THE ROLE AND IMPORTANCE OF VALUE ADDED TAX IN THE REVENUES OF THE STATE BUDGET OF UZBEKISTAN

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Abstract:
The article analyzes the current state of value-added taxation in Uzbekistan, including absolute values, growth rates, and the share of tax revenues, indirect taxes, and value-added tax in the state budget of Uzbekistan. The proportions of value-added tax and indirect taxes in the structure of tax revenues for the state budget of Uzbekistan were analyzed. It was determined that a significant portion of the state budget revenues of Uzbekistan is generated from value-added tax.

Keywords: Value added tax, tax base, tax object, absolute value, taxpayers, growth rate, share, indirect tax.

Introduction

The mechanism for collecting value-added tax involves the withdrawal of a portion of the new (added) value created during the production and sale process into the budget. VAT is widely used worldwide because it is a universal, highly profitable and effective tax, its main disadvantage is the complexity of administration.

The value-added tax's primary function is fiscal, thanks to its broad tax base. For this reason, the value-added tax is very popular in many countries as one of the main taxes generating budget revenue. At the same time, in most countries that apply VAT, its taxation mechanism provides for the right of taxpayers to a refund of value added tax, which demonstrates the neutrality of this tax.

2. LITERATURE REVIEWS

Before the introduction of VAT, a cascading VAT was levied every time goods were transferred to the consumer during the production and distribution process [1]. In the early 1920s, German businessman Wilhelm von Siemens developed a new tax system that became the basis for the modern VAT [2]. W. von Siemens believed that the main drawback of turnover taxes was their "cascading" nature. Taxes were levied on taxes, a common problem for producers of excisable goods. VAT solved this problem by providing producers and distributors with a credit for previously paid taxes, thus eliminating double taxation [3]. Only several decades later, W. von Siemens's idea was further developed by the economist Maurice Lauret, who held the post of director of the French tax authorities in the 1960s [4]. It was France that pioneered the introduction of VAT, not only expanding the new system of taxation of turnover in 1954, but also giving it the name known today as "value added tax". Soon after, in the late 1960s, VAT was introduced at the industrial production level in the former French colonies of Côte d'Ivoire and Senegal [5]. By the early 1970s, VAT had been introduced in fewer than 10 countries [6]. The process of VAT implementation was accelerated by the adoption by the EU Council of a directive requiring EU member states to adopt a value added tax. According to this document, EU members had to switch to VAT by January 1, 1970. As for new members of the union, before joining the union, a potential participant had to first establish a functioning VAT collection system on its territory [7]. In 1991, Canada introduced a federal value-added tax as a tax on goods and services [8]. In this version, VAT is collected from the buyer by suppliers responsible for collecting the tax. This tax replaced the manufacturer's sales tax and the production activity tax [9]. South American countries (for example, Brazil) and China introduced VAT to develop foreign trade activities and increase tax revenues [10].

3. RESEARCH MATERIALS AND METHODOLOGY

The following methodology was used to analyze the role and significance of value-added tax in the formation of state budget revenues: collection and initial processing of information; grouping and processing of data; generalization of statistical materials and processing of analysis results; development of conclusions and recommendations; identification of trends in changes in absolute and relative amounts representing value-added tax revenues. The growth rates of value-added tax revenues are

determined using the chain-like method. Dynamic indicators are expressed in percentages.

4. ANALYSIS AND RESULTS

Taxpayers of value-added tax are recognized as those engaged in the sale of goods (services) and/or entrepreneurial activity 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 have voluntarily switched to paying value-added tax;

3) foreign legal entities, as well as individuals engaged in 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 representative—a party to a simple partnership agreement who is entrusted with managing the affairs of the simple partnership—for activities carried out under the simple partnership agreement;

6) persons transporting goods across the customs border of the Republic of Uzbekistan.

The object of value-added tax is:

1) turnover from the sale of goods (services), the place of sale of which is the Republic of Uzbekistan;

2) import of goods into the territory of the Republic of Uzbekistan.

Turnover from the sale of goods is:

1) transfer of ownership of goods for a fee, including under a commodity loan agreement;

2) gratuitous transfer of goods, except in cases where such transfer is economically justified;

3) transfer of property under financial lease (leasing);

4) transfer of goods on a payment plan basis.

Exempt from taxation are the following:

1) childcare services in preschool educational institutions;

2) care services for the sick and elderly;

3) funeral services provided by funeral homes and cemeteries;

4) prosthetic and orthopedic products and equipment for individuals with disabilities;

5) products from medical and production workshops at medical institutions;

6) goods and services of own production, sold by legal entities whose sole participants are public associations of persons with disabilities;

8) services for the payment of pensions and benefits;

10) services in the field of education.

Banking transactions, insurance services, and the import of goods into the Republic of Uzbekistan by individuals within duty-free import limits, as well as goods imported as humanitarian aid, are exempt from taxation.

Value-added tax is levied at a rate of 12 percent and 0 percent.

Table 1 Total revenues of the state budget of the Republic of Uzbekistan, tax revenues, indirect taxes and value added tax revenues

Years	BJD	BJSD	EGS	QQS
2020	132,94	112,89	46,43	31,18
2021	164,68	138,26	56,29	38,44
2022	201,86	159,75	71,39	52,19
2023	231,72	184,51	83,33	57,89
2024	335,23	264,53	106,53	71,55

In 2024, the total tax revenues of the state budget amounted to 335.23 trillion soums, or an increase of +202.29 trillion soums compared to 2020, tax revenues amounted to 264.53 trillion soums, or an increase of +151.63 trillion soums compared to 2020, indirect tax revenues amounted to 106.53 trillion soums, or an increase of +60.11 trillion soums compared to 2020, value added tax revenues amounted to 71.55 trillion soums, or an increase of +40.37 trillion soums compared to 2020. See Table 1.
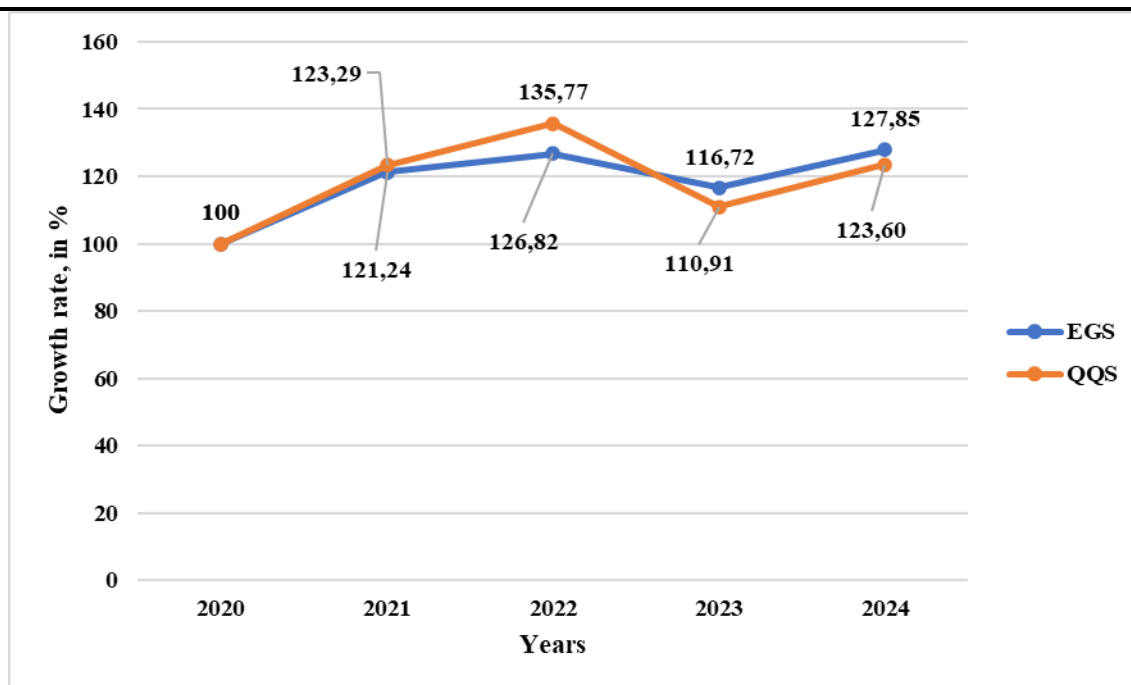
Figure 1. Dynamic change of the growth rate of value added tax revenue of the state budget of Uzbekistan (determined by the chain method) [9]

The growth rate of indirect tax revenues was 127.85% in 2024, 116.72% in 2023, 126.82% in 2022, and 121.24% in 2021. The growth rate of value added tax revenue was 123.60% in 2024, 110.91% in 2023, 135.77% in 2022, 123.29% in 2021. See Figure 1.

Table 2 The share of tax revenues, indirect taxes and value added tax revenues in the total revenues of the state budget of the Republic of Uzbekistan

Tax revenue	2020	2021	2022	2023	2024
BJD	100,00	100,00	100,00	100,00	100,00
BJSD	84,92	83,95	79,14	79,63	78,91
EGS	34,92	34,18	35,37	35,96	31,78
QQS	23,45	23,34	25,85	24,98	21,34

In 2024, the share of total tax revenues of the state budget amounted to 78.91% of total state budget revenues, or compared to 2020, the share of total tax revenues in total state budget revenues decreased by -6.01%. See Table 2.
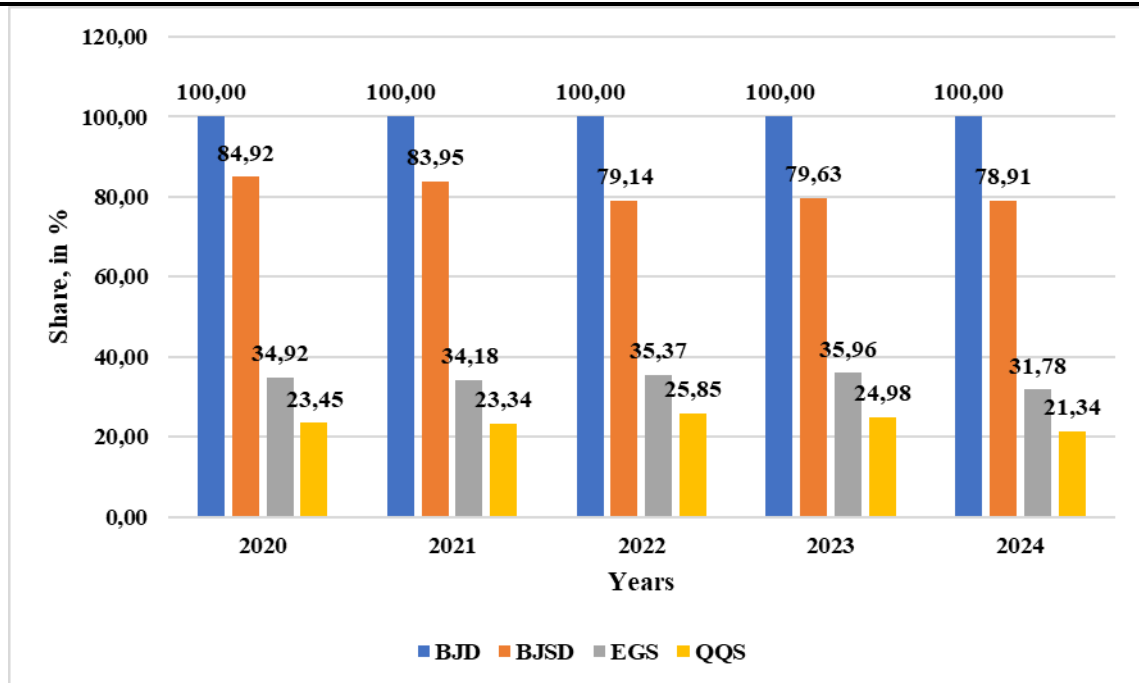
Figure 2. Graphs of changes in the shares of total budget revenues, taxable revenues, indirect taxes and value added tax revenues in the total revenues of the state budget of the Republic of Uzbekistan

In 2024, the share of indirect tax revenues in total state budget revenues amounted to 31.78%, or compared to 2020, the share of indirect tax revenues in total state budget revenues decreased by -3.15%. See Figure 2.

In 2024, the share of value-added tax revenues in total state budget revenues amounted to 21.34%, or compared to 2020, the share of value-added tax revenues in total state budget revenues decreased by -2.11%.

5. CONCLUSION AND RECOMMENDATIONS

As a result of the study, the following conclusions were drawn:

The future of the value-added tax in Uzbekistan remains controversial. VAT is a highly effective tax in Uzbekistan, but research has shown that its effectiveness depends largely on import taxation.

The proposal in the draft Tax Code of Uzbekistan to reduce the VAT rate can be supported for the following reasons:

1. Reducing the price of consumer goods and thus reducing the tax burden on consumers will lead to an increase in their purchasing power.

2. The potential reduction in tax revenues to the state budget from VAT administration is offset by income tax due to increased consumption of goods, works, and services.

3. In fact, the working capital of enterprises will not decrease, since input and output VAT will decrease simultaneously.

VAT revenues indicate a steady upward trend in the future. This will provide hope for economic growth in both regional development and Uzbekistan as a whole.

In order to optimally develop value added taxation in our country, it is necessary to achieve several key goals:

Modern IT infrastructure for tax authorities; implementation of effective tax administration and control based on a risk management system; creation of simple and convenient conditions for the voluntary fulfillment of tax obligations by taxpayers, etc.

Taxpayers' abuse of the right to value-added tax refunds undermines the neutrality of VAT and negatively impacts the country's overall tax security. Illegal VAT refunds significantly damage the development of strategic sectors of the economy.

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