

The Role of Value Added Tax in the Formation of State Budget Revenues of the Republic of Uzbekistan

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Abstract: This article reveals the theoretical foundations of value added tax, characterizes the taxation of value added tax in modern Uzbekistan, taking into account current legislation, analyzes the receipt of value added tax into the budget, and identifies trends in changes in the growth rate of value added tax.

Keywords: value added tax, tax base, growth rate, budget deficit, tax potential, tax collection rate, hidden economy, state budget revenues, tax revenue.



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1. INTRODUCTION

VAT refers to indirect taxes - these are taxes on goods (work, services), established in the form of a premium to the price. It was introduced into the tax system of the Republic of Uzbekistan in 1992. Since its introduction, this tax has begun to play an important role in the country's tax system. With the help of this tax, the state stimulates economic growth, regulates supply and demand for goods and services in the domestic market, and replenishes the revenue side of the state budget. It should be noted that today about 40 percent of the state budget revenue is generated from value added tax. Therefore, a pressing issue today is to study the importance of value added tax in the formation of state budget revenues of the Republic of Uzbekistan.

2. LITERATURE REVIEWS

Value added tax (VAT) is a universal indirect tax that is widely used in the tax systems of European countries [1]. However, it is true that indirect taxes, including VAT, are paid at the same rates by both rich and poor. In this case, regardless of the method of dividing the population into groups based on the principle of solvency, the principle of vertical equality will not be observed [2]. The legal encyclopedia gives the following definition: "Value added tax is one of the types of state taxes. It is a form of withdrawal to the budget of part of the added value created at all stages of production and defined as the difference between the cost of goods, works and services sold and the cost of material costs attributed to the costs of production and circulation" [3]. The financial dictionary gives the following definition: "Value added tax is, according to the legislation of the country, a form of withdrawal to the budget of part of the added value created at all stages of production and defined as the difference between the cost of goods, works and

services sold and the cost of material costs attributed to production costs and appeals. Taxable turnover also includes amounts of money received by organizations from their buyers (customers) for goods (work, services) sold by them in the form of financial assistance, replenishment of special-purpose funds or used to increase profits [4]. The Financial and Credit Encyclopedic Dictionary interprets VAT as a multi-stage indirect tax, which is levied on transactions involving the sale (supply, transfer, lease) of goods, performance of work, and provision of services. Belongs to the group of consumption taxes. VAT assumes the real taxation of each taxpayer not on the entire turnover, but only on a certain part of it, corresponding to added value [5]. VAT refers to indirect taxes - these are taxes on goods (work, services), established in the form of a premium to the price [6]. taxes play a leading role in forming the revenue base of budgets at all levels of the country. The main taxes that have the greatest fiscal significance for the country's budget system are value added tax (VAT) ...[7].

3. RESEARCH MATERIALS AND METHODOLOGY

The methodological basis of this study are the economic nature of the value added tax, the importance and place of value added tax in the tax-budget system of Uzbekistan, Regulatory documents of value added tax collection in Uzbekistan. In the process of scientific research, methods of observation, comparison, grouping, logical analysis, and methods of induction and deduction were used.

4. ANALYSIS AND CONCLUSIONS

Taxpayers of value added tax are those engaged in the sale of goods (services) and (or) business activities in the Republic of Uzbekistan:

- 1) legal entities of the Republic of Uzbekistan;
- 2) individual entrepreneurs whose income from the sale of goods (services) for the tax period exceeds one billion soums, or who switched to paying value added tax voluntarily;
- 3) foreign legal entities, as well as individuals registered as entrepreneurs in accordance with the legislation of a foreign state and carrying out entrepreneurial activities, selling goods (services) on the territory of the Republic of Uzbekistan, if the place of sale of such goods (services) is recognized as the Republic of Uzbekistan;
- 4) foreign legal entities operating in the Republic of Uzbekistan through permanent establishments;
- 5) an authorized person - a participant in a simple partnership agreement who is entrusted with conducting the affairs of the simple partnership;
- 6) persons moving goods across the customs border of the Republic of Uzbekistan.

The object of taxation is:

- 1) turnover from the sale of goods (services), the place of sale of which is the Republic of Uzbekistan;
- 2) importation of goods into the territory of the Republic of Uzbekistan.

The tax base is defined as the cost of goods (services) sold based on the price (tariff) applied by the parties to the transaction, taking into account the excise tax (for excisable goods, services) and without including tax.

The tax rate is set at 12 percent.

Taxation is carried out at a zero rate on sales:

- 1) goods exported from the territory of the Republic of Uzbekistan in the customs export procedure;
- 2) goods exported from the territory of the Republic of Uzbekistan, previously placed under the customs procedure of processing on the customs territory of the Republic of Uzbekistan, and (or) goods (processed products, waste and (or) residues) received (formed) as a result of processing of goods placed under customs procedure for processing in the customs territory of the Republic of Uzbekistan;
- 3) fuel and lubricants necessary to ensure the normal operation of aircraft exported from the territory of the Republic of Uzbekistan;

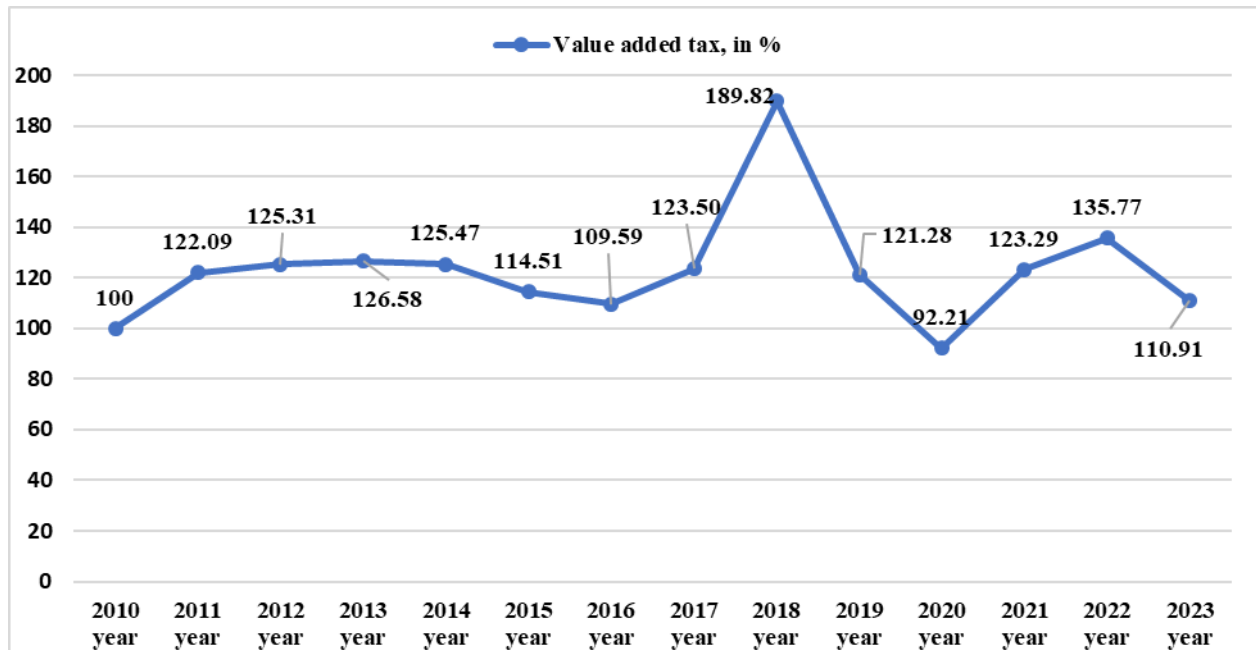


Figure 1. Graph of growth rates of value added tax revenues actually collected in Uzbekistan for 2010-2023, calculated by the chain method¹

- 4) services directly related to the transportation of goods placed under the customs procedure of customs transit;
- 5) services directly related to international transport.

During 2010-2023, the highest growth rate of value added tax revenue was observed in 2018 (189.82%), the lowest growth rate was observed in 2020 (92.21%). Compared to the previous period the decrease in the growth rate was in 2015 (-10.96 %), in 2016 (-4.92 %), in 2019 (-68.54 %), in 2020 (-29.07 %), and the increase in the growth rate was recorded in 2018 (+66.32%). In 2022 the rate of growth of value added tax revenue was equal to 135.77%, but in 2023 we observe that this indicator decreased further by 110.91%. See Figure 1.

The share of value-added tax revenue in the total revenues of the state budget fluctuated between 35.24% and 24.98% in 2010-2023. The highest share of value-added tax revenue in the state budget revenue was recorded in 2018 (35.24%), the lowest share of value-added tax revenue in the state budget revenue was observed in 2023 (24.98%). We see that the share of value added tax revenue in 2023 in the state budget revenue, compared to its share in 2010, decreased by 3.69%.

¹ It was compiled by the author based on the information published on the official website of the Republic of Uzbekistan "Open Budget".

Table 1. The dynamics of changes in the share of value-added tax revenue in the total revenues of the state budget of Uzbekistan and indirect tax revenues²

Indicators	2010 year	2011 year	2012 year	2013 year	2014 year	2015 year	2016 year	2017 year	2018 year	2019 year	2020 year	2021 year	2022 year	2023 year
Total revenues of the state budget, in %	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Value added tax, in %	28,67	27,91	28,02	28,80	29,86	29,73	28,97	29,56	35,24	30,14	23,45	23,34	25,85	24,98
Indirect taxes, in %	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Value added tax, in %	56,87	57,89	57,18	56,37	56,23	56,53	56,28	56,20	67,53	72,82	67,15	68,29	73,10	78,52

The share of value-added tax revenue in the state budget revenue had a decreasing trend in the period 2010-2023. But in 2010-2023, we see that the share of value added tax revenue in indirect tax revenue has a growing trend. The highest share of value added tax revenue in indirect tax revenues was recorded in 2023 (78.52%), the lowest share was recorded in 2017 (56.20%). Compared with the share in 2010, we see that the share of value added tax revenue in indirect tax revenue in 2023 has increased by 21.66%.

5. CONCLUSION AND RECOMMENDATIONS

Value added tax plays an important role in the stable development of the economy of Uzbekistan, in ensuring the stability of the state budget, in ensuring the effective management of the budget deficit, and in regulating supply and demand in the domestic market. Its importance is growing year by year.

Changes in the number of taxpayers, the amount of tax rates, the composition of tax benefits, and the implementation of the new tax code from 2020 caused the fluctuation of the growth rate of value added tax revenue over the years.

The country's macroeconomic indicators, in particular, the steady growth of GDP over the years, led to an absolute increase in value added tax revenue.

In order to increase the potential of value added tax revenue and the level of tax collection in Uzbekistan, we offer the following.

1. Development and implementation of effective measures to curb the hidden economy, drastically reduce the scale of the underground economy.
2. Strengthening tax control over the registration of taxpayers and taxable objects in tax authorities, expanding the value added tax base at the expense of additional sources.
3. Strengthen public control over the activities of taxpayers with high tax risk, apply strict and effective measures against taxpayers who violate the norms of value added tax.

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² It was compiled by the author based on the information published on the official website of the Republic of Uzbekistan "Open Budget".

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