

THE ROLE AND IMPORTANCE OF TAX POLICY IN ENSURING BUDGETARY STABILITY

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Abstract. This article examines the role and importance of tax policy in ensuring budgetary stability. Taxes are the primary source of the state budget and play a crucial role in forming budget revenues. The article highlights the potential to stimulate economic growth, ensure social stability, and prevent budget deficits through the implementation of an effective tax policy. The article also analyzes the growth of tax revenues in the budget resulting from easing the tax burden and creating opportunities for taxpayers. Furthermore, factors influencing tax policy in ensuring the stability of the state budget were also studied. In conclusion, tax policy is an important factor in forming a stable state budget system, serving not only as a means of financial provision but also as a strategic mechanism for economic development.

Keywords. Budgetary stability, tax policy, state budget, tax reforms, budget deficit, tax mechanism, financial stability, economic development.

Introduction. The stability of the state budget is a decisive factor in ensuring the country's economic security and financing the priority areas of its socio-economic development. Today, a number of reforms are being implemented to ensure budgetary stability. At the same time, tax policy is of great importance in securing this stability. Furthermore, numerous measures, as well as laws and resolutions, are being adopted and implemented to fundamentally improve tax policy.

To effectively manage the state budget and ensure its stability, the Cabinet of Ministers of the Republic of Uzbekistan adopted a resolution "On the Approval of the Strategy for Improving the Public Finance Management System of the Republic of Uzbekistan for 2020-2024."

To elevate the public financial management system to a new level, further strengthen budgetary discipline, enhance the transparency of the fiscal system, increase the efficiency and effectiveness of the use of the State Budget funds of the Republic of Uzbekistan, introduce modern methods for medium-term State Budget planning, and ensure the implementation of Resolution No.

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PQ-4555 of the President of the Republic of Uzbekistan, dated December 30, 2019, "On Measures to Ensure the Execution of the Law of the Republic of Uzbekistan 'On the State Budget of the Republic of Uzbekistan for 2020'," the Cabinet of Ministers has adopted a resolution. The goals and objectives of this resolution were also specified as follows:

To develop a medium-term budgetary framework and introduce a new "results-based budgeting" system for annual budget formulation, in order to implement a strategic approach to fiscal policy;

Reforms of state-owned enterprises, tax reform, roadmaps to ensure fiscal transparency, and reforms of the public procurement system will be implemented in conjunction with the Strategy.

Literature Review. In the context of modernizing Uzbekistan's economy, studying the approaches of national economists is of particular importance when researching the theoretical foundations of tax policy.

According to T. Malikov, it is important to remember the conditions under which the current tax system in the Republic of Uzbekistan was formed. In a market-based economy, taxes and the tax system are among the most fundamental instruments of the market. In a market economy, taxes collected at all levels of government constitute 90-95 percent of total budget revenues. In this regard, forming the tax system and creating a mechanism for the collection and use of taxes is of particular importance.

Even considering that a small or insignificant portion of budget revenues is generated from non-tax sources, this policy cannot be defined differently. This is because taxes are the decisive factor in determining the fate of budget revenues. For this reason, the role of tax policy in ensuring budgetary stability is noted as an important factor.

Methodology. The article analyzes the factors influencing tax policy in ensuring budgetary stability. The tax policies and levels of budgetary stability in developing countries were also examined. Furthermore, statistical analysis, analytical methods, and quantitative analysis techniques were utilized. Based on statistical data, the impact of tax revenues on the stability of the state budget was studied, existing shortcomings were identified, and proposals and conclusions were presented to address them.

Analysis and Results. Ensuring the stability of the state budget is directly dependent on the effectiveness of tax policy. Tax revenues constitute the main portion of the Republic of

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Uzbekistan's budget revenues. This, in turn, confirms how significant the role of tax policy is and how crucial it is for the financial stability of the state.

The state budget is the country's centralized monetary fund, which serves as the primary tool for forming and distributing the financial resources necessary for the state to perform its functions. It is an important instrument for regulating the economy and ensures the socio-economic stability of society by redistributing national income. At the same time, the budget process reflects the balance between the state's financial capabilities and its strategic goals.

The revenue side of the state budget is formed primarily from tax revenues, while its expenditures are directed toward developing social sectors, improving infrastructure, and strengthening defense capabilities. The purpose of transfers made through the budget is to support low-income segments of the population and to mitigate interregional economic inequality. Furthermore, an effectively planned budget policy creates an attractive investment climate and a solid foundation for long-term, sustainable economic growth.

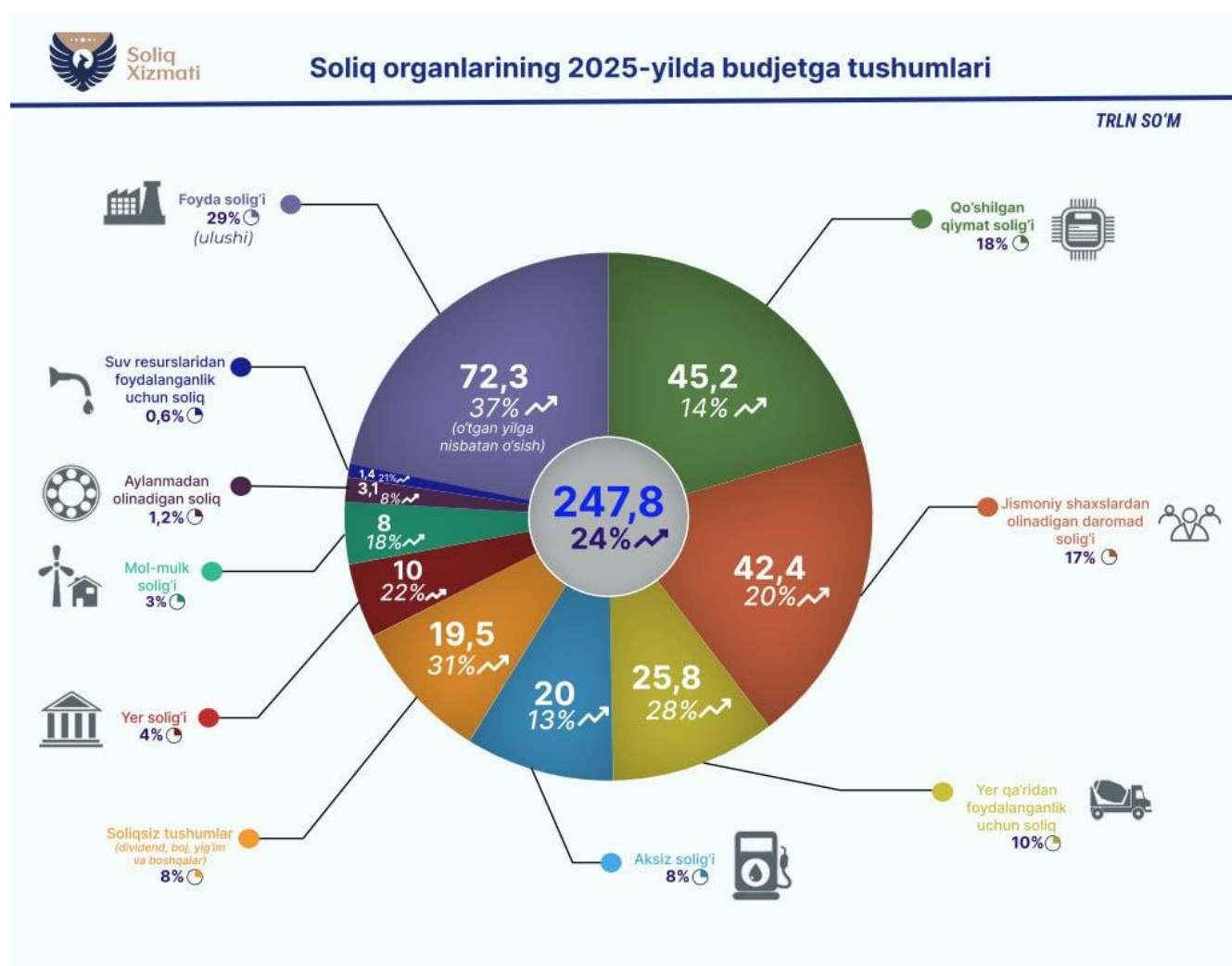


Figure 1. Analysis of Tax Revenues in 2025¹

As shown in the data from Figure 1, tax revenues in 2025 exceeded 247 trillion soums. Tax authorities secured 247.8 trillion soums in budget revenues across the republic for 2025. This represents a 24% increase compared to the same period last year.

Revenue by tax type (growth compared to 2024):

- ◇ Corporate profit tax - 72.3 trillion soums (37%);
- ◇ VAT - 45.2 trillion soums (14%);
- ◇ Personal income tax - 42.4 trillion soums (20%);
- ◇ Subsoil use tax - 25.8 trillion soums (28%);
- ◇ Excise tax - 20 trillion soums (13%);
- ◇ Non-tax revenues* - 19.5 trillion soums (31%);
- ◇ Land tax - 10 trillion soums (22%);
- ◇ Property tax - 8 trillion soums (18%);
- ◇ Turnover tax - 3.1 trillion soums (8%);
- ◇ Water resource use tax - 1.4 trillion soums (21%).

As taxes play a crucial role in replenishing the state budget, it is essential to implement the incentive mechanisms of tax policy. The benefits and preferences granted to taxpayers are having a positive effect on the growth of tax revenues. Consequently, more budget funds can be allocated to other sectors, and greater attention can be paid to the development of the social sphere. If tax policy is properly directed, state budget revenues will be strengthened, their stability ensured, and the budget deficit will be reduced.

Numerous reforms are being implemented to ensure the stability of the state budget. With the upper limit of the consolidated budget deficit set at 3 percent for 2025, the annual ceiling for new external debt agreements is being established at 5.5 billion US dollars. Of this amount, 3 billion US dollars are designated for state budget support, and 2.5 billion US dollars are for financing investment projects.

It has been determined that at least 50 percent of the revenues from property and land taxes from individuals; income tax paid by individuals based on the annual declaration of income from property leases; income tax paid by individual entrepreneurs; tax for the use of water resources; tax for the use of subsoil for non-metallic construction materials; turnover tax; and property and land

¹ O'zbekiston Respublikasi Soliq qo'mitasi ma'lumotlari asosida, <https://gov.uz/oz/soliq>

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taxes from legal entities (excluding large taxpayers) will be transferred to the budgets of districts and cities, along with proceeds from the lease of state assets. This measure aims to ensure the budgetary stability of the regions.

Recommendations and Conclusions. The research results show that tax policy is of great importance in ensuring the stability of the state budget. Tax policy serves not only as the primary source of budget revenues but also as a factor that promotes economic growth. Experience demonstrates that when tax policy in Uzbekistan is effectively organized, budget revenues increase, entrepreneurial activity grows and develops, and investment inflows expand. Furthermore, the digitalization of tax administration will significantly reduce the shadow economy, which in turn will lead to an increase in tax revenues. To ensure budgetary stability, it is necessary to expand sources of income beyond tax receipts and to support investment projects.

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