

# THE INFLUENCE OF THE TAX SYSTEM ON THE FORMATION OF POPULATION INCOME

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## ABSTRACT

In this article, the impact of the tax system on the formation of the population's income is widely covered. Also, the scientific researches of economists who studied the impact of the tax system on the formation of people's incomes are widely covered. In addition, the role of taxes in the further deepening of democratic reforms and the development of civil society is scientifically based. The problem of further reducing the number of low-income families and income inequality in the country, as well as improving the welfare of the population, as well as important factors in the development of the country's economy in connection with the growth of aggregate demand for macroeconomic policy, is investigated. The tax mechanism, which is considered to be one of the important levers for raising the economy of our country among the developed countries, social protection of the population, development of business entities, and further expansion of the production process, has been extensively analyzed.

**Keywords:** Taxes, real sector, tax and compulsory payments, incomes of the population, social status, consumption of the population, primary incomes, funded function.

## INTRODUCTION

Taxes are directly related to the emergence of the state, that is, the state uses taxes as a source of finance to fulfill its tasks. The application of taxes is an objectivity, because not all entities that make up the society operate in the real sector, that is, in the production sector. There are also sectors in society that are rejected by others or whose activities are economically ineffective, which require an objective application of taxes. More precisely, the separation of society into non-profitable (defense, medicine, science, education, culture, etc.) and profitable sectors and the natural necessity of financing the non-profitable sector make it necessary to apply taxes objectively, although the social services of the non-profitable sector are mainly carried out by the state, which Taxes that arise as a method of financing will therefore directly belong to the state. In history, it was often observed that the state faced financial collapse with the increase of types of taxes and increasing tax pressure. The introduction of many unjustified and heavy taxes has caused the economic activity of the population to dry up. This, in turn, reduced the economic power of the state. The rulers themselves recognized that heavy taxes imposed on the people would bring negative consequences for the government. In particular, Russian empress Ekaterina II said, "Taxes are necessary for the state like a sail for a ship." "They should serve not to overwhelm the ship with its cargo, or to keep it always in the open sea and eventually to capsize it, but to bring it into the harbor as soon as possible", it can be understood that taxes are a delicate weapon that requires caution in the hands of the state.

The role of taxes in the deepening of democratic reforms and development of civil society in our country is increasing. In the national economy, taxes perform the following three important functions:

- Financing of state expenses (fiscal task);
- Alleviating social tension (social task);
- Regulating the economy (regulatory task).

The effectiveness of taxes in the transition to a market economy can be expressed in two cases: firstly, the need to provide funds for a number of tasks of the state, and secondly, the laws and regulations of the market economy. In our opinion, the state performs the following functions regarding the organization of tax relations:

- Introduces taxes and mandatory payments;
- Cancels taxes and mandatory payments;
- Determines the object and base of taxes;
- Sets tax rates;
- Determines tax payment terms;
- Introduces tax incentives;
- Determines the rights and obligations of taxpayers;
- Determines the authority, rights and obligations of authorized state agencies (employees).

The functions and tasks performed by the state are many, and as the market economy develops, some tasks incompatible with socially protected market relations disappear, new tasks begin to appear. These include providing social assistance to the poor in our republic, organizing the infrastructure of the market economy.

## LITERATURE REVIEW

Views on taxes have historically been formed under the influence of objective and subjective factors. It is necessary to analyze various definitions of taxes, justify their essence in the process of economic and social development, determine the economic role of taxes and tax principles that are the basis of tax legislation, and determine the place of existing taxes in the tax system and the development of society. Because, with the emergence of the state, taxes were considered one of the necessary requirements of economic relations in society. Simultaneously with the development of state structures, the tax system has changed and improved.

The change and improvement of the tax system was based on the fact that the type, amount and collection methods of the tax were different. Taxes are one of the main sources of funding for all areas of state activity and the economic means of realizing state priority. At the same time, it should also be said that the history of the emergence of the tax system in our country goes back centuries and has been scientifically proven. In particular, it was recognized that tax collections, which are one of the foundations of statehood, were introduced long before they appeared in Europe - during the times of our great grandfather Amir Temur. "Taxes are the economic support of the state," according to the great entrepreneur Amir Temur.

Therefore, taxes play an important role in regulating the economy. Some economists have interpreted taxes as a means of distribution and redistribution of national income, "Taxes are a form of appropriation of a part of national income in the process of distribution and redistribution." N.I.Turgenev in his book "Experiment of Tax Theory" (1818) states that "The success of being educated also affected the improvement of the tax system depending on the degree of their beneficial effect on the customs of the people", "...taxes appeared together with the acquisition of knowledge became his symbol. ...On the information spread among the people depending on the method of appointment, distribution and collection of taxes; it is possible to think about his wealth depending on the amount of collected taxes, which are the two main characteristics that mean knowledge and enlightenment" from these words, we can once again be sure that taxes are considered ancient financial institutions and arose with the emergence of the state. Along with the development of the taxation system, the theory of taxation was gradually formed. Taxes have been observed since ancient times, but at that time taxes served as a sign of the free and unfree. Scottish economist Adam Smith (1723-1790) first laid out the principles of taxation in his book "The Causes and Nature of the Wealth of Nations" (1776). In turn, D. Ricardo, who developed the theory of taxes created by A. Smith to a certain extent, clarified the essence of taxes by saying that "Taxes are a part of the land products and labor of the country falling under the authority

of the government, and in the end they are paid from the account of capital or from the account of the country's income".

Another acceptable definition was given by S.G. Pepelyaev: "Tax is the compulsory, unilateral, objective, non-returnable, non-refundable, non-penal or contribution nature of alienation of property of individuals and legal entities in order to ensure the solvency of public authorities. is the only form".

A number of scientific works devoted to the study of the economic nature and objective necessity of taxes have been published in the economic literature, for example, in the explanatory dictionary "Political Economy" taxes are explained as "... a system of mandatory payments characterizing the participation of enterprises, organizations and people in the organization of the country's financial resources." According to Professor D. G. Chernik, "Taxes reflect mandatory fees collected by the state from economic entities and citizens at legally established rates".

Sh.Gataulin answers the question "... what are taxes, why are they needed" as follows: "Taxes are the main source of state spending, a tool that regulates the economy and stabilizes incomes." "Taxes are the main source of state budget revenues and an important tool for managing the economy," he expressed his opinion. It should be noted that according to Professor O. Olimjonov, if taxes are defined as follows, the essence of taxes will be more widely covered and appropriate. "Taxes are payments that are compulsorily collected from individuals and legal entities at the discretion of the state in order to satisfy the state and society's need for funds in the amount and time period determined by law".

## RESEARCH METHODOLOGY

This article examines the scientific works and opinions of the economists of Uzbekistan and foreign countries on the importance of taxes in the regulation of the economy and the role they played in the development of the country's economy. The methods and forms of the state's management of the economy through taxes, and the conditions specific to the economy of our republic in defining the directions of economy regulation by means of taxes have been researched. In addition, research was conducted on the definition of taxes, the role of taxes in the state budget and the ways of regulating the economy through taxes.

## ANALYSIS AND RESULTS

Improving the economy of our country among the developed countries and optimizing the tax mechanism, which is considered one of the important levers for social protection of the population, development of the activities of business entities, and further expansion of the production process, is one of the important issues. The practice of tax reforms carried out in foreign countries shows that measures aimed at reducing the tax burden led to a decrease in budget revenues at the initial stage of implementation. Later, as a result of these measures, there was a recovery of the state budget revenues due to the acceleration of the economic growth and the legalization of incomes by enterprises and residents. Therefore, conducting a reasonable tax policy in our country and reducing the tax burden will lead to an increase in the working capital of taxpayers, and as a result, an opportunity will be created to effectively support the country's economy.

As we noted above, taxes are formed as a source of providing the state with financial resources. Today, the state economy is closely related to the tax system, and changes in the economy lead to fundamental changes in the tax system and vice versa. It is also known that all countries on earth resort to taxes in order to ensure the development of their functions and tasks through continuous and complete implementation. Also, in developed countries based on the market economy, the state uses taxes as one of the levers of economic regulation. We can see the composition of taxes in effect in Uzbekistan today through the following table. In January-September 2020, a large part of the total income of the population was formed from income from labor activities, including the income of hired workers and income from self-employment (68.8% of the total

income of the total population). The share of income from self-produced services for personal consumption in the total income of the population was 2.2%, the share of income from property was 3.3%, and the share of income from transfers was 25.7%.

1-Table Information on incomes of the population

	2017	2018	2019	2020	2021
Total income of the population, billion soums	236893,1	300842,7	365735,6	415085,0	515660,7
in% to the previous year	119,7	127,0	121,6	113,5	124,2
Total income per capita, thousand soums	7314,1	9128,6	10891,3	12125,6	14769,0
in% to the previous year	117,7	124,8	119,3	111,3	121,8
Real total incomes of the population, billion soums	216400,1	255971,0	319336,1	367559,6	465271,8
in% to the previous year	109,3	108,1	106,1	100,5	112,1
Real total incomes per capita, thousand soums	6681,4	7767,0	9509,6	10737,3	13325,8
in % to the previous year	107,5	106,2	104,2	98,6	109,9

Developing countries face formidable challenges when they attempt to establish efficient tax systems. First, most workers in these countries are typically employed in agriculture or in small, informal enterprises. As they are seldom paid a regular, fixed wage, their earnings fluctuate, and many are paid in cash, "off the books." The base for an income tax is therefore hard to calculate. Nor do workers in these countries typically spend their earnings in large stores that keep accurate records of sales and inventories. As a result, modern means of raising revenue, such as income taxes and consumer taxes, play a diminished role in these economies, and the possibility that the government will achieve high tax levels is virtually excluded. You can see the picture of the greatest growth in all regions of the Republic of Uzbekistan. In our country, the income of the population is increasing year by year. soums organized Table 2. Second, it is difficult to create an efficient tax administration without a well-educated and well-trained staff, when money is lacking to pay good wages to tax officials and to computerize the operation (or even to provide efficient telephone and mail services), and when taxpayers have limited ability to keep accounts.

2-Table Total per capita income by region, thousand soums

Territories	2016	2017	2018	2019	2020	2021
Republic of Uzbekistan	6215,9	7314,1	9128,6	10891,3	12125,6	14769,0
Republic of Karakalpakstan	4372,0	5233,1	6808,7	8136,2	9437,4	11391,6
Andijan	5637,3	6777,7	8412,0	9941,5	10765,7	12862,9
Bukhara	7354,2	8823,0	11270,6	13075,7	14680,8	17847,1
Jizzakh	5459,4	6498,4	8512,9	9723,3	10935,9	13229,7
Kashkadarya	5498,4	6442,4	7827,9	9149,6	10203,9	12299,8
Navoi	9745,0	11139,6	13921,4	16926,9	19938,7	24156,2
Namangan	4745,5	5733,3	6887,6	8293,1	9267,5	11329,1
Samarkand	5603,4	6594,1	8087,7	9447,9	10529,1	12874,4
Surkhandarya	5079,8	5946,5	7622,5	8906,0	9748,4	11884,7
Syrdarya	6772,1	6833,5	8353,5	9998,4	10935,4	12675,3
Tashkent	6749,9	7667,1	9401,6	11296,2	13130,0	16331,7
Fergana	4994,1	5600,3	7096,8	8111,8	8858,9	10929,8
Khorezm	5840,3	7218,0	9536,1	11213,4	12276,8	15484,5
Tashkent city	12316,1	14921,1	18432,1	23674,3	25545,3	30232,0

As can be seen from the above, the level of formation of personal income is affected by taxes and state budget expenditures. Because, if the total income received by means of taxes is observed to decrease, the budget expenses, especially in the current conditions, the high share of the wage weight in the budget expenses for the social sphere affects the increase of personal income.

Also, social transfers have a high weight in the formation of personal income. Therefore, taxes, state budget expenditures and state debts (referring to interest income earned on government securities) embodying the country's fiscal instruments of regulation of the economy, play an important role in the formation of the population's income and regulation of its increase.

Also, we can see that in 2016, when incomes increased in our country, compared to the previous year, it was 114.9, and by 2021, this indicator has increased by 6.9 to 121.8. Table 3.

3-Table Total per capita income in the previous year

Territories	2016	2017	2018	2019	2020	2021
<b>Republic of Uzbekistan</b>	<b>114,9</b>	<b>117,7</b>	<b>124,8</b>	<b>119,3</b>	<b>111,3</b>	<b>121,8</b>
Republic of Karakalpakstan	111,9	119,7	130,1	119,5	116,0	120,7
Andijan	116,6	120,2	124,1	118,2	108,3	119,5
Bukhara	114,7	120,0	127,7	116,0	112,3	121,6
Jizzakh	113,5	119,0	131,0	114,2	112,5	121,0
Kashkadarya	118,4	117,2	121,5	116,9	111,5	120,5
Navoi	111,2	114,3	125,0	121,6	117,8	121,2
Namangan	115,4	120,8	120,1	120,4	111,7	122,2
Samarkand	121,0	117,7	122,7	116,8	111,4	122,3
Surkhandarya	111,4	117,1	128,2	116,8	109,5	121,9
Syrdarya	116,5	100,9	122,2	119,7	109,4	115,9
Tashkent	110,2	113,6	122,6	120,2	116,2	124,4
Fergana	113,0	112,1	126,7	114,3	109,2	123,4
Khorezm	115,6	123,6	132,1	117,6	109,5	126,1
Tashkent city	116,0	121,2	123,5	128,4	107,9	118,3

## CONCLUSION

In general, the consistent implementation of the liberalization of the tax system in Uzbekistan should ultimately become the priority direction of the development of the tax system in the future, in accordance with the principles of the "Uzbek model", in-depth study of advanced foreign experience in providing budget system budgets with appropriate financial resources, correctly evaluating their achievements and shortcomings. according to It should be noted that in developed countries, the economy is mainly based on production, that is, the economy is somewhat industrialized, this aspect should not be neglected in the implementation of reforms in our republic, and in developed countries, the phrase "conscientious" tax payers is popular.

From this point of view, it would be appropriate to start work on popularizing this concept among taxpayers in the legislation of our republic. Of course, in this case, it is important to take into account factors such as the features of our national economy, the level of socio-economic development, the work culture of the population, the level of wages and conditions. In our opinion, increasing the effectiveness of taxes in the following areas will have a positive effect on the development of the country's economy:

- Optimal distribution of resources;
- Increasing state income;

- Increase the income of the population;
- Stimulation of investment activity;
- Ensuring stable economic growth;
- Maintaining price stability;
- Ensuring the stability of the national currency rate;
- Control the level of inflation;
- Achieving and maintaining full employment.

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