

IMPACT OF THE SHADOW ECONOMY ON THE GENERATION OF INCOME OF THE STATE BUDGET OF THE REPUBLIC OF UZBEKISTAN

Tashmatova Rano Gaibovna*

*Dotsent,

Tashkent Institute of Finance,

UZBEKISTAN

Email id: ranogt@mail.ru

DOI: 10.5958/2249-7323.2022.00041.4

ABSTRACT

The article considers and investigates the economic content of the shadow economy. The essence and structure of state budget revenues are determined. The state of formation of the income structure of the budgets of the Republic of Uzbekistan for 2022 was assessed. The direct and indirect influence of the shadow economy on the formation of state budget revenues of the Republic of Uzbekistan and the main measures to reduce the shadow economy have been studied.

KEYWORDS: *shadow economy, budget revenues, taxes, tax rates, official profit, composition of budget revenues, tax policy, hidden economic processes.*

INTRODUCTION

The problem of assessing the damage caused by shadow economic activity to state revenues, which is determined by a combination of objective and subjective factors, has now become particularly acute. First, shadow processes affect all stages of production and redistribution of resources, violating the integrity of the country's economy and leading to a shortfall in tax revenues for republican and local budgets.

Secondly, conducting activities in the shadow sector of the economy is characterized by partial or complete concealment of income, which leads to distortion of tax, financial, statistical and other types of reporting. As a result, the generalized results for an individual enterprise or group are unreliable. Thirdly, large resources are concentrated in the shadow sector of the economy, which can become a factor in economic growth.

This necessitates the identification of reserves for the growth of revenues of regional budgets in order to increase the sustainability of the budgets of all levels of the Republic of Uzbekistan and provide the authorities with sufficient financial resources to fulfill their priority socio-economic tasks.

LITERATURE REVIEW

The study of materials and publications on this issue allows us to conclude that the available theories are aimed at identifying and describing the phenomenon of the shadow economy, in the field of identifying and preventing shadow processes in the economy: R.N. Gulakova, I.Yu. Falinsky, V.B. Ukraintseva, R.A. Saninsky, D.A. Afanasieva and others.

Theoretical and practical aspects of the influence of the shadow economy in the formation of budget revenues at all levels were studied by such scientists as M. Alimardonov, A. Vakhobov, E. Gadoev, Sh. Gataulin, A. Zhuraev, Kh. .Olimjonov, Sh.Toshmatov, N.Khaydarov, B.Toshmurodova, K.Yahyev, N.Kuzieva, B.Abillaev, Zh.Esmurzaev, S.Zhubaev, A.Mamanazarov, A.Suvonov, K.Tozhiboeva, H.Kobulov , Kh.Kurbonov, A.Khairiddinov,

N.Yuldasheva, U.Urokov and others.

Although some aspects of the influence of the shadow economy on the increase in income potential were studied in the studies of the above-mentioned scientists, the issues of increasing the sustainability of income were not considered as a separate object of study. These circumstances also indicate the relevance of the topic.

RESEARCH METHODOLOGY

The methodological basis was fundamental research in the field of influence of the shadow economy in the formation of budget revenues at all levels. Structural, logical and systematic approaches, as well as econometric methods are used.

ANALYSIS AND RESULTS

The shadow economy is a very complex subject of research. At the same time, the study of this phenomenon is important for understanding its impact on “normal” economic processes, such as the formation and distribution of income and property, trade, investment, and the growth of the economy as a whole. The volume of the share of the shadow economy of one country, according to various estimates, can be in the range of 20-80%.

At the same time, such a difference in indicators cannot be explained only by the imperfection of the assessment methodology.¹

They have been trying to bring the economy out of the shadows for several years now. Back in 2018, it was proposed to declare an amnesty for entrepreneurs who hid their income and activity. No one has exact data on the size of the shadow sector, but experts have repeatedly given an estimate of 45-50% GDP.

It should be noted that the shadow economy is a sector of economic activity, the processes and results of which are deliberately distorted (including hidden) for the purpose of making a profit. The home (informal) economy should not be included in the shadow economy. At the same time, together they form an unobserved economy, which is important for theoretical and methodological studies.

The scale of the shadow economy, in general, depends on the general state of the economy, as well as on the ability of society to control the production, distribution, consumption and exchange of economic benefits, to create conditions for the use of entrepreneurial abilities.

As noted in the address of the President of the Republic of Uzbekistan Sh. Mirziyoyev to the Parliament: “We must review the budget system, ensure transparency for the people of budget revenues and expenditures.” [7]

Budget revenues express the economic relations that arise between the state and enterprises, organizations and citizens in the process of forming the country's budget fund. The form of manifestation of these economic relations are various types of payments by enterprises, organizations and the population to the state budget, and their material and material embodiment is the funds mobilized to the budget fund.

Budget revenues, on the one hand, are the result of the distribution of the value of the social product among the various participants in social reproduction, and on the other hand, they are the object of further distribution of the value concentrated in the hands of the state, because it is used to form budget funds and essentially represents the price of public services.²

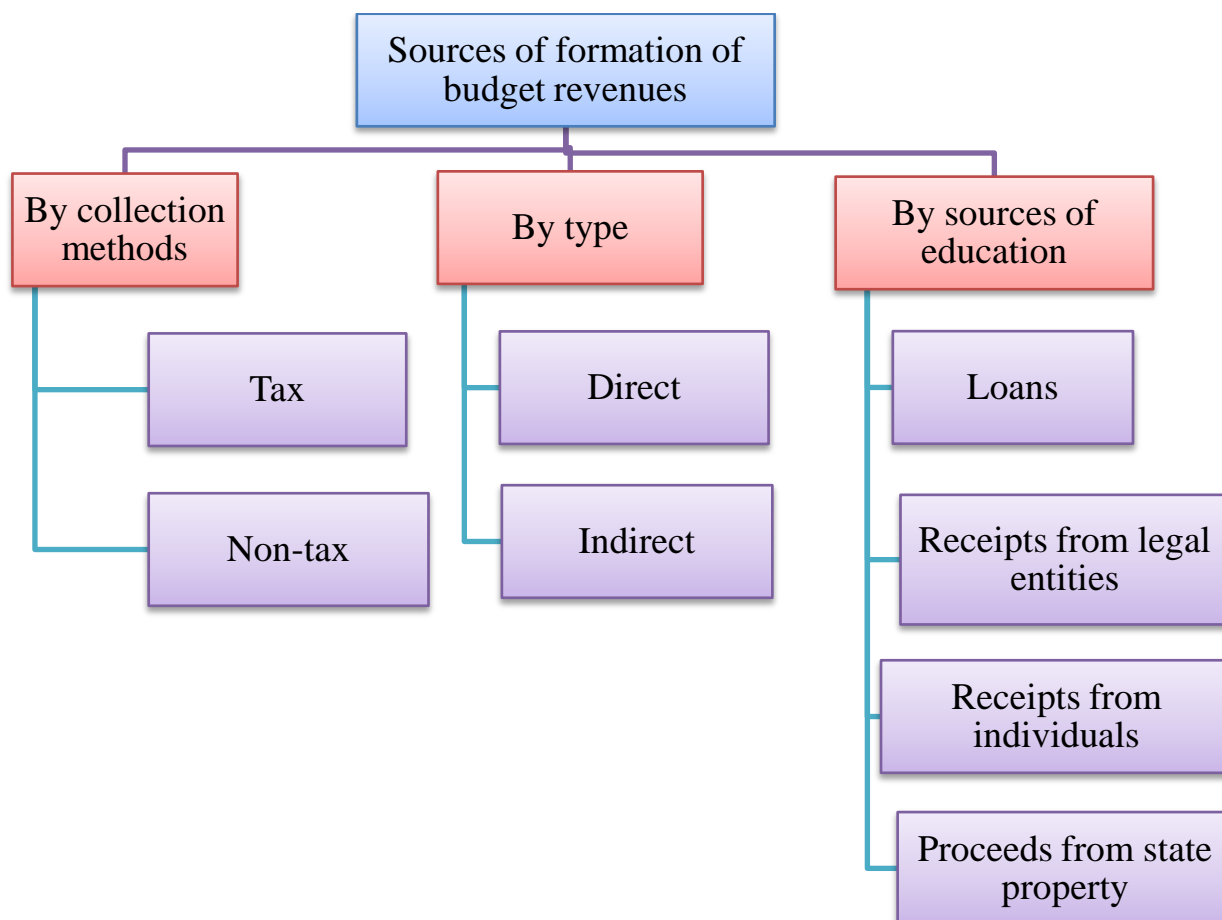


Fig. 1. Sources of formation of state budget revenues³

The basis of the economic security of society is financial security, which consists in ensuring such a level of development of the financial system, financial relations and processes in the economy, which creates the necessary conditions for socio-economic and financial stability, maintaining the integrity and unity of the country's financial system, successfully overcoming internal and external threats in the financial sector.

The budgetary sector of the economy is directly dependent on taxes, which are a key source of budget revenues and form the financial relations of the state with other entities. In this direction, the negative impact of shadow economic activity (including non-payment of income taxes as one of the signs) on the size of the budget in the scientific literature is generally recognized.

In general, the shadow economy for society is more destabilizing, is mostly negative, destructive, which undermines the foundations of the socio-economic well-being of the population. At the same time, the impact on the budget can be direct or indirect, for example: goods and services sold through the shadow sector are not subject to VAT, which is a key source of the state budget, and others.

Considering the practice, it should be noted that reforms are being carried out in our country aimed at further ensuring the effective functioning of the state budget, in particular, tasks have been identified regarding the optimization of the formation of the revenue part of the state budget.

- In order to ensure the stability of state budget revenues, the following rates were retained in 2022:
- Value Added Tax - 15%

- Basic income tax rate - 15%
- Personal income tax - 12%
- VAT - 4%
- Tax on income in the form of dividends - 5%
- Land tax from legal entities is set in absolute value per 1 hectare. Tax for the use of water resources for the volume of water used for irrigation of agricultural land and breeding (growing) of fish, including dekhkan farms 40 soums per 1 cubic meter. m

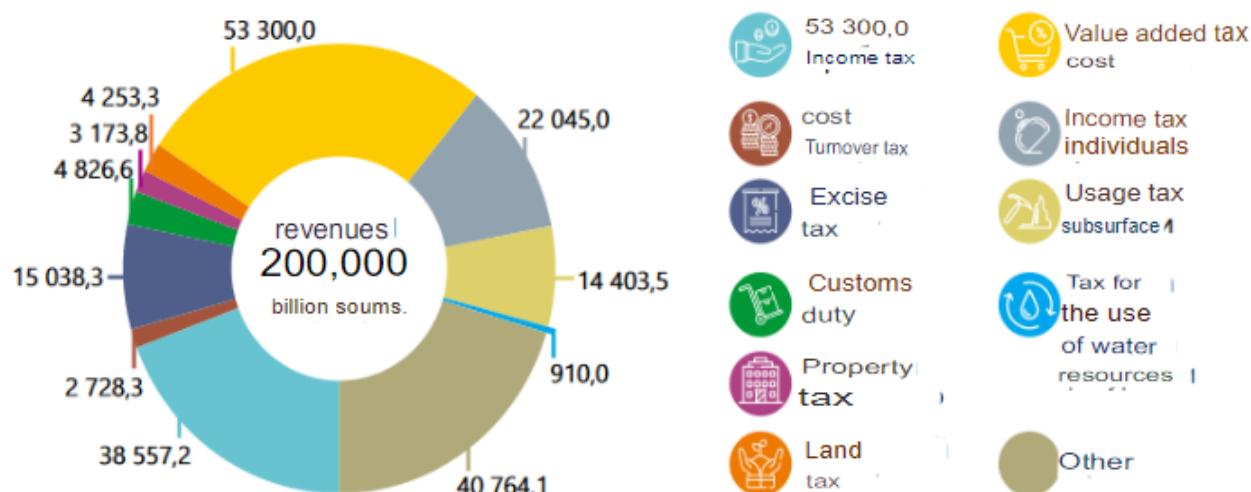


Fig. 2 Structure of state budget revenues, forecast for 2022⁴

State budget revenues are set at 254 trillion soums, or 23.8% of GDP. Of these, tax revenues are 68.5 trillion soums, including income tax 43.7 trillion soums, turnover tax 2.7 trillion soums, personal income tax 22 trillion soums. The volume of indirect taxes will amount to 73.2 trillion soums, including VAT 53.3 trillion soums, excise tax 15 trillion soums, customs duties 4.8 trillion soums. Resource and property taxes will replenish the budget by 25.7 trillion soums, including a property tax of 3.2 trillion soums, a land tax of 4.3 trillion soums, a subsoil tax of 17.4 trillion soums, and a tax on water resources of 9 billion soums.

CONCLUSIONS AND OFFERS

Despite this, the methods used to assess the size of hidden economic processes do not reflect the real level of the shadow economy, partly contradict each other, do not meet the principles of unity and consistency, and, as a result, do not provide a diagnosis of current and forecast states of the state budget's shortfall in receiving part of the tax payments.

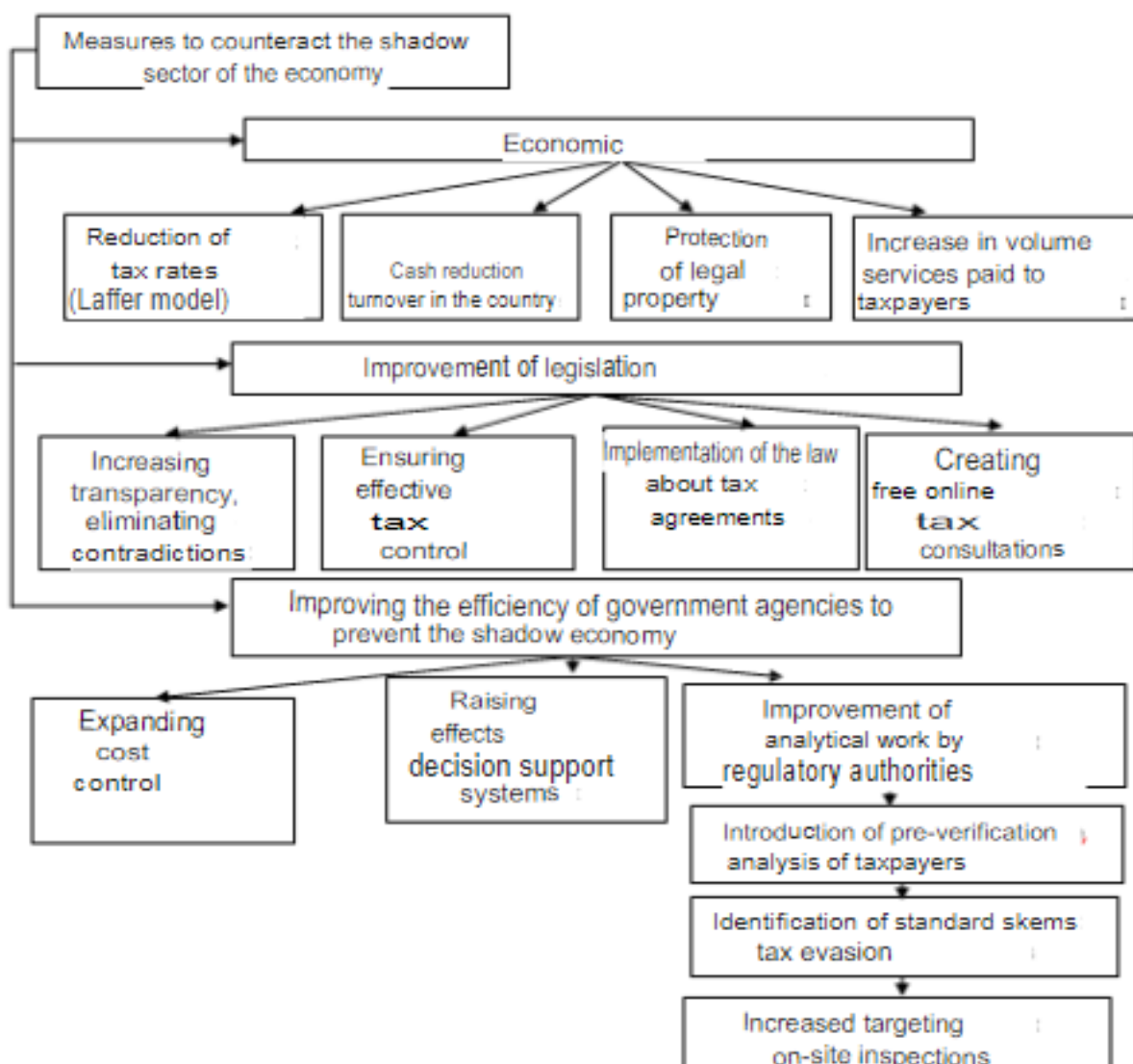


Fig. 3. System of measures to reduce the scale of the shadow economy⁵

In general, it can be said that in order to effectively counteract the shadow sector in order to ensure the sustainability of state budget revenues and improve monitoring, it is necessary to analyze the following actions:

- Completeness and timeliness of tax reporting;
- Timely transfer of taxes and other obligatory payments to the budget (the amount of additionally assessed taxes based on the results of the audit should not exceed 10% of the amount declared);
- Presence/absence of significant offenses and additional charges for previously conducted tax audits;
- Presence/absence of information about participation in tax evasion schemes or dealing with fictitious enterprises;
- Deviation from the potential tax base.

As a result, the improvement of the system of monitoring and detection of shadow economic activity will reduce government spending on the prevention of shadow processes in the economy, increase the efficiency of tax audits and reduce the burden on law-abiding taxpayers.

All proposed countermeasures are aimed at improving the conditions for doing business in order to reduce the interest of enterprises in transferring resources and financial flows to the shadow sector, as well as increasing the transparency and targeting of administration, which will contribute to the timely formation of state budget revenues.

LIST OF USED LITERATURE:

1. The Budget Code of the Republic of Uzbekistan, approved by the Law of the Republic of Uzbekistan dated December 26, 2013. № 3PY-360;
2. The Tax Code of the Republic of Uzbekistan (new edition) was approved by the Law of the Republic of Uzbekistan dated 30.12.2019 No. 3PY-599;
3. Law of the Republic of Uzbekistan dated 30.12.2021 No. 3PY-742 "On the State budget of the Republic of Uzbekistan for 2022";
4. Decree of the President of the Republic of Uzbekistan "On the development strategy of the new Uzbekistan for 2022-2026" dated January 28, 2022 No. UP-60
5. Decree of the President of the Republic of Uzbekistan "On the concept of improving the tax policy of the Republic of Uzbekistan" dated June 29, 2018 No. UP-5468;
6. Message from the President of the Republic of Uzbekistan ShavkatMirziyoyev to the OliyMajlis. Tashkent, January 24, 2020 (www.president.uz);
7. Gulakov R.N. Crime of the shadow economy // Bulletin of the University named after O.E. Kutafin. - 2017. - No. 2. - S. 192-200.
8. Jiyanova N.E. Management of public finances. Tutorial. / - T.: "IQTISOD-MOLIYA", 2019. - 384 s.;
9. Jiyanova N.E. Management of public finances: Textbook. / - T.: "IQTISOD-MOLIYA", 2019. - 444 p. ;
10. Jiyanova N.E., Tashmatova R.G. Budgetary and tax policy. Textbook. / - T.: "IQTISOD-MOLIYA", 2019. - 216 s.;
11. Islamkulov A.Kh. Distribution of taxes between the budgets of the budgetary system to ensure interbudgetary balance. - August 2018 International Journal of Innovative Technologies in Economy
https://www.researchgate.net/publication/341437980_raspredelenie_nalogov_mezdu_budzeta_mi_budzetnoj_sistemy_dla_obespecenia_mezbudzetnoj_sbalansirovannosti
12. Jiyanova N.E., Umarova A.I. Ways to improve the innovative development of the territories of the Republic of Uzbekistan - Economy and finance (Uzbekistan), 2019, 3 (123)
13. Zhiyanova N. E., Tashmatova R. G. Ways to increase the revenue budget of different levels of the Republic of Uzbekistan// SCIENCE AND EDUCATION, 2 (5), (2021)
<https://openscience.uz/index.php/sciedu/article/view/1505.B.1069-1078>.
14. www.gov.uz (Government portal of the Republic of Uzbekistan)
15. www.lex.uz (National database of legislation of the Republic of Uzbekistan)
16. www.mf.uz (Official website of the Ministry of Finance of the Republic of Uzbekistan)
17. www.stat.uz (Official website of the State Committee of the Republic of Uzbekistan on Statistics)
18. <https://openbudget.from/ru/incomsView>