

On The Prospects Of The System Of Taxation Of Income Of Individuals

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Abstract – Based on the implementation of the objectives of the concept of improving the tax policy and additional measures to modernize the tax system in the Republic of Uzbekistan, the article examines the current state of the practice of taxing personal income, its problems and controversial issues, and also considers ways to increase its effectiveness.

The concept of social economy, applicable at all stages of the development of human society, proceeds from the need to improve the well-being of people and prevent the growth of poverty and deprivation. Therefore, the reforms carried out in our country are based on the goal of conducting a flexible tax policy in relation to the income of the population, which is aimed at raising wages at each stage of market reforms, applying a policy of maximum taxation depending on the amount of income, strong social protection and increasing the amount of transfer payments. low-income population.

Indeed, it is important to encourage the improvement of the living conditions of the population through the tax mechanism, providing employment, a further increase in their income and guaranteeing a constant increase in the value of their property and assets.

In this regard, the most important conditions are "Consistent reduction of the tax burden, simplification of the taxation system and improvement of tax administration, rapid development of the economy and increasing the country's investment attractiveness." At present, the increased importance of ensuring fuller and more efficient employment of the population, further increasing its income, ensuring a constant increase in the value of their property and assets indicates the need to improve the practice of taxing the income of individuals in the Republic of Uzbekistan.

At the same time, the article discusses the conceptual foundations and criteria for the economic efficiency of managing the practice of taxing the income of individuals at the present stage of economic liberalization and modernization in the Republic of Uzbekistan. The questions of the conceptual basis of levying taxes from individuals in the perspective of the country's socio-economic development are considered. In the tax system of the Republic of Uzbekistan, the possibilities of improving the mechanism for levying taxes on the income of individuals have been studied and recommendations have been developed.

Keywords – Taxes And Taxation, Socially Oriented Tax Policy, Income Of The Population, Sources Of Income Of The Population, Stratification Of The Population By Income Level, Poverty, Poverty Reduction, Individuals, Individual Income Tax, Elements Of Individual Income Tax, Payers Of Individual Income Tax, Object Of Taxation, Tax Base, Tax Period, Tax Rate, Progressive Rate, Proportional Rate, Single Rate, Tax Benefits, Tax Calculation Procedure, Tax Payment Procedure And Terms, Efficiency Of The System Of Taxation Of Personal Income, Directions For Improving The System Of Taxation Of Personal Income.

I. INTRODUCTION

It is known that it is important to stimulate the improvement of the living conditions of the population through the tax mechanism by ensuring the employment of the population, further increasing their income, and guaranteeing a constant increase in the value of their property and assets.

Currently, the increased importance of ensuring more full and effective employment of the population, further increasing their income, and guaranteeing a constant increase in the value of their property and assets shows the need to improve the practice of taxation of individual incomes in the Republic of Uzbekistan.

In connection with the adoption of the new version of the Tax Code of the Republic of Uzbekistan, dated December 24, 2018 No. LRU-508 "The main directions of tax and budget policy for 2019" Law on Amendments and Additions", Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. PF-4947 "On the Action Strategy for the Further

Development of the Republic of Uzbekistan" [1] and the Decision of the President of the Republic of Uzbekistan No. PQ-3856 of July 14, 2018 "On measures to improve and increase the efficiency of work to ensure the employment of the population", Resolution of the President of the Republic of Uzbekistan No. PF-60 of January 28, 2022 "New for 2022-2026 The development strategy of Uzbekistan"[2] is an important legal and regulatory framework.

In the reforms of the taxation system of individuals in Uzbekistan, attention is paid to the formation of a mutually harmonized tax system that positively affects economic growth by increasing the real income of the population on the basis of ensuring stable income from taxes, consistently reducing the tax burden.

In order to solve these issues, it is necessary to evenly distribute the tax burden among the social strata of the population in our republic, to evaluate and optimize the effectiveness of existing benefits, and to improve the system of taxation of individual incomes, which is considered an important element of the tax system in increasing the real income of the population.

II. LITERATURE REVIEW.

Today, special economic literature and the daily press express different opinions on the issue of taxing the income of individuals (Table 1).

Table 1. Interpretation of the content of tax on the income of individuals in economic literature*

№	Interpretation of the need for tax on the income of individuals	Authors	Source of literature
Foreign authors			
1.	In addition to determining the efficiency of each country's tax revenue and income redistribution, the personal income tax structure affects economic efficiency through the formal employment of workers.	Matteo Morino, Simon Pilegrino	Matteo Morino, Simone Pilegrino. Personal income tax reforms: A genetic algorithm approach. European Journal of Operational Research. https://www.scienced.com/science/article/pii/S0377221716306142 .
2.	The introduction of a single rate of tax on the income of individuals can fully cover incomes and ensure revenue efficiency.	Soren Blomquist, Laurent Simula	Soren Blomquist, Laurent Simula. Marginal deadweight loss when the income tax is nonlinear. Journal of Econometrics, http://www.sciencedirect.com/science/article/pii/S0304407618302343
3.	Researched the role of personal income tax in the state budget and tax incentives, studied the role of incentives in increasing the income of the population	Harley L. Lutz	Harley L. Lutz "The privilege of personal income taxation". Source: The Bulletin of the National Tax Association, Vol. 23, No. 1 (October, 1937), pp. 11-22. Stable URL: http://www.jstor.org/stable/41786912
Local authors			
4.	The role of personal income tax in the composition of the state budget's taxable income is highlighted	M. Khaydarov	M.Khaydarov Procedure for calculating and collecting tax from the income of individuals // Economy and finance. Economics and finance. 2010, No. 7, pp. 40-49.

5.	Tax on the income of individuals is a non-equivalent compulsory payment that citizens transfer to the state from their personal income based on the sources of any legal activity.	E. Gadoev	Gadoev E.F. Improving taxation procedures is an important factor in the development of entrepreneurship. // Economy and finance. Economics and finance. 2015, No. 1, pp. 30-37.
6.	Income tax from individuals is one of the main sources of income of the state budget, which is part of the national taxes. Its distinctive feature is that the tax is collected from the direct income of individuals.	S. Khudayberganova	Khudayberganova S.K. Analysis of personal income tax// // Economy and finance. Economics and finance. 2019, No. 4, pp. 33-38.
7.	The income tax of the social person is the type of birth of the child in Uzbekistan. This tax is currently calculated as a percentage of the total income of a social entity.	R. Khusainov	Khusainov R.R. Problems of reforming taxation of individuals in Uzbekistan. // Economy and finance. Economics and finance. 2018, No. 6, pp. 43-48.
8.	Income tax from a private person, as a sub-system of the budget-tax balance, does not reflect the balance that has arisen in the case of deducting a small amount from the income of the person to the state budget for the establishment of the state's centralized fund.	A. Bozorov	Bozopov A.A. Expressing the income tax deducted from the employee's salary in an economic-mathematical formula. "Iktisdiёт ve innsvatsisn tekhnologilap" scientific electronic journal, 2017, No. 4, p. 23-28

* Prepared by the author based on literature review.

In general, although the concept of "taxable income of natural persons" has been used since the formation of the tax system in the authors' speeches, the content of its content remains controversial, and the definition of this concept has not been strengthened by legal documents, which requires clarification of the description of existing approaches and their content. .

In our previous work, we clarified the tax administration from the income of individuals. According to it, personal income tax administration is the process of state management of the personal income taxation system aimed at ensuring the discretionary performance of tax obligations by introducing the tax status of the tax payer and tax authorities to achieve growth in cooperation on an integrated organizational and legal basis.[3]

III. ANALYSIS AND RESULTS.

Taxes paid by individuals are reflected in the financial relations that arise in the process of charging a certain part of their income to the state budget to form a centralized fund of the state.

Income tax from individuals serves to ensure social stability and increase the activity of individuals at the same time as the formation of state budget revenues.

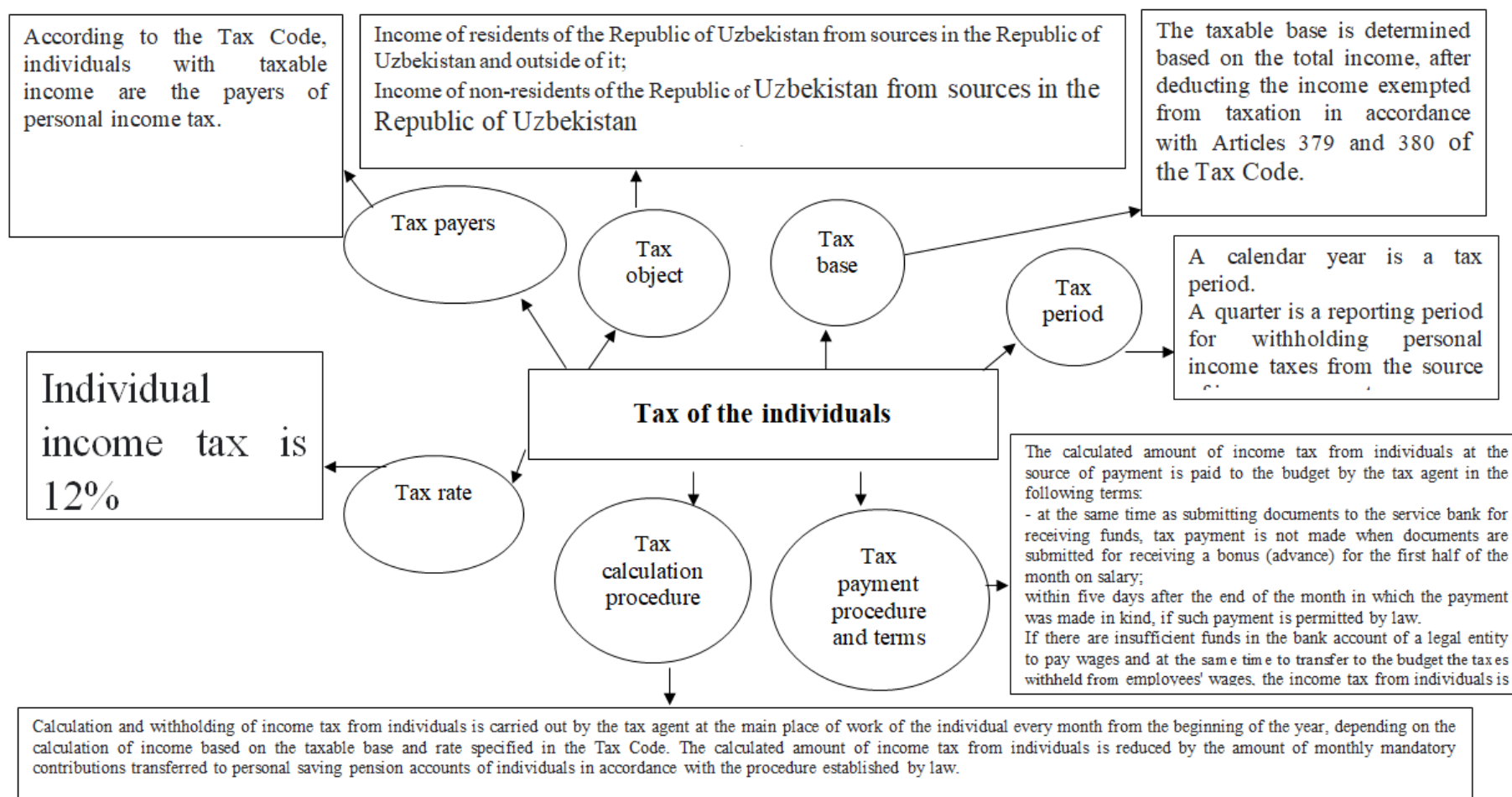


Figure 1. The main elements of income tax from individuals according to the tax legislation of the Republic of Uzbekistan¹

¹ Author's development based on the study of current tax legislation

The study of the main elements of this tax is determined on the basis of the current tax legislation (Fig. 1).

In the Decree of the President of the Republic of Uzbekistan dated June 29, 2018 "On the concept of improving the tax policy of the Republic of Uzbekistan" No. PF-5468, it was determined that its strategy and tactics should be developed to ensure the stability of the tax policy.

In order to fulfill this task, the Decision No. PQ-4389 of the President of the Republic of Uzbekistan dated July 10, 2019 "On additional measures to improve the tax administration" was adopted, and with this decision, the "Strategy for improving the tax administration" was approved.

Also, based on this decision, the main tasks and directions of the "Tax Administration Improvement Strategy" were defined.

According to the strategy, by 2021, a 1.5-fold increase in the number of individuals paying income tax was achieved.

In 2017-2021, the change of social indicators in our country - the population, GDP, state budget revenues and the growth of the minimum wage, despite the fact that the share of personal income tax in GDP and state budget revenues has a tendency to decrease, requires a relatively wider observation (Table 2).

Table 2. Analysis of the dynamics of the share of income tax revenues from individuals in the framework of macroeconomic indicators and social indicators of the Republic of Uzbekistan²

№	Indicators	Years					Change in 2021 compared to 2017 (times)
		2017	2018	2019	2020	2021	
1.	GDP, billion soum	249136,1	326900,0	524200,0	580278,6	734623,9	2,9
2.	State budget revenues, billion soum	44500,0	62229,5	112300,0	128 460,0	147 202,3	3,3
3.	Minimum wage, soum	149775	172240	223000	223 000	270 000	1,8
4.	population, thousand people	32121,7	33254,1	33900,0	34558,9	35271, 28	1,1
5.	Individual income tax, billion soum	4967,2	6398,8	12425,1	15 140,8	18 917,7	3,8
6.	The share of individual income tax in state budget revenues, in percent	10,3	8,4	11,1	11,8	12,9	2,6
7.	The share of individual income tax in GDP, in percent	1,8	1,6	2,4	2,6	2,6	1,4

According to the data of Table 3, in 2017-2021, the gross domestic product increased by 2.9 times (increased by 485,487.8 billion soums), state budget revenues by 3.3 times (increased by 102,702.3 billion soums), and the minimum wage by 1.8 times (increased by 120,225 thousand soums), personal income tax increased by 3.8 times (increased by 13,950.5 billion soums), and the population increased by 1.1 times (increased by 3,149,59 thousand people).

Therefore, we can see from the data of this table that although the income of the population is constantly increasing, the growth rate of personal income tax revenues is at a low level compared to the growth rate of state budget revenues.

² It was prepared by the author based on the information of the State Tax Committee of the Republic of Uzbekistan and the website www.stat.uz.

First of all, this situation indicates that the tax burden has decreased due to the optimization of personal income tax rates. This is also confirmed by the high growth rate of the minimum wage

The multifacetedness of the category of personal income taxation has a direct impact on its effective management, which requires the use of a special apparatus for researching the effective management of tax practice in order to improve the personal income taxation system.

Based on the rich positive experiences of global tax practice, it is appropriate to use a special "socially oriented" model of personal income taxation in our country (Fig. 2). For this, on the basis of the priority of the principle of social justice in taxation, the primary importance of indicators of social development, it is necessary to develop new criteria and indicators, which are important for the activity of tax authorities and for the activity of individuals, and the methodology of their use.

In order to solve the strategic tasks of achieving social justice and social equality, only the approach to the special model of taxation of individuals' income as a system creates the basis for making optimal management decisions, reducing the costs of tax authorities and taxpayers, and ensuring common interests.

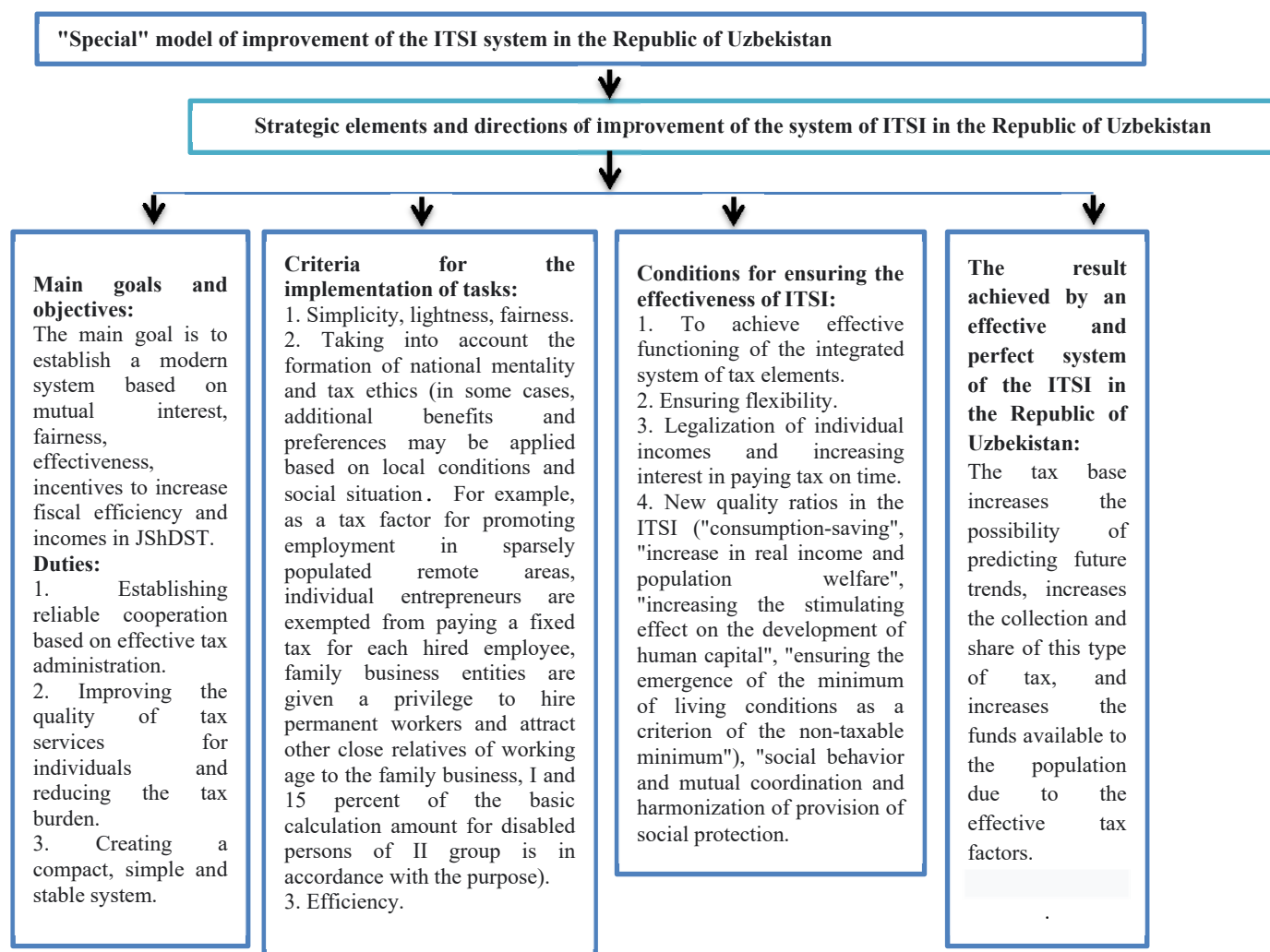


Figure 2. "Special" model of improvement of personal income taxation in the Republic of Uzbekistan³.

³ Author development

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IV. CONCLUSIONS

In general, we believe that it is appropriate to pay special attention to the following when improving the taxation of individual incomes:

1. On the basis of the new tax policy based on the prospects of improving the lifestyle of the population, taking into account the priority directions of improving the system of taxation of personal income, based on a systematic approach to the content of the concept of "fair taxation of the income of natural persons", the existing shortcomings in this field are highlighted and their elimination is carried out by the state a system of events should be developed.

In fact, the current tax legislation and state tax policy have significant shortcomings in this area, including:

- clear signs of social justice and social orientation, the minimum level of income for living without the obligation to pay taxes for the taxpayer has not been officially determined;
- the state does not clearly express the social goals it achieves by implementing taxation;
- There is no clarity in the criteria for defining and measuring the "achievable or exemplary lifestyle".

As a result, the state tax policy is more focused on ensuring the fulfillment of the social functions of the state and not on solving the strategic tasks of achieving social justice and social equality, but more on meeting current fiscal needs.

2. It is necessary to improve the principles of taxation in accordance with the new content of the state's socially oriented tax policy in the practice of taxation of personal income. In this matter, scientific substantiation of the principles of ensuring social justice in the activity of the system of taxation of the income of individuals in our country is now an important vital necessity. It is known that, from the point of view of increasing the share of tax from the income of individuals in the budget revenue, collecting taxes, setting tax rates in accordance with the standard of living of the population, further increasing tax payers' tax culture and knowledge about taxes, correcting the professional ethics, knowledge, skills and qualifications of tax service employees. in order to effectively solve such important issues as formation, first of all, it is required to solve the important task of improving the practice of taxing the income of individuals.

3. From the point of view of the prospects of increasing the share of the tax from the income of individuals in the budget revenues, based on the importance of collecting taxes and setting tax rates in accordance with the standard of living of the population, we found it necessary to make the following two proposals for the prospects of improving the ITSI system:

- In order to increase the fiscal importance of the State Tax Administration, it is necessary to apply the coefficients that increase the current rate in the taxation of the second and subsequent sources of income of individuals with two or more sources of income, and thus the participation and share of this tax in the fiscal execution will be increased;
- In order to create additional facilities for the development of entrepreneurship in the regions with "difficult" conditions announced in the "Development Strategy of New Uzbekistan for 2022-2026", we propose to use coefficients that reduce the income of individuals in these regions.

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