SCIENTIFIC AND THEORETICAL FOUNDATIONS FOR FORMING THE REVENUE BASE OF LOCAL BUDGETS

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Abstract. *In this academic article, the socio-economic development of society under conditions of economic modernization is closely linked to the directions of state management of the market economy. In this process, successful state governance depends on the appropriate selection of management methods, tools, internal capabilities of the economy, and its specific features. This indicates that ensuring the execution of local budgets and strengthening their financial stability is a crucial direction in financial strategy. The financial strategy of local budgets is based on linking tax revenues to the financial potential of regions.*

Keywords: *local budget, financial strategies, revenues, budget stability, expenditure stability, budget revenues, fiscal deficit, local budget expenditures, local taxes and fees.*

In our country, taxes are the most important financial tool for regulating the economy, and their role in forming state budget revenues is invaluable.

Since 2020, a new budget system has been introduced in Uzbekistan aimed at expanding the budgetary powers of the Oliy Majlis (Supreme Assembly) and local councils of people's deputies, increasing the responsibility of budget fund distributors, and ensuring the autonomy of local government authorities in forming and utilizing local budget revenues. For the first time, the Law of the Republic of Uzbekistan "On the State Budget for 2020" stipulated that the expenditures of local budgets must be approved by local councils of people's deputies[1].

The principles of distributing national funds between budget levels are based on the independence of local budgets, their financial support by the state, and the formation of their revenues from territorial sources. Accordingly, local budget revenues consist of their own revenues and revenues from managed sources.

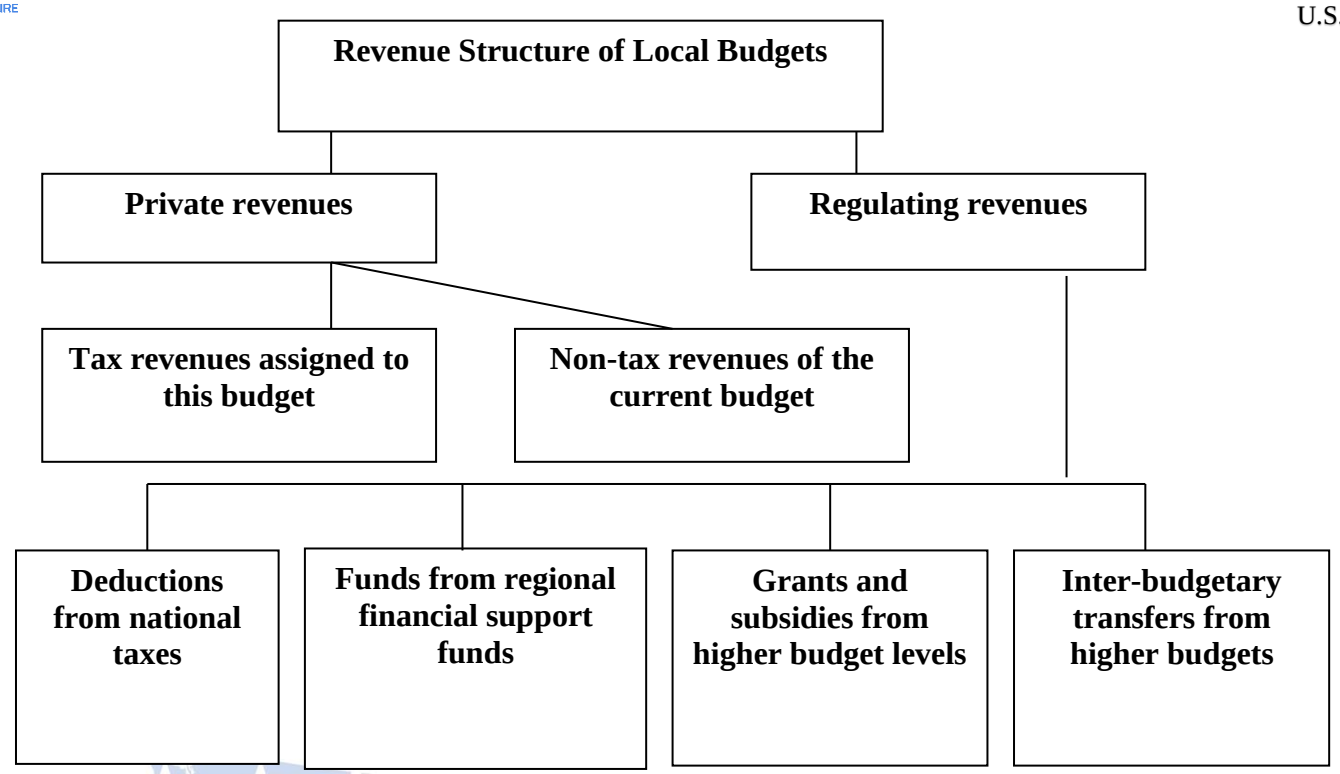


Diagram 1. Structural composition of local budget revenues) [2]

Own or assigned revenues consist of funds that are directly transferred to the local budget either in full or in fixed proportions. The core of these revenues is made up of local taxes and fees.

For local budgets to carry out expenditures, they must have appropriate revenues. Therefore, when analyzing the current state of local budget revenue formation and its sources, attention must be paid to how the revenues are generated.

In line with this, local budget revenues are formed from their own revenues (local taxes and fees) and transfers from the higher-level budgets (deductions from national taxes, grants). The primary source of local budget revenues is local taxes and fees, which, according to the law, are fully assigned to local budgets.

Although local taxes are considered the first financial source within the local budget, they are often insufficient to cover assigned expenditures. Therefore, deductions from national taxes are determined during the budgeting process each year. This process is carried out and approved based on the decision of the President. The share of deductions from national taxes changes yearly depending on the revenue performance of local budgets and their planned expenditures. A key feature of national taxes is that they can be distributed as transfers to local budgets even though they are collected for the state budget. If in the following year the local budget's own tax revenues increase, there may be no need for such deductions.

To further develop tax administration, Presidential Decree No. PF-158 dated September 11, 2023, on the "Uzbekistan – 2030" Strategy was adopted. Based on this decree, reforms in the tax system aim to reduce the tax burden, improve tax

administration, ensure fiscal stability, and introduce results-based budgeting to manage state obligations effectively [3].

Both national and local taxes are calculated fiscally and must be paid into the budget. It is advisable to leave certain types of national taxes at the disposal of local budgets to serve as their revenue sources.

According to Article 7 of Uzbekistan's Budget Code, the main principles of the budget system include the need to ensure the balance and interconnection of different budget levels during formation[4].

Subsidies and grants from the state budget are allocated to the budgets of the Republic of Karakalpakstan, regional, and Tashkent city budgets within the approved framework of the State Budget. These regional budgets, in turn, distribute subsidies and grants to the budgets of districts and cities within their approved budgets.

This revenue type has specific features. Unlike other revenue sources, grants and subsidies from higher budgets are allocated according to the plan approved at the beginning of the year and remain unchanged throughout the year.

Strengthening the revenues of local budgets is currently a priority in budget reforms. In this regard, turnover tax, property tax, land tax, and natural resource taxes play a major role. Another effective measure is to assign personal income tax revenues to local budgets for the long term.

References

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2. The structural composition of local budget revenues was developed by the author based on the Budget Code of the Republic of Uzbekistan.

3. Presidential Decree No. PF-158 dated September 11, 2023, on the "Uzbekistan – 2030" Strategy.

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