ISSUES OF INTRODUCING A PROCEDURE FOR ASSESSING THE EFFECTIVENESS OF TAX AND CUSTOMS BENEFITS

Turabov Ulug'bek Olimjonovich
Independent Researcher at Tashkent State University of Economics
ORCID: 0009-0008-6817-6842

Abstract
The efficiency tax exemptions, the dynamic of tax preferences, and the role of tax expenditures in economic growth are given in this article. Also the lack of unique approach of estimating efficiency of tax preferences and disproportion of economic competition equilibrium in the result of tax exemptions are described. Based on international experiences and analysis in this sphere scientific-practical conclusions and proposals were developed.

Keywords: Tax policy, tax exemptions, register of tax exemptions, efficiency of tax exemptions, initiator-organization, stimulating exemptions, system exemptions, social exemptions, budget efficiency, economic efficiency, social efficiency.

Introduction

The formation of state budget revenues is one of the most powerful instruments in economic policy. Especially in developing countries, due to the low level of total savings, the state budget is the main fund, and the allocation of costs in the form of a "tax burden" to economic entities in its formation is of great importance for economic growth.

The need for scientific and theoretical approaches to replenishing the state treasury and the importance of following them can be explained by the following:

- Globalization in the 21st century, the development of technology and equipment are the basis for the transition from classical to neoclassical management of the economy. As a result, the state's tax and customs policy should be carried out in harmony with the management of aggregate demand;

- The formation of the most optimal tax and customs policy for the state, based on the structure of the state's economy, the state of the capital and labor markets, in itself requires scientific and theoretical approaches, especially optimization issues;

- The issues of granting tax and customs privileges, in which cases it is preferable to borrow from external sources instead of taxes, and the use of a balanced budget multiplier also involve conflicting approaches, and it is necessary to choose the most appropriate one among them;

- The stages of production, the distribution of the tax burden between the consumer, the owner of capital, and labor resources also have different scientific and theoretical approaches.

Literature Review

The main economic category studied within the framework of the topic is the concept of tax incentives, and let us dwell in detail on the definitions given in relation to tax incentives.

Nezamaykin and Yurzinova (2004) say that a tax incentive is the provision of certain categories of taxpayers, in comparison with other taxpayers, of advantages provided for by tax legislation, including the opportunity to not pay taxes or fees or to pay them in a smaller amount.

Mayburov (2011) considers tax incentives to be benefits that allow changing the tax payment deadline in accordance with the procedure established by law, and they are divided into several forms: tax credit, investment tax incentive, tax holiday.

Milyakova (2008) says that a tax incentive is the provision of certain categories of taxpayers, in comparison with other taxpayers, including the opportunity to not pay taxes or fees or to pay them in a smaller amount.

Rakhmatullaeva (2016) defined tax incentives as a category as follows: "incentives are a set of ways, rights and obligations to completely or partially reduce the tax obligations of a taxpayer in the manner established by law in order to regulate the economy by the state and solve social problems.

Zavalishina (2005) Tax incentives are understood as granting certain categories of taxpayers, in comparison with other taxpayers, advantages provided for in tax legislation, including the possibility of not paying taxes (duties) or paying them in a smaller amount.

Joraev et al. (2009) Tax incentives are various tax reliefs for taxpayers, which can be temporary and permanent, full or partial, and in other forms.

Baladina (2011) defined this in the following way: tax preferences are priorities provided by the state to certain taxpayers in order to reduce their tax liability, which must be fulfilled in a mandatory manner.

Therefore, there are a number of problems that require scientific research regarding the provision of tax benefits, their systematization, and the increasing complexity of the competitive environment as a result of their implementation.

3. Research Methodology

This article uses comparative analysis and induction and deduction evaluation methods. Using the comparative method, data on tax incentives and their analysis were collected and scientific conclusions were drawn.

Analysis and Discussion of Results

In order to create equal competitive conditions for all business entities within the framework of tax reforms, tax authorities have carried out a number of works on the abolition of tax privileges, their accounting and regulation of the process of their use.

Today, scientific research is being conducted in the world to optimize the tax burden by unifying tax types and rates, abolish ineffective tax privileges, effectively regulate the economy through taxes, rationally use the incentive function of taxes, increase the effectiveness of tax privileges in stimulating innovative and investment activities in mining enterprises, and strengthen the role of taxes in increasing the financial and economic activity of enterprises.

Table 1 Dynamics of basic tax rates in 2018-2023[1] (in percent)

№	Name of taxes	2018	2019	2020	2021	2022	2023
1	**Profit tax**	14	12	15	15	15	15
2	**Turnover tax**	6	4	4	4	4	4
3	**Personal income tax**	0-22	12	12	12	12	12
4	**Value added tax**	20	15	15	15	15	12
5	**Property tax for legal entities**	5	2	2	2	2	1,5

The corporate income tax rate was increased from 14 percent to 15 percent (see Table 1). The value-added tax rate was reduced from 20 percent to 15 percent. The property tax rate for legal entities was 5 percent in 2018, and was reduced to 2 percent from 2019. While the personal income tax was introduced in a progressive manner in 2018, a flat rate of 12% was introduced from 2019. According to research by an independent US tax policy research institute, tax rate reductions are a key factor in improving gross domestic product and other economic indicators. It can be concluded that tax reforms in the republic remain one of the driving factors in the development of the national economy. Many changes have also occurred in the period under review regarding value-added tax. In particular, the obligation to pay this tax has been introduced for entities with an annual turnover of more than 1 billion soums, and privileges have been canceled. In particular, starting from 2020, the negative balance formed on value-added tax has become fully refundable, previously it was refunded only to exporters under a number of conditions. Studies conducted by Ray Barrel and Martin Will noted that reducing the value-added tax rate has yielded good results in terms of GDP growth and price reduction, and additional data can be obtained to expect such positive results in the republic. Since 2019, in Uzbekistan, due to the reduction in the value-added rate and the cancellation of a number of privileges, this coefficient has been increasing over the years 2018-2023. This increase in the coefficient means that the majority of turnover in the economy is taxed by value added tax. The abundance of privileges leads to a violation of the healthy competitive environment in the economy. In addition, the fact that the value added created by small businesses that previously applied the simplified taxation procedure was not taxed would also cause the coefficient to decrease.

In modern scientific research, there are the following main areas of state budget revenue formation (Figure 1).

---

[1] Compiled by the author..

To study the nature of taxes and their elements

To study the suitability of the tax system to the needs of the state

Analysis of the distribution of the tax burden in society

Analysis of the development trend of the tax system

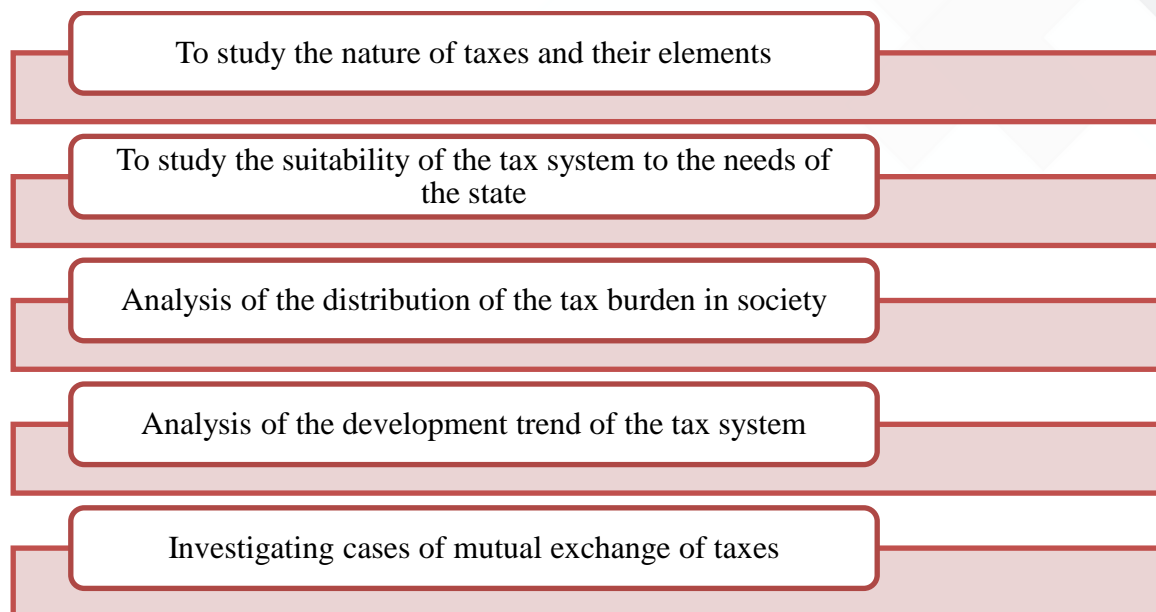| Investigating cases of mutual exchange of taxes |
|---|

Figure 1. Stages of tax policy development [2]

Of course, it is impossible to fully and deeply study all aspects of the formation of state budget revenues in one scientific work. Nevertheless, optimal solutions and scientific recommendations have been identified for each area.

Tax and customs reforms have also had an impact on changes in state budget tax revenues. We would like to briefly dwell on the tax reforms carried out in 2018-2023 and their results.

Table 2Analysis of Value Added Tax Revenues in Uzbekistan [3] (billion soums)

№	Name of taxes	2018	2019	2020	2021	2022	2023
1	Final consumption volume	321 527,8	403 230,2	454 349,5	563 971,3	699 497,1	857 386,2
2	Value added tax	27 876,5	33 809,8	31 177,4	38 439,0	52 189,4	59 838,1
3	Value added tax rate, %	20	15	15	15	15	12
4	C-efficiency ratio koeffitsienti	0,43	0,56	0,46	0,45	0,50	0,58

As can be seen from Table 2, the calculated coefficient increased from 0.43 in 2018 to 0.58 in 2023. This quantitatively demonstrates the results of the above-mentioned measures. According to Ukrainian researchers, this coefficient is 0.71 in Ukraine, 0.72 in Austria, 0.69 in Belarus, 0.63 in Belgium, 0.68

---

[2] Compiled by the author.
[3] Compiled by the author.

in the Czech Republic, 0.81 in Estonia, 0.54 in Portugal, 0.76 in Norway, and 0.50 in Poland.[4] These indicators indicate the need to continue reforms in the country's value-added tax system.

The reduction of tax incentives leads to the distortion of healthy competition. Of course, tax incentives have their place in economic development, but they negatively affect economic efficiency by creating inequality between market participants. For example, analyses by the Institute for Strategy and Business Economics in Zurich confirm that value-added tax incentives reduce economic efficiency.[5]

Table 3 Dynamics of tax benefits [6]

№	2018	2019	2020	2021	2022	2023
Tax incentives, trillion soums	21,8	26,5	33,2	36,0	38,2	41,1
As a percentage of GDP	6,1	5,2	4,7	4,5	4,3	3,9

During this period, tax incentives decreased by 1.8 percentage points relative to GDP, from 6.1 percent in 2018 to 3.9 percent in 2023 (see Table 3).

The presence of incentives also affects tax revenues. In particular, entities that pay taxes to the budget in order to use this incentive also try to evade taxes in various ways.

The decrease in incentives indicates that the financial situation of taxpayers is strengthening. For example, if tax incentives were supposed to be provided to entities starting production or manufacturers making large investments to expand the tax base, in practice, only those who managed to get incentives received them, and in addition, tax incentives increased due to a one-sided approach to policy.

Based on the above, we believe that the assessment of tax and customs privileges should be carried out in the following order:

Tax and customs privileges - advantages provided for by tax legislation for certain categories of taxpayers in relation to other taxpayers, including the opportunity to not pay taxes or pay them in a lower amount;

The register of tax and customs privileges - a classified list of regulatory legal acts providing for tax privileges, maintained by the Ministry of Economy and Finance;

Privilege effectiveness - a quantitative assessment of the achievement of the intended goal of granting the privilege;

---

[4] https://mpra.ub.uni-muenchen.de/66422/
[5] http://ssrn.com/abstract=1683595
[6] Compiled by the author.

Initiating agencies and organizations - sectoral agencies and organizations that have submitted a proposal to introduce or extend the term of privileges;

Preliminary assessment of effectiveness - forecasts of the effectiveness expected to be achieved as a result of granting privileges, carried out by the initiating agency and organization before the introduction of new privileges;

Final assessment of effectiveness - an assessment by the Ministry of Economy and Finance of the privileges provided based on the provisions of this Regulation.

In order to assess the effectiveness of incentives, the Ministry of Economy and Finance divides incentives into the following types:

Incentive incentives - incentives provided by the direction of economic activity, type of goods (services), form of ownership or for the accelerated development of economic entities located in certain regions;

Systemic incentives - incentives provided to create the necessary conditions for ensuring sustainable economic development, as well as to categories of taxpayers whose activities affect economic development (road economy, transport, municipal sector, scientific and technological sector, innovative sector, etc.);

Social incentives - incentives aimed at supporting socially significant activities of certain categories of citizens and taxpayers.

Evaluation of the effectiveness of incentives is carried out on incentives included in the incentive category.

The effectiveness assessment is carried out for one fiscal year in the section of the document in which the benefit is presented.

According to the results of the final assessment, benefits with low effectiveness must be canceled or revised.

The ministries and departments that take the initiative in draft regulatory legal acts that provide for the introduction of new benefits must submit the results of the preliminary effectiveness assessment to the Ministry of Economy and Finance.

Failure to submit these calculations is grounds for rejecting the project.

Organization of assessment of the effectiveness of privileges

1. Assessment of effectiveness is carried out in the information system program of the Ministry of Economy and Finance based on the following data:

financial, tax reports of beneficiaries of privileges;

data from sectoral or statistical agencies;

results of a survey conducted in accordance with the established procedure;
and other data.

2. A Council shall be established at the Ministry of Economy and Finance to assess the effectiveness of tax and customs privileges. The Council shall include representatives of the Ministry of Economy and Finance, the Tax Committee, the Customs Committee, the Statistics Agency, the Chamber of Commerce and Industry, and representatives of the public as permanent members.

Sectoral ministries and organizations may participate in meetings to assess the effectiveness of privileges.

3. The effectiveness of tax and customs privileges is calculated based on the following indicators:

Budgetary effectiveness - is assessed based on criteria such as the total amount of privileges provided or planned, areas of expenditure of freed funds, and the need for additional funds.

Economic effectiveness - is assessed using indicators such as the change in the value of the organization's fixed assets, the number of types of goods and services, income, profit, and profitability.

Social effectiveness - is assessed based on criteria such as the number of employees in entities using the privilege, the number of newly created jobs, the wage fund, and positive changes in the average monthly salary.

4. The overall effectiveness indicator for each privilege is determined by weighting the indicators listed below, with a total value equal to 1:

Table 4 Efficiency Indicators[7]

№	Efficiency indicators	Weight
1.	**Efficiency in terms of budget revenues**	
	Losses of republican budget revenues	
	Losses of regional budget revenues	
	Losses of district (city) budget revenues	
	Losses of pension fund revenues	
2.	**Economic efficiency**	
	Change in the volume of production of products (works, services)	
	Change in the level of profitability	
	Change in the value of fixed assets and intangible assets	
	Change in the solvency ratio	
	Change in the liquidity ratio	
	Change in the volume of investment	
	Change in the volume of imports	
	Change in the volume of energy resources used	
	Share of environmental protection costs in the structure of production costs	
	Change in the volume of water used	

---

[7] Compiled by the author.

№	Efficiency indicators	Weight
	Share of the number of users of the privilege in the total number of payers by sector	
	Total products (works, services) produced by users of the privilege share of the sector in gross product	
	Share of preferential imports in total imports (for the same commodity)	
	Increase in export volume	
3.	**Social efficiency**	
	Creation of new jobs	
	O'rtacha ish haqining o'zgarishi	
	Change in average wages Share of environmental protection costs in production costs	
	Change in the volume of water used	

The Council shall determine separate weights for each of the available benefits.

1. Efficiency indicators shall be determined by the following formulas:

Calculation of budget efficiency indicators

Republican budget revenue losses

$$EL_1 = \frac{SL_1}{TR_1}*(-1) \qquad (1)$$

EL_1 -   efficiency in terms of losses of republican budget revenues

SL_1 -   losses of republican budget revenues

TR_1 -   total revenues of the republican budget

Budget revenue losses of the Republic of Karakalpakstan, regions and the city of Tashkent

$$EL_2 = \frac{SL_2}{TR_2} * (-1) \qquad (2)$$

EL_2 -   Efficiency in terms of revenue losses of the budgets of the Republic of Karakalpakstan, regions and the city of Tashkent

SL_2 -   Revenue losses of the budgets of the Republic of Karakalpakstan, regions and the city of Tashkent

TR_2 -   Total revenue of the budgets of the Republic of Karakalpakstan, regions and the city of Tashkent

Losses of district (city) budget revenues

$$EL_3 = \frac{SL_3}{TR_3} * (-1) \qquad (3)$$

EL_3 -   efficiency in terms of revenue losses of the district (city) budget

SL_3 -   revenue losses of the district (city) budget

TR_3 -   total revenue of the district (city) budgets

Pension fund income losses

$$EL_4 = \frac{SL_4}{TR_4} * (-1) \qquad (4)$$

EL_4 - Efficiency in terms of pension fund revenue losses

SL_4 - Pension fund budget revenue losses

TR_4 - Total pension fund budget revenues

Calculation of economic efficiency indicators
Change in the volume of production of products (works, services)

$$EE_1 = \left(\sum_{i=1}^{n} \frac{Min(0;(T_{ti}-T_{ti-1})*Max(T_{ti-1};1))}{Max(T_{ti-1};1)} - 1\right) * \frac{1}{n} \qquad (5)$$

EE_1 - efficiency in terms of change in the volume of production of products (works, services)

i - serial number of those who used the privilege

n - total number of those who used the privilege

T_{ti} - net revenue from the sale of products (works, services) of the i-entity that used the privilege in the reporting period

T_{ti-1} - net revenue from the sale of products (works, services) of the i-entity that used the privilege in the year preceding the reporting period - if there is no full annual data, then "0" is accepted

Change in profitability level

$$EE_2 = \left(\sum_{i=1}^{n} Min(0; (P_{ti} - P_{ti-1}) * Max(P_{ti-1}; 1)) - 1\right) * \frac{1}{n} \qquad (6)$$

EE_2 - efficiency in terms of change in profitability

i - serial number of those who used the privilege

n - total number of those who used the privilege

P_{ti} - profitability of the i-entity that used the privilege in the reporting period

P_{ti-1} - profitability of the i-entity that used the privilege in the year preceding the reporting period - if there is no full annual data, then "0" is accepted

Changes in the value of fixed assets and intangible assets

$$EE_3 = \left(\sum_{i=1}^{n} \frac{Min(0;(Ass_{ti}-Ass_{ti-1})*Max(Ass_{ti-1};1))}{Max(Ass_{ti-1};1)} - 1\right) * \frac{1}{n} \qquad (7)$$

EE_3 - efficiency in terms of changes in the value of fixed assets and intangible assets

i - serial number of those who used the privilege

n - n - total number of those who used the privilege

Ass_{ti} - value of fixed assets and intangible assets of the i-entity that used the privilege at the end of the reporting period

Ass_{ti-1} - value of fixed assets and intangible assets of the i-entity that used the privilege at the beginning of the reporting period - if there is no full annual data, then "0" is accepted

Change in solvency ratio

$$EE_4 = \left(\sum_{i=1}^{n} Min(0; (Pay_{ti} - Pay_{ti-1}) * Max(Pay_{ti-1}; 1)) - 1\right) * \frac{1}{n} \qquad (8)$$

EE_4	-	efficiency in terms of changes in the level of solvency
I	-	serial number of those who used the privilege
n	-	total number of those who used the privilege
Pay_{ti}	-	solvency ratio of the i-subject who used the privilege in the reporting period
Pay_{ti-1}	-	solvency ratio of the i-subject who used the privilege in the year preceding the reporting period - if there is no full annual data, then "0" is accepted

<center>Change in liquidity ratio</center>

$$EE_5 = \left(\sum_{i=1}^{n} Min(0; (L_{ti} - L_{ti-1}) * Max(L_{ti-1}; 1)) - 1\right) * \frac{1}{n} \tag{9}$$

EE_5	-	efficiency in terms of changes in the level of liquidity
I	-	serial number of those who used the privilege
n	-	total number of those who used the privilege
L_{ti}	-	liquidity ratio of the i-entity that used the privilege in the reporting period
L_{ti-1}	-	liquidity ratio of the i-entity that used the privilege in the year preceding the reporting period - if there is no full annual data, then "0" is accepted

<center>Change in investment volume</center>

$$EE_6 = \left(\sum_{i=1}^{n} \frac{Min(0; (In_{ti} - In_{ti-1}) * Max(In_{ti-1}; 1))}{Max(In_{ti-1}; 1)} - 1\right) * \frac{1}{n} \tag{10}$$

EE_6	-	efficiency in terms of change in investment volume
I	-	serial number of those who used the privilege
n	-	total number of those who used the privilege
In_{ti}	-	amount of investments of the i-entity that used the privilege in the reporting period
In_{ti-1}	-	amount of investments of the i-entity that used the privilege in the year preceding the reporting period - if there is no full annual data, then "0" is accepted

Change in import volume

$$EE_7 = \left(\sum_{i=1}^{n} \frac{Min(0; (Im_{ti} - Im_{ti-1}) * Max(Im_{ti-1}; 1))}{Max(Im_{ti-1}; 1)} - 1\right) * \frac{1}{n} \tag{11}$$

EE_7	-	efficiency in terms of change in import volume
I	-	serial number of those who used the privilege
n	-	total number of those who used the privilege
Im_{ti}	-	import volume of the i-subject who used the privilege in the reporting period
Im_{ti-1}	-	import volume of the i-subject who used the privilege in the year preceding the reporting period - if there is no full annual data, then "0" is accepted

Changes in the volume of energy resource use

$$EE_8 = \left(\sum_{i=1}^{n} \frac{Min(0;(ER_{ti}-ER_{ti-1})*Max(ER_{ti-1};1))}{Max(ER_{ti-1};1)} - 1\right) * \frac{1}{n} \qquad (12)$$

EE_8 - fficiency in terms of changes in the volume of energy use

I - I - serial number of those who used the privilege

n - n - total number of those who used the privilege

ER_{ti} - volume of energy resources used by the i-subject who used the privilege in the reporting period

ER_{ti-1} - volume of energy resources used by the i-subject who used the privilege in the year preceding the reporting period - if there is no full annual data, then "0" is accepted

Conclusions and Proposals

Based on the above, we believe that the following work should be carried out to assess the effectiveness of tax and customs privileges:

1. Launch a single platform at the Ministry of Economy and Finance based on data from tax and customs offices (automation of business processes, automated decision-making based on modern technologies, work with big data (Big Data), launch of the "Business Intelligence" analytical system);

2. Re-register all existing privileges, assess their effectiveness based on the above-mentioned procedure, and publish conclusions;

3. Conduct analyses of distortions of economic competition based on socio-economic analyses of privileges whose effectiveness has been determined;

4. Introduce a financial expertise procedure that obliges all newly introduced privileges and other preferences to determine their effectiveness based on this procedure.

Reference:

1. Ўзбекистон Республикаси Президенти Ш.Мирзиёевнинг Мамлакатимиз тадбиркорлари билан очиқ мулоқот шаклидаги учрашувда сўзлаган нутқи. 2021 йил 20 август. – https://president.uz/uz/lists/view /4551

2. Ўзбекистон Республикаси Солиқ кодекси- Тошкент: Ғафур Ғулом нашриёт уйи 2020.- 640 б.

3. Ўзбекистон Республикаси давлат солиқ қўмитаси маълумотлари. www.soliq.uz.

4. Маъруза (2020) Ўзбекистон Республикаси Президенти Ш.Мирзиёевнинг 2020 йил 26 март куни коронавирус инфекцияси тарқалишига қарши курашишни кучайтириш масалаларига бағишланган видеоселектор йиғилишидаги маърузаси// Тошкент. 2020 йил, 26 март.

5. Александров И. М. (2009) Налоги и налогообложение: Учебник / И. М. Александров. — 10-е изд., перераб. и доп. — М.: Издательско- торговая корпоratsiя «Дашков и К, 228 с.

6. Жўраев А., Тошматов Ш., Абдурахмонов О. (2009) Солиқлар ва солиққа тортиш. Ўқув қўлланма. Т.: NORMA. 184- бет.

7. Баладина А.С. (2011) Анализ теоретических аспектов налоговых льгот и налоговых преференций // Вестник Томского государственного университета- №4(16)- С. 45-60.

8. Рахматуллаева Ф. (2016) −Солиқ имтиёзларининг моҳияти ва иқтисодиётни рағбатлантиришдаги роли. Молия илмий журнали №2/ 108 бет.

9. Незамайкин В.Н., Юрзинова И.Л. (2004) Налогооблажение юридических и физических лиц. −М.: Экзамен, С.44.

10. Майбуров И.А. (2011) Налоги и налогообложение . Ред. 4-е изд. - М: 558 с.

11. Милякова Н.В. (2008) Налоги и налогооблажение. Учебник. 7-е изд. Перераб. И доп.– М.:ИНФРА, С.33 Milyakova N.V.

12. Джулибеков Н.К. Финансово-экономические аспекты функционирования Навоийского ГМК на разных этапах развития: монография. −Ташкент: "Sahhof", 2020. -248 с., стр. 196.

13. Soliq qo'mitasi ma'lumotlari. www.soliq.uz.