

Modeling the processes of forming a strategy for the revenue potential of local budgets

Khotamjon Kobulov, Sherzod Jalilov, Sherali Sultonov, Nodira Soatova,

Tashkent Institute of Finance Republic of Uzbekistan

Abstract- This article examines the structure of local budgets, their revenues and expenditures. The purpose of the study is the strategic planning of the revenue side of local budgets.

Strategic planning of budget revenues includes:

- is the basis for operational planning;
- determines the income in the long run, which allows you to assess the financial capacity of the region;
- directions of use of available resources;
- increases the ability of the budget to withstand macroeconomic fluctuations;
- Contributes to informed and effective decision-making;
- ensures the continuity of the budget process;
- Increases the transparency of the budget formation process.

The study concluded the following:

Modeling the management of revenue potential of municipalities should cover the following areas of functioning of state authorities and local self-government in the field of budget revenue generation:

1. Regulatory support of the process of generating revenues of regional and municipal budgets.
2. Monitoring the budget process
3. Formation of systems for assessing the liquidity of the revenue potential of the budget of the territory.
4. Organization of the process of execution of profitable appointment and subsequent use.

Keywords: local budget, local budget revenues, budget transfers, strategic planning, taxes.

Introduction

World experience in the development of the budget system makes it possible to see that the budget system of economically developed countries is as decentralized as possible. The competencies of the levels of public finance are delimited, which allows each level to independently determine a budget, implement a tax policy, and local budgets are not included in federal budgets. This shows the relative independence of the regions from the center and the possibility of minimizing the redistribution processes in the fiscal system, which contributes to the economic growth and competitiveness of the regions.

Without an effective fiscal policy in any country, without ensuring socio-economic development, the ultimate goal - a high standard of living of the population can not be achieved. Today, radical reforms aimed at liberalization, structural change, innovation and modernization are being carried out in all sectors of our economy.

The state budget system plays a special role in ensuring sustainable economic growth and deepening economic reforms in the country. It should be noted that all states apply to taxes in the formation of the necessary funds to ensure development through the continuous and full implementation of their functions and responsibilities. Therefore, in today's world practice, no method other than taxes has been used to generate the financial resources needed to perform the functions of the state. How successfully do we analyze the national economy as a whole, use the factors of its further development, reduce inflation, increase foreign economic activity, integrate into the world economy and develop the national economy in a balanced and rapid manner in an innovative economy and ensure balance of payments stability? increase depends on the effectiveness of macroeconomic policies and science-based reforms.

Level of study of the topic

In the context of fiscal federalism, the parameters of the distribution of budget revenues along the management vertical directly affect the level of budget capacity and the independence of a particular budget. According to the experience of developed countries, in a stable market economy, inter-budgetary relations help to form sufficiently independent local budgets that take into account the needs of local regions. (1, Bukhvald & Pechenskaya)

Socio-economic support of the population will depend on local budget revenues. A high-income local budget influences the development of socio-economic life with various instruments.

And, of course, strategic planning of budget revenues is a topical issue, because: (2, Kotelnikova)

- is the basis for operational planning;
- determines the long-term income, which allows to assess the financial capacity of the region;
- directions of use of available resources;
- increases the ability of the budget to withstand macroeconomic fluctuations;
- Contributes to informed and effective decision-making;
- ensures the continuity of the budget process;
- Increases the transparency of the budget formation process.

Research methodology

Scientific research methods such as induction, deduction, scientific abstraction, analysis and synthesis, as well as economic and mathematical methods were widely used in the study of the subject. W determined study and analysis of research methods has played an important role in making scientific conclusions and making recommendations.

Analysis and results

Local budget revenues are formed through:

Allocations from the single tax payment to the State budget;

Income tax from individuals;

Excise tax;

Property tax for legal entities;

Land tax for legal entities;

State duty;

Fees collected by the Main Department of Traffic Safety of the Ministry of Internal Affairs of the Republic of Uzbekistan and its territorial divisions.

The center of reforms in the financial system and its development in the economy aims to effectively organize the implementation of such important tasks as the efficient use of state budget funds, increasing the economic activity of businesses, achieving currency stability.

As the President of the Republic of Uzbekistan Shavkat Mirziyoyev said: "We all understand that any reform and change is impossible without a stable economy. We have started extensive work on this over the past year. However, we still have a long way to go to strengthen our national economy and bring our country to the level of developed countries."

In the third priority area of the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021, approved by the Decree of the President of the Republic of Uzbekistan dated February 7, 2017 PF-4947, special attention is paid to improving the effectiveness of fiscal policy and strengthening local budgets. (3, Action Strategy for the five priority areas of development of the Republic of Uzbekistan).

Local budgets are an important part of the state budget of the Republic of Uzbekistan and are a source of funding for local governments. The system of local budgets allows for the full satisfaction of local needs and their implementation in close connection with the implementation of measures taken by the state in a centralized manner.

The main component of the financial system of territorial government is the local budget. Article 35 of the Budget Code of the Republic of Uzbekistan, adopted on December 26, 2013 and effective from January 1, 2014, defines the structure of the budget of the Republic of Karakalpakstan, regional and local budgets of Tashkent as follows: and city budgets.

The structure of local budgets of regions includes the regional budget, the budgets of districts and cities of the respective regions.

The structure of the local budget of Tashkent city includes the city budget and the budgets of the districts that are part of the city".(4, Budget Code of the Republic of Uzbekistan).

Socio-economic development of the regions is financed through local budgets.

The Resolution of the Cabinet of Ministers No. 445 of 29.06.2017 strengthens the detailed mechanisms for determining the reserves for the expansion of the revenue base of local budgets, according to which the district financial and tax authorities work together in 5 main areas.

1 - full coverage of payers of property tax and land tax from individuals.

To do this, tax authorities and finance officials visit at least 25 facilities every business day. Information on identified unregistered objects and land plots of citizens is sent to the bodies of the State Committee for Geodesy

and Cadastre for further registration. The list of debtors is sent to employers or their higher authorities to assist in the collection of tax arrears.

2 - full coverage of the activities of markets and shopping malls, as well as fixed tax revenues of individual entrepreneurs.

Here the following measures are implemented

Tax officials:	The tax authorities and the finance department shall jointly determine the following:
<p>control the collection of one-time fees, rent and fees for services rendered; organize timekeeping at trade and service facilities to ensure full cash receipts; carry out control measures to prevent artificial increase in prices for agricultural products in farmers' markets; control and organize inspections to prevent the production and sale of substandard, counterfeit or smuggled goods in markets and shopping malls.</p>	<p>identification of non-residential objects not registered with the cadastral authorities and their subsequent registration as objects of taxation; to identify individuals operating in the markets and shopping malls without state registration and to ensure their registration as taxpayers; to identify parking lots in the areas adjacent to the market and shopping malls and to make a proposal to the district (city) governor to make a decision on their transfer to the markets and shopping malls.</p>

- As part of the control over the receipt of payments from individual entrepreneurs:
- identify and ensure the registration of employees who are not registered with the tax authorities;
- monitors the existence of illegal business activities by suspended individual entrepreneurs and assists in the resumption of suspended business activities;
- analyze the activities of individual entrepreneurs engaged in large-scale turnover in order to prevent tax offenses;
- identify sole proprietors engaged in activities that do not correspond to the officially registered type of activity and take legal action against them;
- compiles a list of individuals who have not submitted their declarations of total annual income to the authorities within the prescribed timeframes, as well as those who have not paid the amounts of VAT calculated on these declarations of income, and take measures to collect tax arrears and prosecute those responsible.

3 - increase revenues through the implementation of investment projects, projects under the Localization Program.

- To accomplish this task, staff have to inspect an average of 2 sites each day. Investigate the reasons for non-implementation and backwardness of investment projects and localization projects, and based on the results of the study, make specific recommendations to the first deputy mayor of the district (city). Together with the project initiators, banks, finance departments, economic and regional development departments, it will effectively monitor the implementation of the identified network schedules, as well as the commissioning of the relevant facilities.

4 - Restoration of inactive enterprises and improvement of financial condition of low-profit and loss-making enterprises.

- Tax officials visit and study inactive enterprises, compile a list of these enterprises, and collect materials on their activities.
- Based on the analysis of the financial statements of the relevant business entities, a list of low-profit and loss-making enterprises will be compiled. The first deputy mayor of the district (city), together with the founders and management of these organizations, as well as other interested organizations, takes measures to improve their financial health.

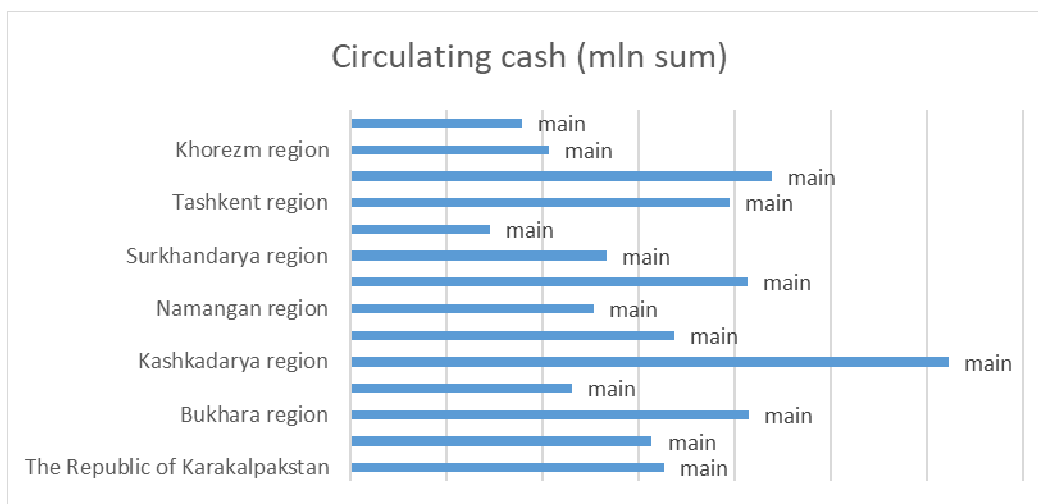
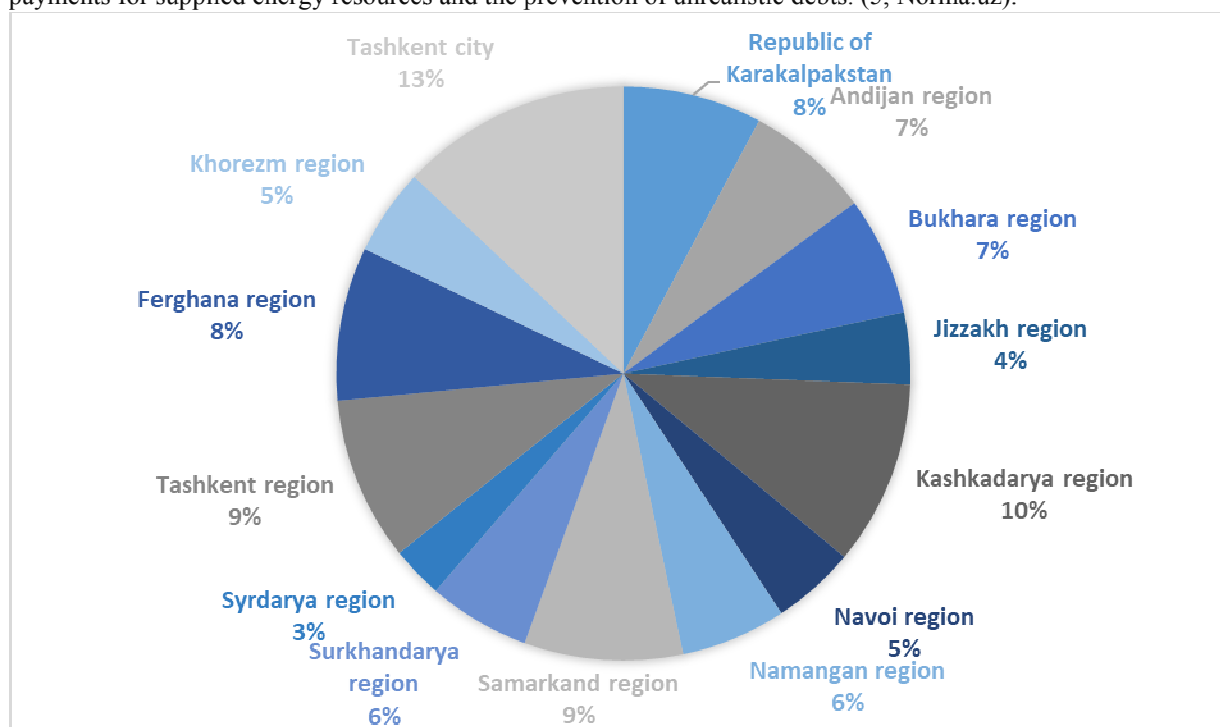


Figure 1. Minimum allowable working capital of the republican budget of the Republic of Uzbekistan for 2018, the budget of the Republic of Karakalpakstan, local budgets of regions and the city of Tashkent (million soums) (6, Main parameters of local budget).

5-as part of efforts to reduce the growth of receivables and payables and increase revenues to local budgets. In this regard, the Finance Department and the DSI daily: analyzes the status of receivables and payables of business entities and takes practical measures to reduce them; Carries out work to reduce debt to the state budget and state trust funds; Develops proposals to improve the system of mutual settlements between enterprises, aimed at full collection of payments for supplied energy resources and the prevention of unrealistic debts. (5, Norma.uz).



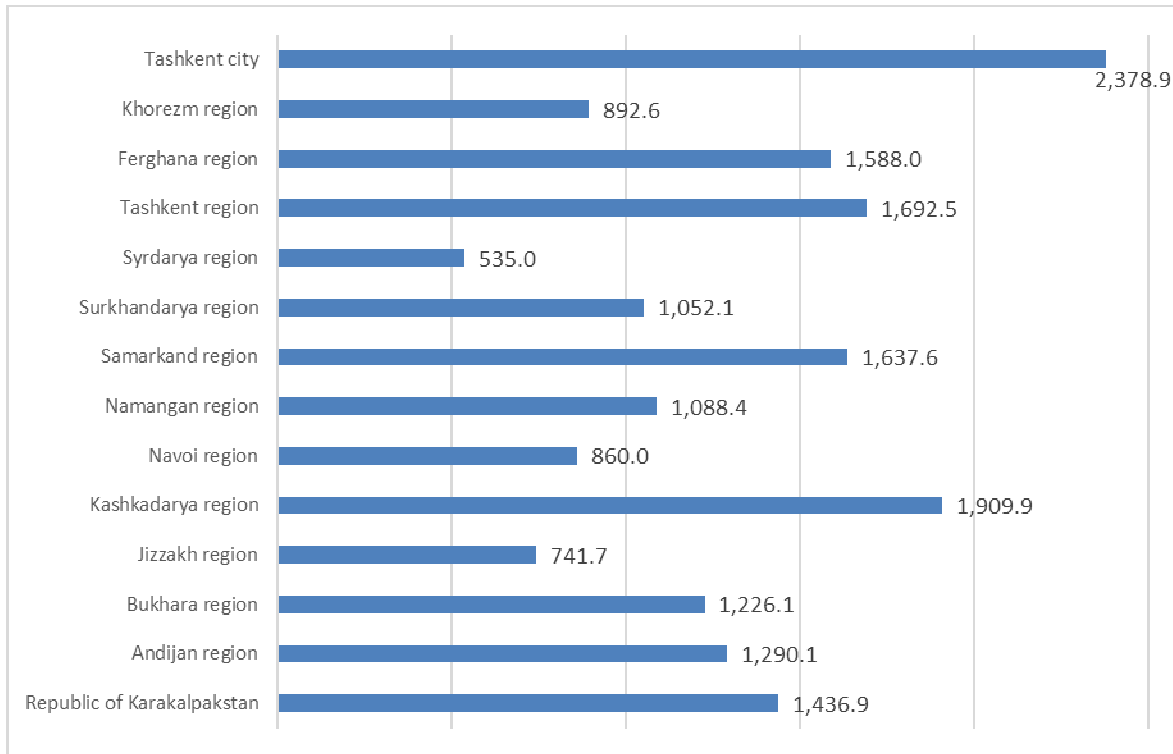


Figure 2. Revenues left in the respective budgets (million soums) (6, Main parameters of local budget). The economic significance of local budgets is clearly reflected in the functions they perform. Figures 1 and 2 and 3 below analyze the revenues and expenditures of local budgets (in 2018). The analysis revealed that local budgets receive the most transfers from the state budget when comparing revenues and expenditures. In particular, such regions as Jizzakh, Khorezm, Andijan, Surkhandarya, Syrdarya, Samarkand. Among local budgets, Navoi is the region that receives the least social transfers, while Tashkent did not receive such transfers in 2018.

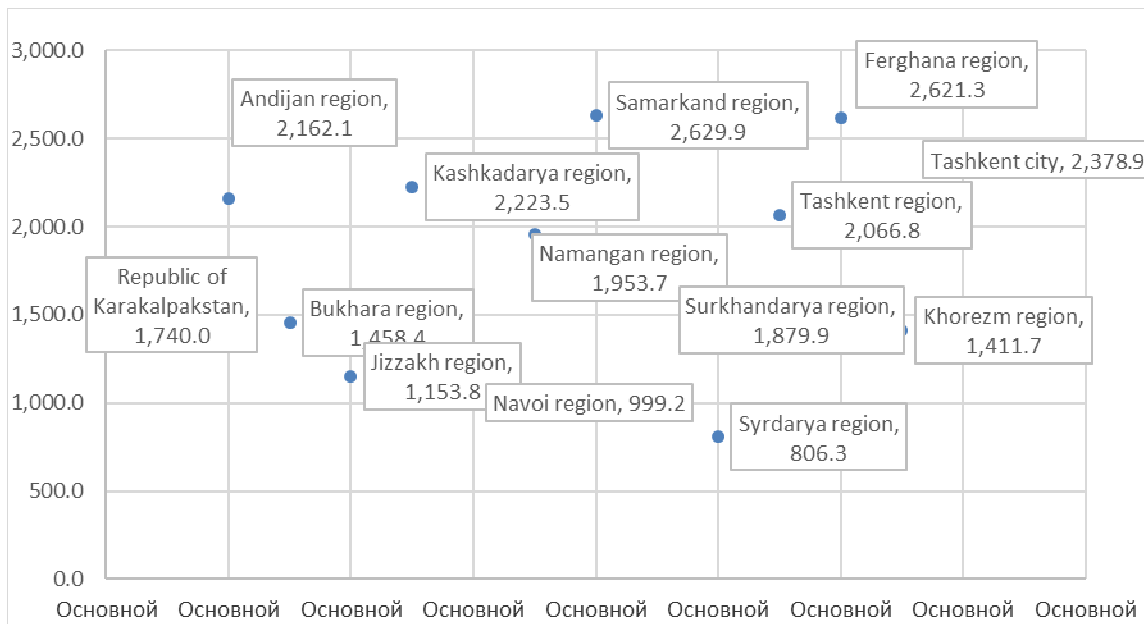


Figure 3. Costs allocated to relevant budgets (million soums) (6, Main parameters of local budget).

Targeted social transfers are allocated to the budgets of the Bukhara, Kashkadarya, Navoi and Tashkent regions from the republican budget of the Republic of Uzbekistan only for payment of expenses on wages and a single social payment for healthcare institutions financed from the budgets of districts and cities.

Implementation of the above measures in cooperation with local authorities and the tax inspectorate will allow strategic planning of local budget revenues.

Programs (plans) for the development of the revenue potential of the territory may include a set of measures and the following areas of strategy and development:

- Improving the budget and budget process by increasing the validity and accuracy of budget planning, reducing the number of revisions of budget parameters, moving to treasury budget execution systems, and ensuring transparency of the budget process;
- In accordance with the state concept of management and the result of creating the conditions, the transition to budget planning, oriented to the result (BOR), in the framework of medium-term financial planning only in the region, and in municipalities in order to provide high-quality budget services is the least cost of budget funds;
- Develop tax and revenue bases of local budgets, including: developing a set of measures to increase tax potential; the development and implementation of measures to reduce tax arrears - including bankruptcy due to the budget; increasing income on the use of property owned by the municipality, accounting for the income (profit) of the municipal unitary enterprises;
- Streamlining inter-budgetary relations in part of the rationalization of income distribution between the levels of the budget system, and in the development of budget regulation systems, in the framework of which it is proposed to abandon the strategy of ineffective universal equalization of regional budget revenues and move on to a polarized development strategy, to create conditions that are stimulating subjects:
- Increase the efficiency of use of state and municipal property in the framework of the development and implementation of a medium-term strategy for the management of municipal property through the development of an efficiency indicator for the management and use of municipal property, inventory and keeping records (cadastres) of land, municipal property; introducing property valuation systems physically on a market basis:
- Improving municipal debt management: organizing the accounting for total municipal debt; compliance. the parameter is the budget deficit, debt burden, the maximum amount of expenditure on municipal debt servicing, established by federal legislation;
- Promotions. qualities of management, budget expenditures due to the formation and application of social and financial norms and standards, certification of municipal services, taking into account the ratio of “prices - quality” of budget services, restructuring of the budget network; development of municipal order and procurement systems on a competitive basis.

Modeling the management of revenue-generating potential of municipalities should cover the following areas of functioning of state authorities and local self-government in the field of budget revenue generation:

1. Regulatory support of the process of generating revenues of regional and municipal budgets.
2. Monitoring the budget process
3. Formation of systems for assessing the liquidity of the revenue potential of the budget of the territory.
4. Organization of the process of execution of profitable appointment and subsequent use.

It should be noted that the formation of monetary funds, which are the financial support for the activities of local authorities; distribution and use of these funds in the economy of the region; performs such functions as control over the financial and economic activities of enterprises, organizations and institutions under local government.

Local budgets play an important role in the implementation of national economic and social tasks, primarily in the allocation of public funds and the development of social infrastructure.

Distribution and delivery of produced goods to the population is carried out mainly through the budget system. It is known that the bulk of consumer funds are formed through budgets. At the same time, the main expenditures related to public education, health, social security, housing and communal services will be covered by local budgets.

The implementation of social protection policy by the state requires a large amount of material and financial resources, and these important tasks are entrusted to local authorities. Funding for social protection measures is mainly provided by local budgets.

Conclusions and suggestions

The formation of local budget revenues plays an important role in the development of the republic and its regions in today's conditions of innovative development of the economy. The system of local budgets allows for a more complete account of local needs and their proper coordination with the measures implemented by the state in a centralized manner. Therefore, local governments are interested in the inflow of revenues to the local budget and the targeted use of resources, as the growth rate of local economy and culture is directly related to the organization of

work on the mobilization of local resources. This, in turn, will allow for the successful implementation of the state budget of the Republic of Uzbekistan.

One of the important tasks of increasing the efficiency of local budget management is to carry out the level of development of productive forces and social needs of a region depending on the level of availability of budgetary resources. It depends on the optimality of the structure of revenues and expenditures of the local budget, the share of the region's economy in the country's GDP, population dynamics and other strategic macroeconomic indicators and other factors.

In conclusion, increasing the revenues of local budgets is a criterion for the consistent and sustainable development of our national economy and is one of the main factors that increase the competitiveness of the economy.

References

- [1] Bukhvald E.M.&Pechenskaya M. A. (2017). Possibilities of local budgets in the implementation of municipal development strategies // Problems of development of the territory. 2017. No4 (90). URL: <https://cyberleninka.ru/article/n/vozmozhnosti-mestnyh-byudzhetrov-pri-realizatsii-munitsipalnyh-strategiy-razvitiya> (accessed 06.05.2020).
- [2] Kotelnikova M.V. (2017). Justification of the need to develop a strategic plan for revenue of local budgets // Financial Studies. 2017. No3 (56). URL: <https://cyberleninka.ru/article/n/obosnovanie-neobhodimosti-razrabotki-strategicheskogo-plana-dohodov-mestnyh-byudzhetrov> (accessed 05.06.2020).
- [3] Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021, approved by the Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. PF-4947
- [4] Budget Code of the Republic of Uzbekistan // National Database of Legislation, 18.03.2020, No. 03/20/612/0326
- [5] Norma.uz (2017). https://www.norma.uz/oz/qonunchilikda_yangi_mahalliy_byudjet_daromadlari_qanday_oshiriladi
- [6] Main parameters of local budget.(2018). <https://www.mf.uz/en/deyatlnost/deyatlnost-ii/mestnyj-byudzhet.html>
- [7] Abdusattarova D.(2019).International experience: main problems and solutions of the tax planning. Journal of innovatons in economy//№4, 2019//P:36-43. <http://dx.doi.org/10.26739/2181-9491-2019-4-4>
- [8] Mansurov M. A. (2019).The importance of treasury execution of the state budget in the process of abandoning a centralized budget policy. Journal of innovatons in economy//№6, 2019//P:23-34. <http://dx.doi.org/10.26739/2181-9491-2019-6-4>