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## THE ROLE OF VALUE ADDED TAX IN THE FORMATION OF BUDGET REVENUES, USING THE EXPERIENCE OF FOREIGN COUNTRIES

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**Abstract: Objective:** This study aims to assess the role of Value-Added Tax (VAT) in the fiscal policy of Uzbekistan, focusing on its contribution to state budget revenues, comparing it with VAT systems in Italy and the Russian Federation, and identifying strategies for improving VAT administration through reforms and digital technologies. **Methods:** A comparative analysis was conducted using quantitative methods, analyzing VAT data from Uzbekistan, Italy, and the Russian Federation from 2017 to 2023. Key indicators such as the share of VAT in budget revenues and tax elasticity were used to evaluate the dynamic effectiveness of VAT collection. Data sources included government reports and international financial institutions. **Results:** The results show that Uzbekistan's VAT revenue share in the budget is higher than that of Italy and Russia, with notable fluctuations across the years. Uzbekistan's systemic reforms have emphasized modernizing tax systems and reducing the shadow economy, leading to a more efficient tax collection process through digital technologies. **Novelty:** The study highlights the importance of VAT reforms in Uzbekistan, proposing a strategic framework to modernize VAT administration, including improved tax rates, legal procedures, and inter-budgetary distributions. This research contributes new insights into optimizing VAT systems in transitional economies, particularly in the context of digitalization and tax efficiency.

**Keywords:** budget revenues, economic efficiency of tax policy, VAT revenues in the republic of uzbekistan, italy, and the russian federation, VAT revenues in the formation of state budget revenues

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### Introduction

Value-Added Tax (VAT) plays a critical role in the economic development of nations by contributing significantly to state budget revenues and fostering economic stability. In Uzbekistan, systemic reforms are being implemented to enhance tax administration, strengthen the role of VAT in fiscal policy, and address the challenges posed by the shadow economy. These reforms aim to increase tax compliance, improve the efficiency of VAT collection, and promote socio-economic development across regions through modernized tax systems and digital technologies [1], [2].

Analyzing the fiscal performance of VAT in Uzbekistan compared to other countries, such as Italy and the Russian Federation, provides valuable insights into the efficiency and effectiveness of VAT administration. The comparative analysis of VAT revenues highlights differences in reliance on indirect taxation, the elasticity of tax revenues to GDP, and the broader socio-economic implications of VAT policies [3], [4].

This study explores the dynamics of VAT revenue contributions to the state budget in

Uzbekistan, focusing on their role in fostering economic growth and addressing challenges in tax policy [5]. Through a comprehensive review of statistical and dynamic indicators, this research examines the effectiveness of VAT in budget formation and identifies strategies for optimizing its administration. The findings aim to contribute to the ongoing discourse on VAT reform, offering practical recommendations for enhancing tax systems in transitional economies like Uzbekistan [6].

The study's outcomes are expected to inform policymakers on leveraging VAT for socio-economic development while ensuring fiscal efficiency and equity in tax administration.

## Methods

This study employs a comparative analysis approach to assess the effectiveness of Value-Added Tax (VAT) revenues in the formation of state budget revenues across Uzbekistan, Italy, and the Russian Federation from 2017 to 2023. The research utilizes a quantitative methodology, focusing on statistical analysis and elasticity indicators to examine changes in VAT share in the budget over time and compare fiscal positions. Data for this study were collected from official fiscal statistics on VAT revenues and indirect taxes in the three countries. The primary data sources include government reports, international financial institutions, and tax administration documents. Statistical indicators such as the share of VAT in state budget revenues and changes in VAT revenue over time were used to assess budget efficiency [7]. Additionally, the study applies the tax elasticity indicator to analyze the dynamic effectiveness of VAT revenue collection in relation to changes in GDP. This elasticity analysis helps to evaluate the responsiveness of VAT revenues to economic growth. By comparing VAT flexibility across Uzbekistan, Italy, and the Russian Federation, the research highlights differences in the efficiency of VAT tax systems and identifies best practices for potential reforms [8]. The study aims to provide insights into how VAT administration can be improved in Uzbekistan to enhance revenue collection and fiscal stability.

## Results and Discussion

Uzbekistan is implementing systemic reforms aimed at improving tax administration, increasing the role of taxes in shaping state budget revenues to ensure economic growth, creating a continuous value chain by ensuring the full participation of value-added tax participants in tax processes, reducing the scale of the shadow economy, shaping tax culture among citizens, identifying and utilizing reserves and opportunities for socio-economic development of regions [9].

**Table 1.** Statistical analysis of the share of VAT revenues in the formation of budget revenues in the Republic of Uzbekistan, Italy, and the Russian Federation in 2017-2023.

Years	Republic of Uzbekistan		Italy		Russian Federation	
	Indirect Taxes	VAT	Indirect Taxes	VAT	Indirect Taxes	VAT
2017	54,6	35,5	29,13	21,09	39,14	35,01
2018	53,7	33,4	29,63	21,14	31,94	28,17
2019	45,8	30,1	29,83	21,09	30,28	26,31
2020	38,5	23,5	29,02	20,83	30,08	25,11
2021	34,2	23,3	28,89	19,96	30,32	25,26
2022	69,8	53,3	28,7	19,3	31,2	25,1

2023	84,5	63,7	28,6	18,7	30,7	25,1
2017-2023 average	54,4	37,5	29,1	20,3	31,9	27,1

The issues of reducing the share of the shadow economy in the economy through the creation of a continuous value chain, expanding the tax revenue base of the budget require the popularization of advanced foreign experience in collecting value added tax, increasing tax collection, and improving the mechanism for collecting value added tax through the widespread introduction of digital technologies [5], [6].

Budget efficiency characterizes the ability of a particular tax to ensure revenues to the budget. It should be noted that these and subsequent names of types of fiscal efficiency reflect the specifics of the conditional and corresponding method.

The effectiveness of the budget can be determined through statistical indicators (such as the volume of tax revenues to the budget, the ratio of planned and actual revenues, the level of utilization of tax potential, the share in GDP, and others) and dynamic indicators that demonstrate the effectiveness of a particular tax in relation to other economic parameters (for example, using elasticity indicators) [1].

To assess the effectiveness of the statistical budget of excise tax revenues in the Republic of Uzbekistan, we will analyze changes in the share of budget revenues in 2017-2023. For comparison, we will assess the fiscal position of VAT revenues in budget revenues in the Republic of Uzbekistan, Italy, and the Russian Federation (Table 1). An analysis of the data in Table 1 provides grounds for the following considerations.

Firstly, in each of the compared countries, indirect tax revenues, including VAT revenues, are directly involved in the formation of state budget revenues, and any new government decisions on indirect taxes or VAT have a direct impact on the fiscal significance of these taxes [3].

Secondly, the share of indirect taxes in the formation of state budget revenues in the Republic of Uzbekistan from the compared countries was 1.39 times (54.6:39.14) higher than in the Russian Federation in 2017, and 1.87 times (54.6:29.13) higher than in France, and in 2021 it was 1.12 times (34.2:30.32) and 1.18 times (34.2:28.89), respectively.

The priority of reliance on these indirect taxes in the formation of state budget revenues in our country is even more widely manifested in excise tax revenues [2], [4]: The share of VAT revenues in the formation of state budget revenues in the Republic of Uzbekistan in 2017 was 1.013 times (35.5:35.01) higher than in the Russian Federation [7], and 1.68 times (35.4:21.09) higher than in Italy, and in 2021 it was 0.92 times (23.3:25.26) and 1.17 times (23.3:19.96) respectively. This fact confirms that the priority of indirect taxation is characteristic of developing countries and countries with economies in transition, while its role in developed countries is less significant due to the influence of other social and economic institutions.

Thirdly, the pattern characteristic of the Republic of Uzbekistan and the Russian Federation for 2017-2023 is that the share of indirect tax revenues in the formation of budget revenues tends to decrease: during this period, this indicator decreased by 20.4% (54.6-34.2) in the Republic of Uzbekistan and 8.82% (39.14-30.32) in the Russian Federation.

Thus, the analysis showed that in terms of statistical indicators of budget results, VAT has a high share in the structure of indirect taxes in the Republic of Uzbekistan, its share in the structure of

indirect taxes is 88.0%.

To assess the dynamic effectiveness of the budget, consider the tax elasticity indicator, which is determined by the ratio of tax revenues to changes in gross domestic product:

$$E_i = \frac{\Delta ST / ST}{\Delta YaIM / YaIM} \quad (1)$$

Where:  $E_i$  - is the tax elasticity under consideration for GDP;  $\Delta ST$  - growth of tax revenues for a certain period (in current prices);  $\Delta GDP$  - GDP growth for the same period (in current prices).

Formula (1) allows us to estimate how a 1% increase in GDP will affect a particular tax collection.

If  $y = 1$ , then we are talking about synchronizing GDP and tax revenue growth and maintaining the share of taxes in GDP. A one percent increase in GDP with  $E_i < 1$  leads to a slow increase in tax revenues, in this case, we can talk about the stability of establishing a particular type of tax and the effectiveness of a particular tax. With  $E_i > 1$ , we are conversely talking about a rapid increase in tax. The last two cases indicate the inefficient establishment of the tax system and the need to reduce the impact of disruption.

**Table 2.** Analysis of VAT tax flexibility in the formation of budget revenues in the Republic of Uzbekistan, Italy, and the Russian Federation in 2017-2023.

Countries	Indirect taxes	VAT
Republic of Uzbekistan	0,975	0,937
Italy	0,925	0,910
Russian Federation	0,740	0,211

As can be seen from the data in Table 2, the dynamic efficiency in the formation of budget revenues in the Republic of Uzbekistan, expressed by the flexibility of VAT taxation, shows a higher result than in both countries being compared, the Russian Federation's tax system is much more developed in terms of the dynamic efficiency of VAT collection than in the French tax system, which is due to the greater importance of indirect taxes in the budget of the Russian Federation compared to Italy.

Overall, the generalization of global experience in the development of tax systems confirms that VAT administration should be organized in accordance with the trends in the modernization of the tax system.

The historical evolution of the tax system has led to the formation of two main concepts of VAT collection, which primarily have administrative or liberal characteristics.

The theoretical generalization of the results of the analysis of models for the development of the VAT collection system allows for the identification of its main participants, factors, elemental base, methods and mechanisms for collecting VAT, and based on this, the structure and target indicators for the formation of a general model for the long-term development of VAT administration are substantiated.

In the process of forming the elements of the VAT system, they were combined into five strategic functional blocks: subjects and objects of taxation, tax rates of VAT, legal procedure for calculating and collecting VAT, inter-budgetary distribution of VAT and tax regimes for their control.

The methodological justification and practical application of these structural processes will contribute to the development of VAT policy, strategy, and tactics for further reform of VAT taxation.

At the same time, targeted directions for their implementation have been formulated, taking into account the increase in VAT replenishment and the volume of state budget revenues, as well as maintaining a high level of excise relations between various authorities and the public, which are the subject of scientific discussions.

It is evident that, depending on the situation and the strategic direction of state regulation of VAT, it is necessary to distinguish between the social direction of forming VAT revenues, characterized by optimizing the motivational and social direction, which seeks to ensure economic efficiency.

Based on this, we believe that further improvement of VAT administration can be achieved, primarily through a systematic reform of the entire elemental VAT base, which provides for the formation of the tax burden based on the threshold value of the tax burden and the level of VAT capacity of budget revenues, taking into account the commonality of interests of subjects of taxation, goods (works and services) subject to VAT and state consumers.

Therefore, it should be noted that the size of the tax base largely depends on the size of VAT and is aimed at ensuring the implementation of state functions - the state and enterprises paying VAT are driven by increased business activity.

## Conclusion

The study highlights the critical role of VAT in forming state budget revenues in Uzbekistan, Italy, and the Russian Federation. The comparative analysis underscores Uzbekistan's efforts to enhance VAT administration through systemic reforms, with a focus on increasing tax compliance, reducing the shadow economy, and modernizing tax systems. While Uzbekistan's reliance on VAT has been significant, there is a trend of decreasing VAT shares in the budget over time, reflecting broader fiscal challenges. The dynamic effectiveness of VAT collection, indicated by elasticity, shows Uzbekistan's VAT system is more responsive compared to the other two countries, suggesting room for further improvements in efficiency. The findings emphasize the importance of continued reforms and modernization of VAT administration to enhance fiscal stability and economic growth. Effective tax systems, particularly through digital technologies, can help Uzbekistan optimize VAT revenues, supporting socio-economic development in the long term.

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