European Journal of Business Startups and Open Society

Vol. 5 No. 4 (Apr - 2025): EJBSOS

http://innovatus.es/index.php/ejbsos

The Role of Tax Revenues in Determining the Tax Potential of Regions

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Abstract: This article analyzes the indicators that affect the tax potential of the region in the formation of local budget revenues. The system of budgetary and tax policy measures to increase local budget revenues, tax collection mechanisms, the ability of regions to pay taxes, and the relationships that occur in the process of increasing and collecting taxes are highlighted based on foreign experience.

Key words: taxes, local budget, regional budget, tax revenues, profit tax, excise tax, tax potential, legal entities, tax revenues, tax audits.

Introduction

In the implementation of comprehensive economic reforms in our country, first of all, increasing the efficiency of tax policy, simplifying the types of taxes and the mechanism of their application, and optimally distributing the tax burden among economic entities are among the most important issues facing the tax system. Also, in the process of modernization of the economy, the main emphasis in tax reforms is on stimulating the economic activity of business entities through taxes, but at the same time, the fulfillment of the main fiscal function of taxes largely depends on the timely and full collection of taxes to the budget.

O'zbekiston Respublikasida olib borilayotgan islohotlarni amalga oshirishda, ular The main tasks set before it cannot be implemented without tax policy. In order to increase the tax capacity of the regions, the tasks of developing and implementing a "draft law on the payment of turnover tax and land tax from legal entities, property taxes paid by legal entities to newly established business entities for regions with very "difficult" conditions at a rate of 1 percent of the calculated amount"[1] have been set. It is necessary to determine the potential of the regions for the timely receipt of taxes and payments to the budget, increase the solvency of the factors forming local budget revenues, and identify possible negative socio-economic consequences in advance. As a result, scientifically based recommendations and proposals are used to determine the ability of regions to pay taxes and find answers to the questions of how to increase budget revenues.

Literature review

The state of economic development of a particular region of each country, the activities of enterprises in this region, and the sources of formation of local budget revenues are the main aspects that determine the economic security of the region. Based on the above considerations, it can be said that one of the factors that directly affects the level of economic and social development of regions is the tax potential of regions. Therefore, it is appropriate to consider the theoretical content of this concept, that is, the category of "tax potential". Based on the proposals made by foreign scientists T. Saprikina and D. Lisitsky, the tax potential of regions is a relative concept, which reflects the existing ability to collect taxes planned to be collected in the regions of the country and is determined in relation to the gross domestic (territorial) product (GDP/GDP) of the region or country:

$$SS = \frac{\sum SH}{YAHM} * 100\%$$

here: SS – tax potential, in percent; SH – amount of total taxes; YAHM – gross regional product.

According to the definition given by S. Khudoykulov, who conducted research on improving the methodology for forecasting tax revenues, "tax capacity is the ability of the national economy, regions, legal entities and individuals to pay their tax obligations within the framework of the state's budget and tax policy and in accordance with current tax legislation, as well as the ability of the state to attract the maximum amount of taxes to the budget without violating the principle of tax fairness" [2].

According to L. Bozorova, who conducted scientific research on ways to increase the tax potential of regions in ensuring the stability of budget revenues, the tax potential of the region is the highest possible amount of taxes and duties in the period under analysis under the conditions of the implementation of tax legislation, as well as the amounts of additional tax payments calculated based on the results of control work by tax and customs authorities, that is, it is the difference between the amount of actually collected taxes and the potential ability to accumulate budget revenues [3].

In foreign literature, we can see that tax potential is understood as a tax base that generates income in the form of tax revenues of a given region. In particular, according to Pelevin, today the assessment of tax potential is one of the most important tasks, which allows us to determine not only the growth of tax revenues to the budget, but also the forecast level of tax and other revenues of this region[4]. The first stage of tax analysis involves the study of regional factors affecting the state of the tax base. The following blocks influence the process of forming the tax potential of the region:

- regulatory and legislative;
- economic;
- budget.

Chun-Yan Kuo expresses tax potential as the ability of taxpayers to pay taxes or the ability of the state to generate income[5].

While studying the above points, we cannot agree with these opinions. Because the ability to pay taxes cannot be equated with the tax potential. Factors other than the ability to pay taxes also affect the tax potential.

Also, the United States Advisory Committee on Intergovernmental Relations defined the tax potential as the maximum amount of society that is able to cover government expenditures[6].

In a broad sense, “tax potential” is the total amount of taxable resources of a territory. In a narrower, practical sense, “tax potential” is the maximum possible amount of tax and fee revenues calculated in current legislation.

The concept of tax potential is equated with financial potential in most developed countries where the budget federalism model is widely used[7].

Many domestic economists have also expressed their opinions and some approaches to tax potential. Among them, Islamkulov A.Kh. expressed the opinion that tax potential is explained by the characteristics of the national tax legislation, tax administration, and tax system specific to each state[8].

Of course, the tax potential of regions is determined based on the internal capabilities of each region, its economic capabilities, tax resources, and the ability of taxpayers to pay.

Studying the opinions of domestic and foreign scientists who expressed their opinions, we can get acquainted with their definitions of tax potential. For example, Chun-Yan Kuo defined tax potential as the ability of taxpayers to pay taxes. American scientists viewed tax potential as the

ability to cover state expenses. Of course, all of these definitions are correct, but tax potential is a broader concept than the given concepts. Tax potential includes not only the ability to pay taxes, but also taxpayers, the ability to collect tax debts, and tax culture.

Analysis and main results

Another of the simplest methods for determining tax potential was developed by Professor I. Gorsky [10]:

$$NPR = F + Z + L \quad (2)$$

Here: *NPR* — tax potential of the territory, (in monetary value);

F — real tax revenues, (in monetary terms));

Z — increase in tax debt during the reporting period (in monetary value);

L — Tax incentives (in monetary value) corresponding to the region.

Using the I. Gorsky method, we will examine the impact of tax revenues over the last three years on the tax potential of the region.

From Diagram 1, we can see that, as a result of the reduction of tax rates and the provision of benefits to further support business entities, as well as timely decisions to improve tax policy and administration, and the digitalization of the sector, tax revenues in 2022 amounted to 148.4 trillion soums, an increase of 16% compared to 2021. In terms of regions, in 2022, compared to 2021, we can see that Tashkent city increased by 39%, Samarkand and Jizzakh by 34%, Fergana and the Republic of Karakalpakstan by 33%.

In 2022, 64.4 trillion soums or 43% of revenues were provided by direct taxes, which amounted to 7.2% of GDP. In particular, a quarter of budget revenue came from 37.6 trillion soums in profit tax paid by legal entities.

The total amount of revenue from indirect taxes amounted to 45.9 trillion soums, or 31%, or 5.1% of GDP. In particular, despite the loss of 1.1 trillion soums, even taking into account only the extended benefits under VAT, there was a 7.2 trillion soums increase compared to 2021.

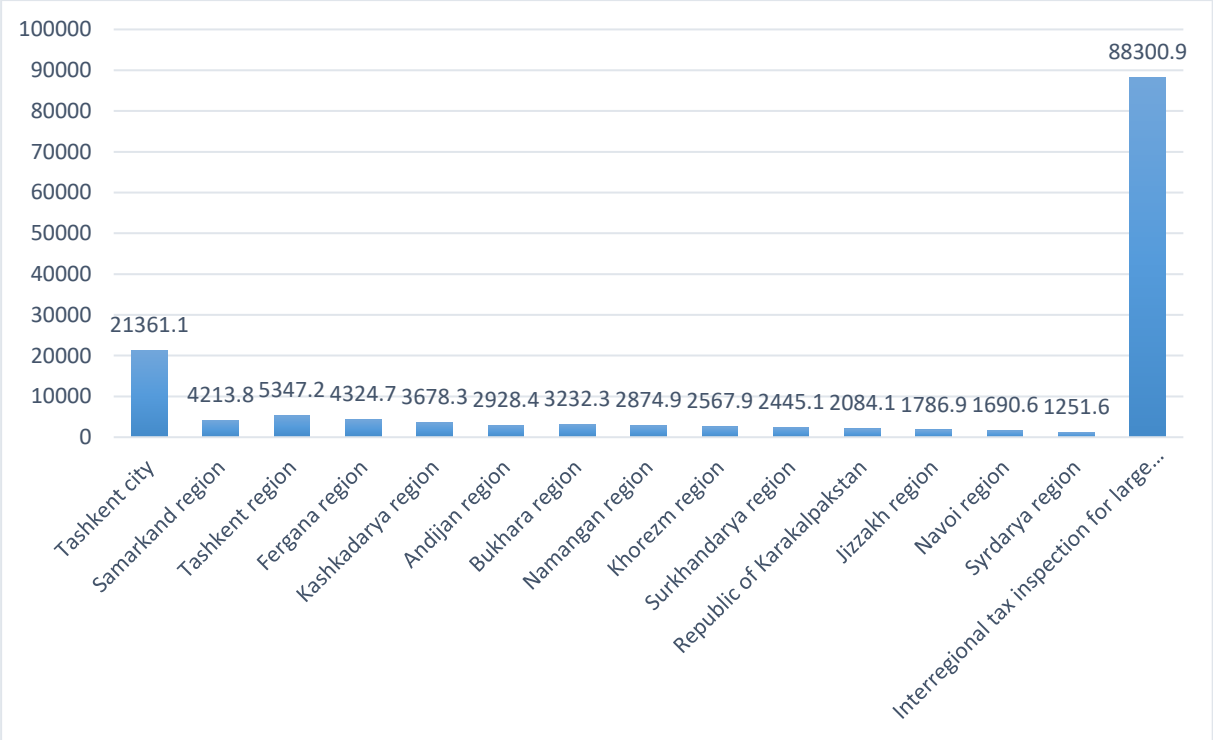


Diagram 1. Revenues by region in 2022 (billion soums)[10]

Table 1[11]. Revenues by region in 2023 (billion soums)

№	Areas	Income	Growth rate compared to 2022
1	Tashkent city	24448,5	14,0%
2	Samarkand region	4727,9	12,0%
3	Tashkent region	6381,2	19,0%
4	Fergana region	4740,8	10,0%
5	Kashkadarya region	3897,9	6,0%
6	Andijan region	3406,5	16,0%
7	Bukhara region	3444,4	7,0%
8	Namangan region	3275,7	14,0%
9	Khorezm region	2624,9	2,0%
10	Surkhandarya region	2829,5	16,0%
11	Republic of Karakalpakstan	2631,3	10,0%
12	Jizzakh region	2329,3	30,0%
13	Navoi region	1996,8	18,0%
14	Syrdarya region	1514,5	21,0%
15	Interregional tax inspection for large taxpayers	97668,3	11,0%

From Table 1, we can see that in 2023, the budget received 165.9 trillion soums in tax revenues, which is 17.4 trillion soums or 11.7% more than in 2022. Tax revenues of the interregional tax inspection for large taxpayers amounted to 97.7 trillion soums (58.9%), and by regions - 68.2 trillion soums (41.1%).

By region, we can see that the highest growth rates in revenues were in Jizzakh region (130%), Sirdaya region (121%), Tashkent region (119%), and Navoi region (118%).

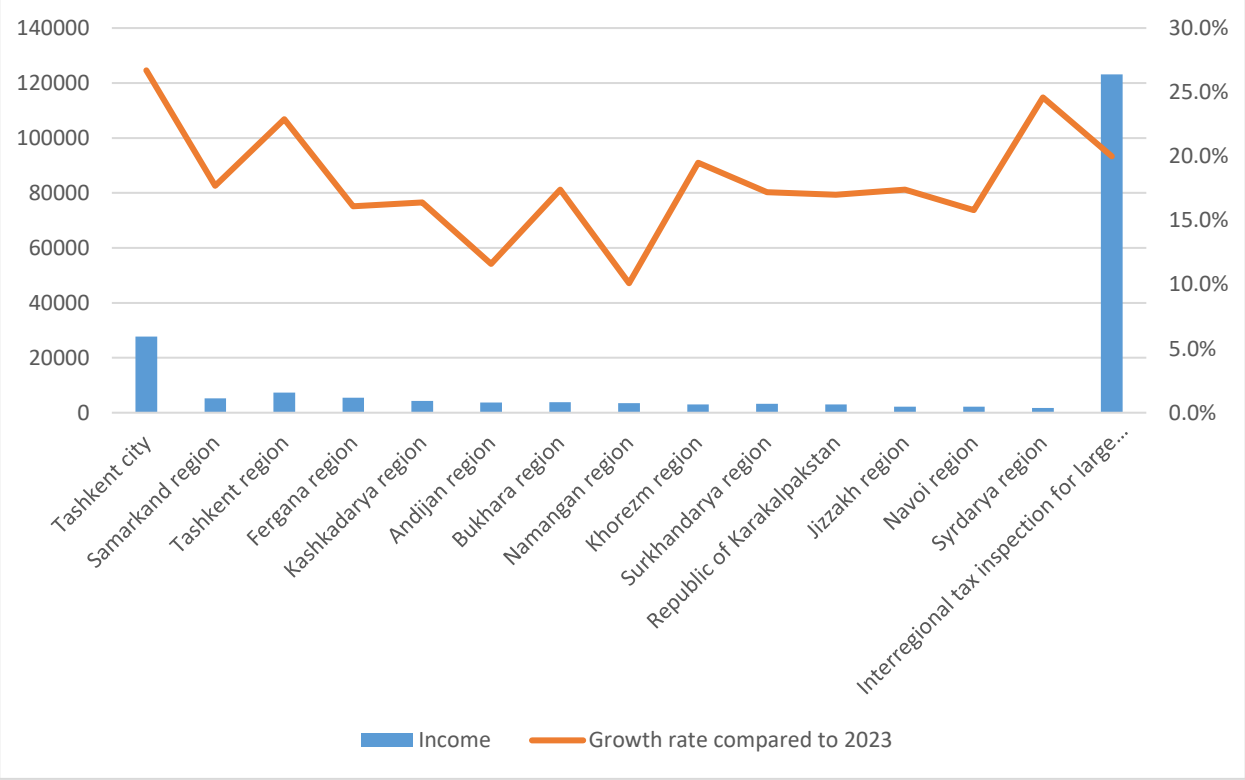


Diagram 2. Revenues by region in 2024 (billion soums)[12]

From Diagram 2, we can see that as a result of positive changes in the economy, timely decisions to improve tax policy and administration, and the effective organization of the activities of new institutions at the district and enterprise levels, tax revenues of 199.5 trillion soums were received by the state budget in 2024, an increase of 20.2% (+33.5 trillion soums) compared to 2023.

We can see that the highest growth rates in revenues by region in 2024 were observed in Tashkent city (26.7%), Tashkent region (22.9%), Khorezm region (19.5%), Syrdarya region (24.6%) and the Interregional Tax Inspectorate for Large Taxpayers (20%).

Examining the last three years, we can see a steady increase in tax revenues in Tashkent city. This indicates that the tax potential of Tashkent city has been increasing over the years.

In Namangan region, Andijan region and Surkhandarya region, we can see a slow increase in revenues. This indicates that there are factors affecting the tax potential of these regions.

Conclusion

Analytical data show that in recent years, the growth of tax revenues across the regions of Uzbekistan has affected the growth of the tax potential of the regions. Although the indicators differ across regions, they indicate that tax collection capabilities in various areas have improved administratively. We see that the city of Tashkent and the Interregional Tax Inspectorate have increased their tax capacity, and in Jizzakh and Syrdarya regions, they are in a state of increasing their tax capacity. Continuous attention to expanding the tax base, strengthening compliance with legislation, and improving tax policy can further increase the tax potential of each region.

As a result of the studies, we can make the following suggestions:

- Comparing interregional tax potential and providing tax incentives to underdeveloped regions;
- Increasing revenues by expanding the tax base and further accelerating digitalization;
- Analyzing tax incentives based on efficiency and applying tax incentives only to sectors with high economic efficiency.

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