

# ASSESSMENT OF THE EFFECTIVENESS OF TAX BENEFITS

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## Abstract

In recent years, the role of tax incentives and preferences has been increasing. In the conditions of the ongoing post-crisis period, many states actively apply preferential taxation as one of the main mechanisms for regulating economic relations. This tool allows you to stimulate or restrain the pace of reproduction of certain types of products, strengthen or weaken capital accumulation, expand or reduce the effective demand of the population. The provision of benefits and preferences is aimed at attracting investments in modernization and diversification, both basic and strategically important sectors of the economy, the creation of necessary infrastructure facilities.

**Keywords:** Budget; Finance; Financial Security; Tax; Tax System; Tax Potential; Territory; Tax Burden; Tax Sensitivity.

## Introduction

Tax preferences are not always accompanied by clear arguments of an economic or social nature, since this does not directly entail spending budget funds, but, as a rule, results in a reduction in budget revenues used to solve the tasks assigned to the state. Along with this, benefits represent a legitimate form of tax evasion. Their skillful use makes it possible to significantly reduce the tax burden for business entities, which in some cases may harm the economic interests of the state and budget revenues. In this regard, an ongoing assessment of the effectiveness of the benefits is required.

Currently, in Uzbekistan, the benefits provided by the Government are aimed at ensuring the accelerated development of new export-oriented industries, the implementation of modernization, technical and technological renewal of production facilities, localization of production. Unfortunately, many enterprises do not direct the funds they receive as a result of the application of benefits to expand and develop their activities. Thus, all the Government's efforts aimed at supporting both small businesses and basic industries are not yielding the expected results.

In recent years, reforms have been carried out in the Republic of Uzbekistan aimed at phasing out benefits, as well as reorienting their intended purpose.

## Literature review

One of the issues that has been the focus of scientists' attention for many years is determining the optimal, scientifically sound level of tax burden that businesses can bear. At the time, K. GOK stressed the difficulty of determining the most optimal and fair level of the tax burden, stating that "reducing the tax burden of 50 shillings per person for England and setting only 1 shilling per capita for Ostindi in simple conditions is considered excessive for them, or 6 million for Ireland. The amount of tax payable by residents is estimated at 2 million pounds in



Scotland. the payment of this amount is not considered a burden." [1] The conducted research has shown that the issues of the tax burden that falls on an individual state or specific groups of the population have always been at the center of the analysis topic, and the issue of determining the optimal scientifically justified, as well as a fair level of tax burden, taking into account all internal and external factors, has not been sufficiently studied at the enterprise scale. The tax burden in ancient times began with "tithes", which indicates an upward trend. Studying the opinions presented in the scientific literature on determining the tax burden, today, when determining this indicator, K.F. Shmelev's thoughts are remarkable. In his opinion, in addition to other listed factors, the level of tax burden is directly and indirectly influenced by such additional factors as the standard of living of the majority of the state's population, the dynamics of growth rates and age composition of the population, the economic structure of the state, the characteristic features of public spending, the current taxation system [2].

### Research Methodology

The methodology of this article uses methods of analysis and synthesis, scientific abstraction, generalization, and comparative theoretical interpretation. In addition, the scientific basis of the article consists of international research data of scientists in domestic and foreign scientific publications.

### Discussions and Results

Considering the impact of tax benefits and exemptions on the state of the economy and society, it is necessary first of all to determine their place in the tax system and compliance with the necessary qualitative characteristics. In this regard, the application of the practice of granting benefits should be accompanied by a justification of their necessity.

At the same time, the introduction of tax benefits and exemptions should be accompanied by justification of: the need and purpose of introducing a new benefit; the effectiveness of its provision and the acceptability of budget expenditures.

The main characteristic of the effectiveness of the benefits and preferences provided is the change in economic and social indicators as a result of their use in conducting macroeconomic policy over a specific period of time. As the main macroeconomic factors that most reflect the impact of financial and economic consequences from the provision of benefits on the development of the economy, the growth rates of such indicators as: investments attracted to fixed assets; manufactured industrial and agricultural products; paid services; construction work are selected. In general, the values of the economic efficiency coefficients show how many times the growth rate of the selected economic indicator outstrips the growth rate of the volume of tax benefits [3].

As for the budget efficiency coefficient, it shows how negatively the provision of tax benefits affects the formation of State and local budget revenues. After all, every benefit provided to business entities leads to a reduction in budget revenues, which in turn leads to a reduction in budget expenditures on the social sphere.

Thus, the results of efficiency calculations can be used to monitor and analyze the impact of tax benefits and exemptions on the socio-economic development of the republic and its regions. In addition, the results can be used to identify imbalances in the provision of tax benefits and

preferences in the context of the subjects of the republic and to compile a rating of their effectiveness.

**1-Table On budget revenues for the second quarter of 2024[5]**

No	Types of taxes	Revenue as of July 1, 2024	Share (percentage)
<b>Budget receipts, total</b>		45 458	100,0
1	Direct taxes	19 418	42,7
2	Indirect taxes	14 005	30,8
3	Resource fees and property taxes	8 266	18,2
4	State duty and fines	1 200	2,6
5	Other receipts and fees	2 568	5,6

Taking into account the above, it can be stated that a decrease in the number of tax benefits and exemptions, an increase in their targeting, a corresponding expansion of the tax base and a reduction in general tax rates will

stimulate sustainable economic growth in the medium and long term.

In this regard, it is advisable in the conditions of Uzbekistan to introduce a progressive form of property taxation by combining property tax and land tax into a single real estate tax.[4]

Real estate tax is applied by 130 countries of the world, and it differs in significant diversity both in terms of the legal status of the taxpayer, the object of taxation, and in ways of determining the tax base, accepted tax collection procedures.

The experience of many developed countries testifies to the significant role played by taxes on real estate as part of the general capital and property tax. Thus, revenues from this tax account for 95% of all revenues to local budgets in the Netherlands, up to 81% in Canada and up to 52% in France.

World experience shows that the real estate taxation system has proven itself well in terms of performing fiscal, incentive and social functions, both in developed countries and in countries with economies in transition.

At the same time, the process of introducing a real estate tax involves the simultaneous implementation of a set of measures taking into account the main advantages of property taxation, since it is the most reliable and stable source of budget revenues at the regional and local levels. Moreover, in practice, a well-thought-out taxation mechanism helps to increase the efficiency of resource use.

### Conclusion

At the same time, there are a number of conditions for the introduction of a real estate tax. In particular, one of these conditions is the creation of a full-fledged real estate cadastre, since accounting and valuation of real estate are the basic prerequisites for the introduction of the tax. Without full accounting of real estate and its valuation, it is impossible to ensure effective administration of this tax.

Despite significant difficulties, the introduction of a real estate tax in Uzbekistan is the most optimal way to unify taxes and strengthen the revenue base of local budgets at the current stage of development.

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