



## THE EFFECT OF TAX FOR FINANCIAL POLICY FINANCIAL POLICY AND LOCAL BUDGET TO DECREASE UNEMPLOYMENT RATE



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**Annotatsiya:** Ushbu maqolada O'zbekiston respublikasining mahalliy byudjetidan oqilona foydalanishni ta'minlash, mahalliy byudjetdan foydalanish asosida kambag'allikni qisqartirish, yangi ish o'rinlarini yaratish hamda aholi turmush farovonligini yaxshilash maqsadida amalga oshirilishi lozim bo'lgan ishlar ko'rib chiqilgan.

**Tayanch iboralar:** Byudjet, mahalliy byudjet, soliq, soliq tizmi, mikroiqtisodiy barqarorlik, kambag'allik, kamba'allikni qisqartirish, aholi bandligi, moliya, moliyaviy qobiliyat.

**Annotation:** This article discusses the work that needs to be done to ensure the rational use of the local budget of the Republic of Uzbekistan, to reduce poverty through the use of the local budget, to create new jobs and to improve the welfare of the population.

**Basic phrases:** Budget, local budget, tax, tax system, microeconomic stability, poverty, poverty reduction, employment, finance, financial capacity.

**Аннотация:** В данной статье рассматривается работа, которую необходимо проделать для обеспечения рационального использования местного бюджета Республики Узбекистан, сокращения бедности за счет использования местного бюджета, создания новых рабочих мест и повышения благосостояния населения.

**Основные фразы:** Бюджет, местный бюджет, налоги, налоговая система, микроэкономическая стабильность, бедность, сокращение бедности, занятость, финансы, финансовые возможности.

### Introduction

The article analyzes the revenue base of local budgets, as well as estimates the local budget revenues, their composition and the adequacy of local taxes and fees. The article considers the impact of tax incentives on the revenue generation of the local budget of Samarkand region and provides recommendations and suggestions for expanding the local budget revenue base. Keywords: local budget, taxes, tax system, tax privileges, tax revenues, income base, local taxes.

We can mention the main objects affected by the financial policy - different layers of the population, state institutions (organizations), industry and other sectors of the economy, regions and general territories of countries. The main tool and component of financial policy are state budget revenues and expenses, tax benefits. Depending on the economic policy and goals chosen by the state, it is possible to actively influence one or another aspect of the country's life, state institutions, economic sectors, by increasing or decreasing military expenditures or scientific and technical development expenditures by increasing or decreasing expenditures on certain items. The state can influence the rate of economic growth, the well-being of the population, manage the inflation processes through the incomes, their amount, and the tax system. Transfer payments are used in cases where financial resources from permanent income are insufficient, and their size and the order of service also affect the state of the economy. Tax incentives are one of the important methods of financial policy, with their help, the state can accelerate the development of important sectors of the economy, and indirectly affect the income of certain strata or categories of the population. The most important characteristic of the financial policy is that this policy should be directed to the development of the country's productive forces and its continuous impact on economic success. Such a policy can provide the highest results for the financial economy, ensuring the well-being of the population and increasing the source of state revenues. The following main goal of financial policy can be defined by its orientation: the main goal of financial policy is to create financial conditions for the social and economic development of the society.

### **Literature review**

It should be mentioned that the financial system is very important in every country. Therefore, the content of the financial policy, its main directions, the role of the state in the development of society, the relevant theoretical concepts that determine the level of state participation in the management of the economy, the use of special instruments for the implementation of financial policy, that is, the specific forms of the organization of financial relations a number of economists conducted research on Based on this, it should be noted that in the twentieth century, the main directions of the theory of finance on the issue of the role of the state in the development of society were the classic bourgeois political economists A. Smith (1723-1780) and D. Ricardo (1772-1823). and the English economist J. Keynes (1883-1946) and his followers mentioned various theories.

The essence of the concepts of A. Smith and D. Ricardo, the founders of classic political economy, is that the state should maintain free competition without interfering in the economy, and the main role in regulating the economic life of society should be assigned to market mechanisms. Taking these principles into account, until the end of the 20s of the 20th century, financial policy was focused on limiting state expenditures and taxes, ensuring a balanced state budget. In accordance with these goals, the organization of financial relations ensured the implementation of state functions, mainly through budget financing of military, administrative and state debt repayment and servicing expenses. Budget revenues were mainly formed with the help of indirect (indirect) taxes.

From the end of the 20s of the 20th century, the Keynesian theoretical concept began to dominate, and according to it, the need to strengthen the role of the state in the development of the economy by interfering with the cyclical development of the

reproduction process and regulating it was justified. As the main instrument for the implementation of such a financial policy, state expenditures aimed at creating new jobs appeared, which allowed solving several economic and social tasks at the same time.

### **Methodology**

In this article, the financial policy of Uzbekistan: structural structure and analysis was carried out by analyzing statistical data. The article also uses scientific methods such as synthesis and scientific abstraction. The article focuses on financial policy: structural structure and analysis, as well as increasing its attractiveness.

### **Results and discussions**

On the basis of the concept of tax policy improvement in the country, largescale reforms are being implemented to simplify tax legislation, reduce drastically tax burden, strengthen tax revenues of relevant budgets, improve local taxation and tax administration mechanisms. Most of the budget revenues are generated by taxes. Therefore, it is important the study of the mechanism of tax revenues development in the local budgets of the regions and identification of the existing problems today . There are a number of systemic problems that impede economic growth, increase business and investment activity, create a healthy competitive environment, as well as, ensure the necessary level of taxes and other mandatory payments. It is well-known that taxes are the main instrument to stimulate economic development in the modern era of public administration. In addition, it is possible to strengthen the tax incentive function by the local authorities, which can be accounted fully by local circumstances and by enhancing their tax authority. A number of Uzbek economists have conducted research on the formation and stability of the local budget revenue base, and in particular, factors affecting local budget revenues. In particular, Tashmatov presents a number of measures aimed at increasing tax revenues to the local budget and provide ideas on improving the distribution of taxes between different levels of budgets in the context of local governments' interest in maximizing tax revenues. It also emphasizes the need to improve the regional tax capacity and improve the local tax collection mechanism. A.Islamkulov proposes to implement a system of optimal distribution of revenue powers and expenditure obligations between the branches of the budgetary system on the horizon of sustainability of local budgets. We analyze the mechanism of revenue generation of local budgets, trends in their tax revenues and the impact of tax incentives on local budget revenues. The tax incentives help businesses to expand their financial capabilities. Therefore, it is important to increase the effectiveness of tax incentives in ensuring economic development of the regions.

It is necessary to analyze the current status of tax incentives and their impact on the economy of Uzbekistan. An average of 9.2% of all business entities or taxpayers use tax benefits in Samarkand region. The article analyzes the mechanism of revenue generation of local budgets, trends in their tax revenues and the impact of tax incentives on the formation of local budget revenues in the case of Samarkand Region. The tax incentives help businesses to expand their financial capabilities. Therefore, it is important to increase the effectiveness of tax incentives in ensuring economic development of the regions. It is necessary to analyze the current state of tax preferences and their impact on the economy of Samarkand region. At present, improving the efficiency of local budgets execution and

their utilization require resolution of some interrelated problems. Including: - elaborating scientifically the mechanism for finding effective ways to increase financial resources of local budgets and strengthening their own income base; - consistent consolidation and stimulation of local budget revenues; - ensuring unity of fiscal policy and achieving this consistency in planning revenues and expenditures of local budgets; - improving the relationship between budgetary units in order to increase their interest in the current situation, when local budgets are granted ample opportunities. Currently, there are a number of problems with the use of tax incentives. In particular, it is advisable to abolish the widespread use of tax incentives provided that local budgets do not cover local budget expenditures. It is also important to give the power to local governments to determine independently tax exemptions for local taxes provided that local budget revenues do not cover their own expenses.

#### Expenditure and income plan for the regions of Uzbekistan.

No	Regions	Count on budget organizations	Income	Expenditure	Transfer
1	Andijan region	1 900	2 352.2	3 228.8	876.6
2	Bukhara region	1 481	1 935.4	2 375.4	440
3	Jizzakh region	1 255	1 212.9	1 702.9	490
4	Kashkafarya region	1 693	2 570.3	4 147.6	1 577.3
5	Navoiy region	857	1 535.8	1 535.8	0
6	Uzbekistan	1 763	1 970.6	3 254.5	1 283.9
7	Samarkand region	2 594	2 657	3 759.7	1 102.7
8	Surkhandarya region	1 794	1 754.7	3 048.3	1 293.6
9	Sirdarya region	877	745.7	1 279.9	534.3
10	Toshkent city	1 833	4 068.6	4 068.6	10
11	Fergana region	50	2 904.9	3 815	910.1
12	Khorazm region	1 327	1 442.7	2 075.6	632.9
13	Autonomous Republic of Karakalpakstan	1 693	1 614.2	2 915.6	1 301.4
14	Tashkent region	2 068	3 009.8	3 009.8	0
	In total	21 185	29 774.80	40 217.50	10 442.70

First, the forecast indicators for the creation of 457,127 permanent new jobs in 2021, including<sup>1</sup>:

- aggregate forecast indicators for the creation of permanent new jobs;
- forecast indicators of jobs created through the implementation of sectoral investment projects and the development of social infrastructure;

<sup>1</sup> Decree of the President of the Republic of Uzbekistan dated April 28, 2021 PQ-5094 "On the state program to create new jobs and promote employment in 2021."

- forecast indicators of jobs created through the implementation of regional investment projects and the creation of new small enterprises, micro-firms;
- forecast indicators of jobs created through the development of individual entrepreneurship and crafts.
- Second, in 2021, the following forecast indicators have been set for the services provided by the labor authorities to promote employment of 513,575 citizens and encourage employers<sup>2</sup>:
  - general forecast indicators of services provided to promote employment and incentives for employers;
  - the forecast indicators of employment of the unemployed in vacancies and reserve jobs were set.

In addition, the forecast indicators for the allocation of subsidies, benefits and microcredits in 2021 to promote employment at the expense of the State Fund for Employment Promotion in order to ensure the timely and effective distribution of higher costs in the creation of permanent new jobs were approved:

- for the allocation of subsidies - 92.3 billion soums;
- for the payment of unemployment benefits - 65.1 billion soums;
- to cover the costs of training, retraining and advanced training - 40.6 billion soums;
- 125 billion soums for resources allocated to commercial banks for the implementation of small projects aimed at creating new jobs.

Peculiarities of real demographic trends in my country, that is, in contrast to the situation in most countries, the most important areas of social support for young people in the population have been created in order to take advantage of demographic dividends in the composition of demographic trends:

In our country:

- More than 18 million young people under the age of 30;
- 648 thousand unemployed are included in the "Youth Book";
- In the 1st quarter of 2021, the poverty of 283,000 young people was secured.<sup>3</sup>

In order to raise this work to a new level, the President of Uzbekistan adopted a resolution "On the State Program for the creation of new jobs and employment in 2021" to introduce new effective mechanisms to ensure the employment of not only young people, but also women. The decision of our President is of great political, social and economic significance, because the mechanisms for changing and controlling this system have changed. First, the decision answers the question of exactly in which month, at what source and at how many new jobs will be created. It is clearly stated from each source whether this state is from innovation programs or local regional programs or these are entrepreneurship programs. Manashu is responsible for the construction of new jobs in the region, the surnames of the heads of the ministries and the responsible heads of the

<sup>2</sup> Decree of the President of the Republic of Uzbekistan dated April 28, 2021 PQ-5094 "On the state program to create new jobs and promote employment in 2021."

<sup>3</sup> Decree of the President of the Republic of Uzbekistan dated April 28, 2021 PQ-5094 "On the state program to create new jobs and promote employment in 2021."

localities were written for the first time. Newly created jobs are required not only in terms of quantity, but also in terms of quality.

"On the state program to create new jobs and promote employment in 2021."<sup>4</sup> The resolution provides for the creation of 457,100 new permanent jobs at the regional level, including 59,800 in Tashkent, 49,900 in Namangan, 43,200 in Andijan, 42,800 in Tashkent, 39,600 in Fergana and 36,000 in Samarkand. It is planned to create 30,000 new jobs in Bukhara, 30,000 in Surkhandarya and 28,000 in Kashkadarya.

### Conclusion

In the light of the context given about the municipal budgeting in theory, following concluding remarks can be made. Municipalities, in Uzbekistan, have a different budgetary process than central budgeting. Firstly, when they start to prepare coming year's budget, they have to take revenue budget into account first, i.e. they are obliged to estimate revenue first and then allowed to allocate those resources amongst spending items.

Secondly, although municipalities have their own resources, like property tax and entertainment tax, the biggest amount of their resources come from central government as revenue sharing that this makes municipalities financially dependent to central resources for implementing their local initiatives. From this point of view, municipalities can, to some extent, be defined as financially centralised authorities.

Thirdly, municipalities are constrained in the provision of services to their citizenry as a result of their scarce resources. They can only act independently if they have got resources that are more than enough to provide services in the priority of central government.

Fourthly, although the preparation of the budget seems similar to the central budgeting as the process starts at departmental level and gets its final format at the Council, its validity is, however, subject to the approval of governor. Which means municipalities are not only bounded with resources, but also with the approval of final format of the budget.

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