uzbekistan”, providing for a significant change in the tax system from the beginning of 2019, said: “Consistent reduction of tax burden, simplification of the tax system and improvement of tax administration are the most important conditions for accelerated development of the economy and improving the investment attractiveness of the country” [2].

Review of the literature on the subject

The above document specifically draws attention to the fact that “the primary measure to ensure the long-term sustainability of the budget system and counteract budgetary risks should be the use of a mechanism to limit the growth of budget expenditures that are not supported by reliable sources of income in the long term, with the unconditional fulfillment of existing spending obligations, and also the restoration of sufficient volumes of financial reserves for their possible use in the event of a deterioration in the macroeconomic situation” [3].

Analyze optimal taxation in the context of an endogenous growth model where growth is endogenous as a result of constant returns to cumulable factors. Because of their focus on the accumulation of human capital as opposed to innovative activity as the engine of growth, their policy prescriptions are quite different from ours. By contrast, what we find is that while physical capital accumulation should not be distorted in the long run, both labour and innovative activity should be taxed in the sense that their after-tax returns are less than their marginal products. This is because there is an endowment of time for labour and innovation in each period, beyond the initial capital endowment [4].

Modern science defines tax forecasting as an assessment of the tax potential and receipts of taxes and fees in the budgetary system (republican, regional, district, city budgets, as well as off-budget state trust funds). It is carried out on the basis of a forecast of the socio-economic development of the state [5].

A kind of financial risk, which has a subjectively objective nature, associated with overcoming uncertainty in a situation of inevitable choice of an alternative, managerial decision in the context of the budget process, unique for each institutional unit, which is perceived as fluctuations in the distribution of all outcomes in relation to the planned budget indicators under the influence of risk-forming factors [6].

A set of existing and constantly emerging new events of various etymologies that can have a significant impact on budget performance at all stages of the budget process [7].

The probability of non-fulfillment of budget indicators at all stages of the budget process, violating the stability of the budget system [8].

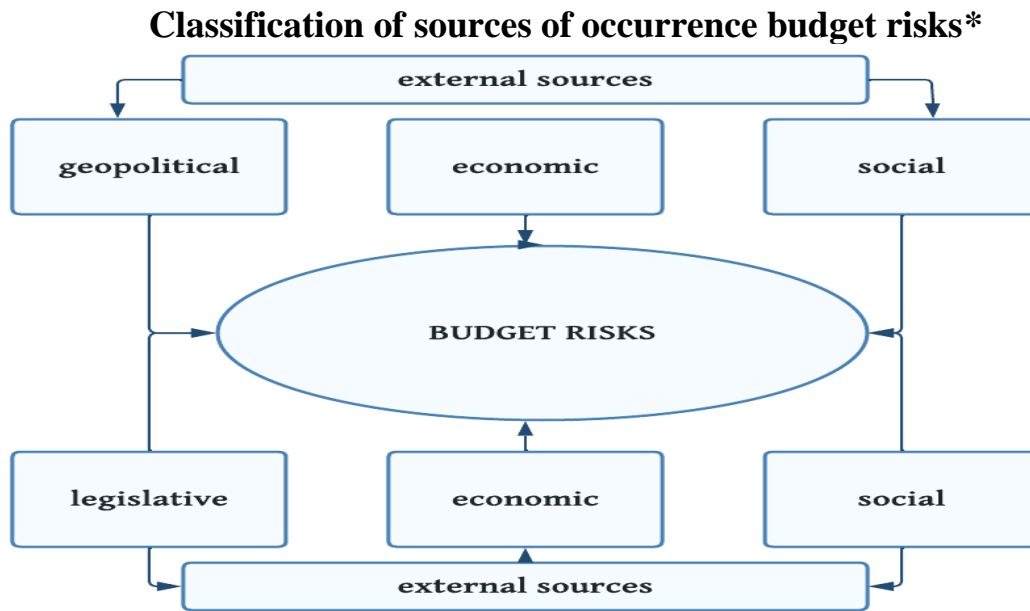
Probability of budget losses due to the impact of environmental factors and management decisions that have a negative impact on the sustainability of budgets and are subject to quantitative and qualitative assessment [9].

The possibility for the taxpayer to incur financial and other losses associated with the process of paying and optimizing taxes, expressed in monetary terms [10].

Discussion and results

The economic nature of risk at the stages of the budget process is manifested as a result of the formation of revenues and the implementation of budget expenditures. Budget risk is inherent in the budget process, but at the same time, the parameters of centralized funds of funds largely depend on the management decisions made and the current economic situation. To determine the reasons for the manifestation of budgetary risks, it is necessary to determine the main sources of their occurrence (Scheme1).

Scheme1.



*Prepared by the author on the basis of data from the economic literature.

External sources include a complex of geopolitical, economic, social and other factors that can have a risky impact.

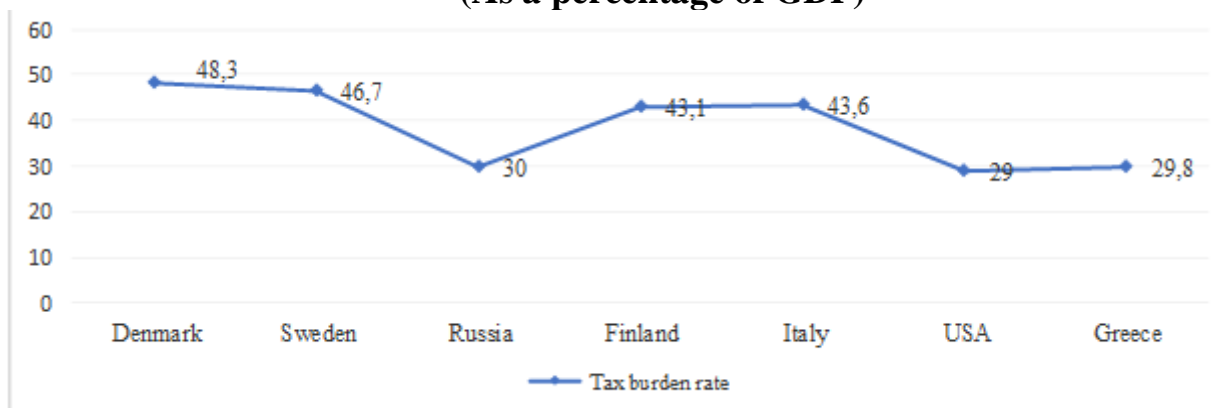
The internal sources are the budget system itself, including the features of regulatory regulation, the degree of budget involvement in the economic turnover, the procedure for redistributing financial resources, and the social activity of the population. Random sources arise completely arbitrarily and depend to a very small extent on the will of decision makers. These, for example, include natural disasters that are not directly related to human activity.

The variety of risk-forming factors, conditions and consequences of their manifestation requires a detailed systematization and classification of budgetary risks, which is necessary to determine possible tools for assessing, analyzing, forecasting and managing budgetary risks in the future.

It should be noted that the growth of globalization processes in the world economy contributes to the transformation of not only economic ties, but also has an impact on the budgetary system of states. This, in turn, leads to the emergence of new budget risks due to the modern rapid development of the economy. So, in addition to the already traditional risks associated with the volatility of world prices for hydrocarbons, there are so-called sanctions risks caused by sanctions restrictions imposed on states as a whole or individual sectors of the economy. Sanction risks under the influence of an external geopolitical factor cause a drop in the indicators of the state’s economic growth, which in turn reduces the flow of revenues to the budget.

Diagram 1.

**The level of tax burden in some countries of the world
(As a percentage of GDP)***



*Prepared independently by the author based on the official website:
<https://taxfoundation.org/state-tax-burden-2019/>

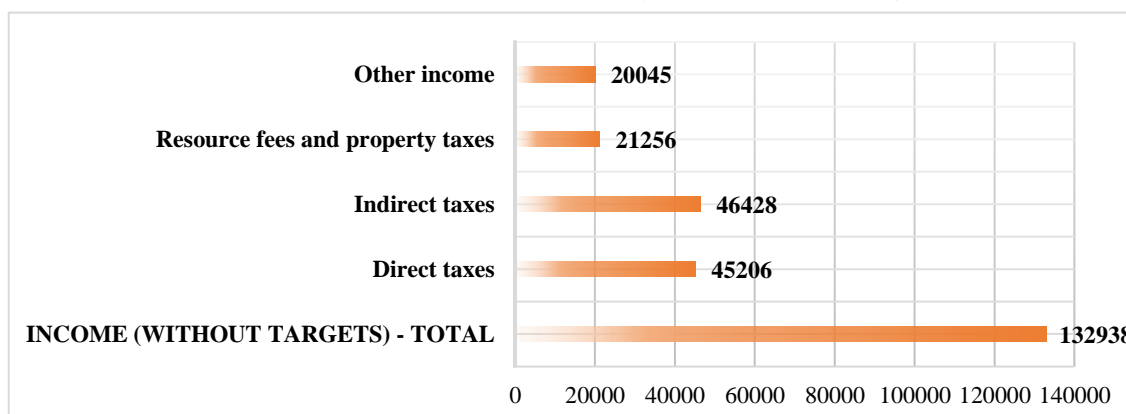
It is clear from the data in the table that the high tax burden falls on the countries of Denmark and Sweden, at 48.3 and 46.7 percent, respectively.

The theoretically interpreted normative level of this tax burden is much higher than 30%, but in these countries the living standards of the population are high and most importantly the mechanism of tax collection and its operation is much better than in countries with much lower tax burden. Economic growth will also be high.

At a time when the tax burden in the Republic of Uzbekistan is 23.5%, the above figures are quite different. This testifies to the effective implementation of tax policy in our country. We can analyze the tax burden over the years from the figure below.

Diagram 2.

Revenues of the state budget of the Republic of Uzbekistan from tax revenues as of 2021 (in billion soums)*



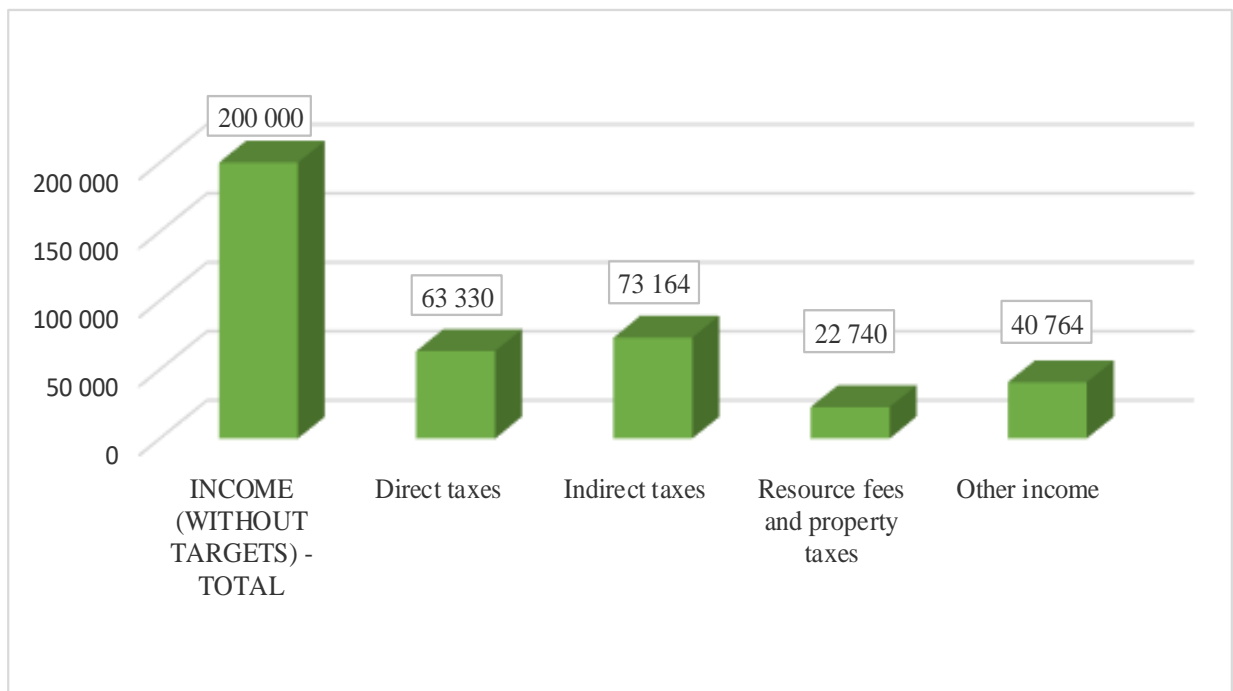
*Prepared by the author on the basis of the portal “open budget” of the Republic of Uzbekistan: www.openbudget.uz

In the picture above we can see the revenues of the state budget of the Republic of Uzbekistan from tax revenues as of 2021 (billion soums). Total revenues amounted to 132938 billion soums, of which direct taxes amounted to 45206 billion soums, indirect taxes – 46428 billion soums, while resource fees and property taxes amounted to 21,256 billion soums, while other incomes amounted to about 20045 billion soums.

Now we analyze the forecast of tax revenues of the Republic of Uzbekistan in 2022. The forecast for 2021 will lead to a significant increase in budget revenues (Diagram 3).

Diagram 3.

Forecast of State Budget Revenues of the Republic of Uzbekistan for 2022 (billion soums)*



*Prepared by the author on the basis of the portal “open budget” of the Republic of Uzbekistan: www.openbudget.uz

In the picture above, in the forecast for 2022 compared to 2021, tax revenues to the general budget will be 67 062 billion soums, which indicates a 38% increase in the State budget through tax revenues.

As part of the study of international practice, the property tax rates of 10 European countries were analyzed (Table 1). Europe compared to other countries in terms of property tax rates. We can see that the highest figure belongs to France (97.7 biln EUR). In Italy and Germany, property tax revenues are similar 43.8 and 37.6 billion, respectively euro. This is the case in other countries in the table It should be noted that the figure is significantly lower. To conclude possibly

property tax revenues in developed countries much higher than in most developing countries. This is directly related to the development of the private sector in the economy, the living standards of the population and high levels of profitability.

Table 1.

**Property tax revenues in European countries
Indicators (billion euros)***

Country	2012	2013	2014	2015	2016	2017	2018	2019
Austria	1,8	2,3	2	2	2	1,9	2,1	2,2
Belgium	12,6	13,8	14,3	14,4	14,9	15,4	15,8	16,3
Estonia	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
Finland	2,4	2,6	2,7	3	3,1	3,5	3,3	3,5
France	81,4	84,1	86,7	92,1	95	100,8	97,4	97,7
Germany	24,6	26,1	28,2	31,1	33,4	33,6	35,5	37,6
Greece	5,2	5,7	5,1	5,4	5,5	5,6	5,6	5,9
Ireland	3,1	3,6	4,2	3,9	3,8	3,9	4,3	4,4
Italy	43,6	43,9	46,9	46,3	46,9	44,2	44,9	43,8
Latvia	0,2	0,2	0,2	0,2	0,3	0,3	0,3	0,3

* OECD (Organization for Economic Cooperation and Development) official website site information: www.stats.oecd.org

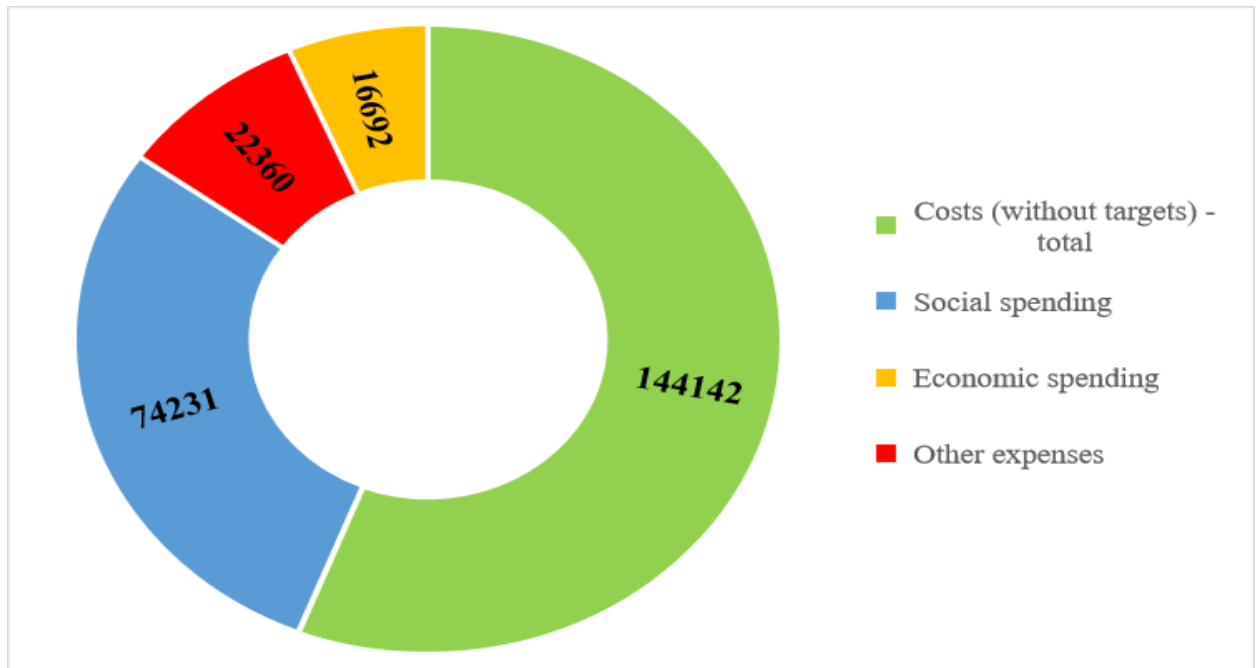
Macro-level refers to the tax system of the whole country, in other words, it means the state’s intervention in the economy, its tax pressure. In this case, the tax burden is distributed to enterprises, industries and sectors. The macro-tax burden is insignificant for each of the legal entities and individuals. Because they pay taxes and fees to the budget and extra-budgetary funds from their own income.

The tax burden on the general population is calculated as the ratio of all taxes collected by the population to GDP. World experience shows that the tax burden on the population is divided into micro and macro levels. In our study, we also found it necessary to dwell on the tax burden on the population of our country.

It is expedient to consider the parameters of public expenditures of the Republic of Uzbekistan, as well as the expenditures of each country, as well as its expenditures, which include expenditures by sector, the stability of the country’s budget or it is clear that there is a shortage (Diagram 4).

Diagram 4.

**Expenditures of the state budget as of 2021
(in biln soums)***



*Prepared by the author on the basis of the portal “open budget” of the Republic of Uzbekistan: www.openbudget.uz

The above analysis shows that the budget of the Republic of Uzbekistan is - 11 204 biln soums with a budget deficit. In this case, it is necessary to improve the mechanism of tax collection.

Failure of the state to fulfill its obligations in the collection of taxes leads to the emergence of risks in the budgets of integration entities, which is a relatively new type of budget risk. This type of risk can lead to a weakening of the country’s political influence in the world, the loss of traditional buyers of goods and services, which negatively affects the export potential.

Thus, budget risks are still a little-studied area and require a clear definition and consolidation in the legislation of the Republic of Uzbekistan. In addition, the constant development of economic and political relations in the world leads to the formation of new budget risks that arise under the influence of external factors.

Conclusion

In short, the tax risks associated with the development of the digital economy are associated with the emergence of new business models and methods of earning income, the virtualization of commodity-money relations (the emergence of digital currencies, digital goods, services), digitization of economic sectors and tax administration systems (application of robotics, artificial

intelligence, machine learning). The study of tax risks in the context of digitalization argues that the tax administration needs to change both individual procedures for individual taxes and improve the mechanism as a whole. Solving the problem of tax risks, in our opinion, requires constant monitoring of emerging digital tax risks and is possible with digital transformations, which provide full transparency of economic processes for the state. Transition to a new phase of trust between society and the state.

1. The various economic and financial crises observed in the history of the world economy have led to an increase in budget risk and an increase in budget expenditures in each country. This has led to budget execution in almost all countries with a deficit rather than a surplus. The recent global financial and economic crisis or the COVID-19 coronavirus pandemic has led to a sharp increase in budget expenditures and deficits, as well as increased budget risks.

2. In order to reduce budget risks and deficits, in particular, by providing additional tax benefits to enterprises and organizations, they will have additional funds at their disposal, which will be spent on development as an investment and create additional products. This, in addition to the budget, will lead to an increase in the tax burden, which in turn will increase budget revenues and reduce budget risks.

3. It is expedient to increase the volume of import-substituting and export-oriented goods in the domestic market on the basis of attracting foreign investment and increase tax revenues on the basis of sales. This will allow the budget to be executed with a surplus and reduce budget risk.

4. The process of formation of tax revenues of local budgets should be based on certain principles. The most important of these are: the fair distribution of taxes among their payers; the collection of taxes for the state should be as cheap as possible; whether the collection of taxes in the budget does not lead to the depletion of the country's national wealth; the process of tax collection should not squeeze out the private sector.

5. The effectiveness and efficiency of the ongoing reforms in Uzbekistan depends on the timely and adequate funding of local budgets, increasing the sources of revenue of local budgets, in particular, the interest of local authorities in ensuring budget execution. Ensuring broad public opinion and participation in the process of implementation of local budgets is an important priority.

The above proposals and recommendations will further contribute to the further increase of local tax rates in the country, the socio-economic development of the country, the stability of budget surpluses and the fight against financial shortages.

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