

Directions for Improving the Tax-Free Mechanism of Income Redistribution in Uzbekistan

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Abstract. In this paper has been examined tax-free mechanisms for the redistribution of budget revenues, including income from property, income from land and other natural resources, capital transfers, margins, income from foreign economic activity and ways to increase them.

Keywords: Distribution and redistribution of income, tax-free income, copper, uranium, gold, coal, energy, margin, property, sanctions, fines.

1. INTRODUCTION

Untaxed income also plays an important role in redistribution processes. Many tax-free incomes are not fiscally permanent and do not have a fixed rate. Tax-exempt income, unlike other income, is not subject to strict planning, but in practice it is planned at the previous year's level.

Non-tax revenues are established by the authorities of the Republic of Uzbekistan for legal entities and individuals in the same way as tax revenues. Tax-free income can be in the form of mandatory and voluntary payments.

2. LITERATURE REVIEW

Of course, there are as many studies on tax-free revenues in the scientific literature as there are studies on tax payments. The main content of scientific research will be within the framework of the topic of establishing tax-free revenue rates, using them mainly as local budget revenues and regulating such payments due to their large number.

V. Zaitseva and K. Kadieva studied local fees in 60 cities of Russia, showing that these fees take place in local budget revenues, and the dynamics of revenues can be influenced by setting their rates. [1]

However, according to D. Ryakhovsky and N. Akulova, in order to increase the receipts of tax-free payments, it is necessary to improve the system of their regulation and accounting. [2]

M. Purohit and V. Purohit conducted a comparative analysis of non-taxable government budget revenues in the United States, selecting certain payments for services in the socio-economic sphere. [3]

3. ANALYSIS AND RESULTS

In EU countries, the dynamics of revenues from tax-free payments was recognized as unstable compared to revenues from non-tax payments and was assessed as the main source of financial risk. [4]

The list of tax-free income is the same for budgets of all levels, which is determined by budget classification.

Income from state and local government property or economic activity is distributed as follows:

- income received from the use of property of state bodies and local governments;
- dividends on shares owned by the state;
- income from leasing state and local property, including rent for agricultural and non-agricultural land;
- interest received as a result of placing temporarily free budget funds in banks and credit institutions;
- income from the provision of services and compensation of government expenses;
- payments from state and local authorities;
- state property and other revenues from property or economic activities at the disposal of local governments.

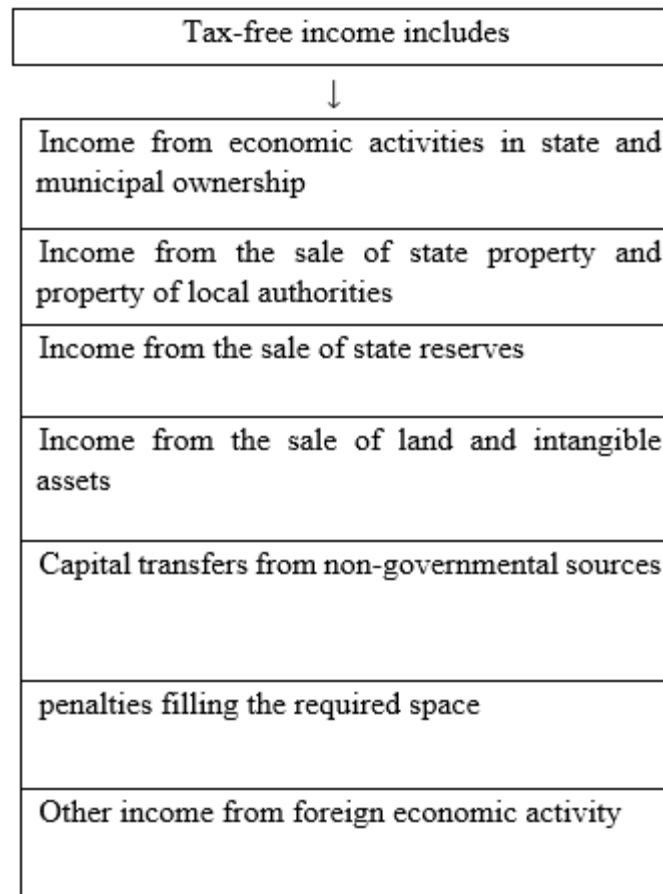


Fig. 1. Tax-free budget revenues
Source: author`s elaboration

Income from the sale of state property and property of local authorities is as follows:

- proceeds from the privatization and denationalization of state-owned organizations;
- proceeds from the sale of state-owned shares of enterprises and organizations;
- income from the sale of apartments;
- state income from the sale of production and non-production vehicles and other equipment;
- income from the sale of confiscated ownerless property that has become the property of the state and local governments;

Penalties and damages are as follows:

- the amount of revenue from the sale of products manufactured with deviations from standards and technical requirements;
- sanctions for violation of the procedure for applying prices;
- funds collected from persons guilty of committing crimes and lack of material assets;

Income from foreign economic activities is as follows:

- interest on government loans;
- income from the sale of government reserves;
- the amount received from centralized exports;
- other income from foreign economic activities.

In our opinion, it is advisable to analyze tax-free revenues in the following areas (Table 3.3.1). When conducting analysis in these directions, various methods can be used, for example, correlation coefficients. For example, an increase in the weight of non-tax revenues in the structure of state budget revenues indicates that unstable budget

revenues are becoming the main source.

Table 1. Recommendations for analyzing non-taxable income

Research directions	Expected Result
Empirical Analysis of Untaxed Income	Identifying tax-exempt income trends
Comparative analysis of income growth with non-taxable payments	We can conclude that these payments depend on the size of the bets
Comparative analysis of customs duties by import volume	Determines the structure of imports and how customs duty rates affect revenues
Mutual analysis of dividend receipts from the state share with income tax	As the profits of state-owned enterprises grow, the volumes of their implementation of investment projects or payments to the budget are analyzed.

At the same time, one can see an increase in the state's profits as a result of its participation in economic processes or intervention in the economy through the receipt of dividends.

The dynamics of non-taxable payments shows that their weight has been increasing over the past five years (Table 2).

Table 2: Dynamics of income from tax-free payments [5]

№	Directions	2017	2018	2019	2020	2021	2022
1	Tax-free payments, billion soums	3282,0	7102,8	12170,0	16856,0	24974,6	32684,1
2	Share of government income budget, percentage %	6,6	9,0	10,9	12,7	15,2	18,3

The share of non-taxable payments in total income in 2017 was 6.6%, in 2022 - 18.3%. The main reason for this is the sharp increase in the share of dividends allocated to the state. In particular, as a result of changes in the taxation system for gold mining enterprises, the amount of dividends accrued on the state share has increased significantly.

Among the various non-taxable payments paid to the budget, the greatest weight is given to dividends calculated on the state share and deductions from the net profit of state enterprises (Table 3).

Table 3: Income from tax-free payments (billion soums) [5]

№	Directions	2017 y.	2018 y.	2019 y.	2020 y.	2021 y.	2022 y.
	Total tax-free payments	3 282,0	7 102,8	12 170,0	16 856,0	24 974,6	32684,1
	including:						
1	Dividends calculated for the state share and deductions from the net profit of state enterprises	213,8	148,8	2 662,1	9 832,0	14 016,7	18624,7
2	Interest on budget loans	124,6	775,1	1 767,8	1 326,8	1 386,8	1428,2
3	Government duty	833,6	983,9	1 260,9	1 225,8	2 180,5	2974,6

4	Duties (including customs duties)	537,5	810,2	1 367,8	1 215,5	2 068,8	3028,4
5	Fines	634,2	532,4	653,6	804,1	1 152,7	1643,2
6	Payments for rent of state property	23,6	32,1	40,0	27,2	51,6	78,4
7	Other fees	914,8	3 820,4	4 417,8	2 424,8	4 117,6	4906,6

If in 2017 only 214 billion soums were generated, then by 2022 it will reach 19 trillion soums. The reason for this, in addition to changing the system for receiving dividends from gold mining enterprises, is the strengthening of the dividend policy in the legislation on the state budget of the Republic of Uzbekistan. [6]

In fact, although state duties, fees and fines are relatively stable (the number of payers is quite large, that is, it is formed through small payments), the dynamics of revenues have changed somewhat due to reforms in the administrative sphere and some factors. [6]

For example, there was a change in budget revenues due to the closure of biometric passports for citizens, the transfer of part of the fines to the off-budget accounts of the collection agency, and the abolition of some fees.

Customs duties and fees are also a component of tax-free payments. Their receipts, on the other hand, are closely related to the volumes of exports and imports, and it is advisable to consider their receipts in this dynamics (Table 4).

Table 4: Dynamics of customs duties and customs duties

	Unit	2017 y.	2018 y.	2019 y.	2020 y.	2021 y.	2022 y.
US dollar exchange rate	Doll./	5 140,3	8 069,1	8 851,4	10 064,0	10 623,4	11255,2
Export	sum	10 079,2	10 920,7	14 023,8	13 097,3	14 063,2	16425,3
Import	million dollars	14 012,4	19 439,3	24 292,3	21 153,8	25 461,0	29751,4
Customs duty and customs fees	million dollars	373,0	272,5	329,0	408,6	530,4	648,1
Regarding imports	%	2,7	1,4	1,4	1,9	2,1	2,3

Source: Prepared based on data from the State Customs Committee of the Republic of Uzbekistan.

In 2017, the ratio of customs duties and customs fees to import volume was 2.7%, and by 2022 - 2.3%. State income from the placement and management of its assets is not felt in developing countries. When it comes to government revenue, the focus is always on taxes and customs duties. However, incoming revenues from state assets also remain unnoticed by many, and funds that may flow into the state budget remain in the interests of individual industries rather than being used directly for national needs. For example, provided that part of the profit of JSC “Uzbekistan Temir Yollari”, calculated for the state share, goes to the budget, this organization, without transferring the appropriate funds, directs it to the departmental interests of this organization, including investment activities. Similarly, although large funds can be budgeted by leasing empty properties at the disposal of the state; budgetary organizations that own empty properties lower the rent and actually do not transfer the difference between them to the budget, providing it at the market price for entrepreneurs.

Our analysis showed that in the republic there are large differences between state duties and fees charged by individuals when registering real estate and movable property. For example, in accordance with the Law of the Republic of Uzbekistan “On State Duty”, for performing notarial acts when certifying contracts related to the transfer of property to another person, a state fee is charged in the following amounts depending on the total area of real estate:

Cities of Tashkent, Nukus and regional centers:

- up to 100 sq.m. – one minimum amount from the basic calculated value;
- from 100 sq.m. up to 200 sq.m. – two minimum amounts from the base calculated value;
- 200 sq.m. and more - three minimum amounts from the base calculated value;

Located in other localities:

- up to 100 sq.m. – 50% of the basic calculated value;
- from 100 sq.m. up to 200 sq.m. - one minimum amount from the base calculated value;

— 200 sq.m. and more - 1.5 times the minimum amount from the base calculated value. [7]

To confirm contracts for the transfer of vehicles to another person, depending on the date of manufacture and horsepower, the power for passenger cars is up to 110 horsepower, while the average (using the example of Chevrolet Nexia-3) is 1,620.0 thousand soums state duties and 3,118.5 thousand soums including VAT. (or a total of 4,738.6,353.1,000 as payment).

In this case, for real estate located in the cities and regional centers of Tashkent, Nukus, is 100 sq.m. (average market price 350-400 million soums) a fee of 270.0 thousand soums is charged for state registration of rights to real estate and transactions made on them (1.25 times the amount of the Basic calculated value) 337.5 thousand soums (or the total payment amount is 607.5 thousand soums).

As can be seen from the above, the total area owned by an individual is 100 square meters. m. (total area 70 sq.m. with the transfer of real estate, the cost of which on average is 350-400.0 million soums, costs associated with the transfer of movable property to another person amount to 607.5 thousand soums, costs associated with the transfer of movable property to another person, the cost of which is on average 90-100 million soums (in the case of Chevrolet Nexia-3), a large fee is charged to 4,738.5 thousand soums or 8 times the amount (except for paid notary services). That is, if the market value of one of the 2 types of property owned by an individual (vehicles) is 4 times lower than that of the other (housing), then during state registration of transactions (duties and fees) a fee of 8 times more is charged.

4. CONCLUSIONS

As a result, instead of concluding sales and purchase agreements, citizens, through the execution of powers of attorney, can dispose of vehicles, both movable and property, which can subsequently lead to the emergence in some cases of mutual disputes in property relations.

In our opinion, for a positive solution to this problem, it is advisable to review (unify) the amounts of state duties and fees levied when registering real estate and movable property for individuals (in proportion to the value of the property), in order to facilitate citizens in the processes of state registration in the implementation of property relations and create favorable conditions for full disposal of property.

In general, to summarize, we can say that when improving the mechanism for generating state budget revenues, it is advisable to implement the following measures:

- Development of an auction system for leasing state property, review of the procedure for increasing rates by local governments;
- Carry out a strict policy on transferring dividends accrued to the state share to the budget;
- Rounding up the account of receipts of tax-free payments and abolition of the system of deductions to extra-budgetary funds;
- Revision of mechanisms for the distribution of state duties, fines and fees between budget units.

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