

ANALYSIS OF THE METHODOLOGY FOR ASSESSING THE EFFECTIVENESS OF THE MECHANISM OF TAXATION OF ADDED VALUE

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Abstract. *The process of economic liberalization, the aggravation of fiscal policy problems and the increase in the tax potential of taxpayers, the use by the state of effective means of modernizing the tax system in many ways, the distribution of added value also directly depends on the organization of an effective tax mechanism. It is important to study the directions of organizing an effective tax mechanism for the distribution of added value as a separate direction of the reform of the tax system, which today causes a lot of discussion. Based on this, this article discusses the issues of value added taxation.*

Keywords: *national economy, budget, state budget, local budget, budget system, budget revenues, budget expenditures, tax, tax system, value added tax, fiscal policy, macroeconomic stability.*

Introduction. In order for enterprises to function effectively, it is necessary that all elements of the economic mechanism work perfectly. It is in this direction that special attention should be paid to the procedure for calculating and paying value-added taxes. Studying the experience of developed countries in improving the system of calculation and payment of value-added tax is a priority.

President Of The Republic Of Uzbekistan Sh.As Mirziyoev noted," tax administration should be such that even if the value-added tax is widely introduced, this condition is not necessarily and is necessary to lead to an increase in the price of consumer goods " [1].

The introduction of Value Added Tax into the tax practice of our republic has created a stable source of formation of state budget revenues. Value Added Tax is the most basic financial resource, as in many developed countries, in the formation of state budget revenues of our republic. From this, the existing problems in this tax mechanism have a serious impact on the tax system and the formation of state budget revenues.

The fact that the theoretical, methodological and practical aspects of the issues of effective formation of the tax mechanism for the distribution of value added in Uzbekistan have not been sufficiently studied as a special, independent object of study determines the relevance and scientific and practical significance of the chosen topic.

Literature analysis. Currently, the concept of the "tax mechanism for the distribution of value added" in the practice of our country solik is extremely controversial in the economic literature. The main reason for this is that this phrase is derived from foreign experience and research, the translation of which has not always been anic.

Our scientists and practitioners, who make a worthy contribution to the development of the national tax system and taxation practices of our country, are also in a hurry. For Example, I.Zavalishina, in her manual "taxes: theory and practice", states that VAT is placed on top of the product without adding to the sale price and paid by the buyer, which does not affect the costs and

profitability of timely production; the object of tax totality states that the determination of the product at a single tax rate during the entire production process prevents the accumulation of the tax amount at the final stage of product sales and prevents repeated accrual in the taxation process; VAT also performs the function of integration using the maintenance of a single tax policy of all types of states[4]. T. S. Malikov believes that because VAT is considered a consumption tax, its ideal base, i.e. total final consumption costs, are stable for some time during business cycles, implying that the VAT base is also stable[5]. O. In practice, olimzhonov dwell on his research on the fact that VAT revenues are sometimes calculated much more impressively in relation to GDP or final consumption [6]. A. Zhuraev is usually a turnover on the realization of the VAT object, and from the existing approaches to calculating the tax base (type of value added, type of income and type of consumption), the type of consumption will dwell on his research on the most widespread use. In his opinion, VAT is usually not intended to tax value added or income, but rather to tax consumption, and is calculated by the value of each transaction carried out, that is, the goods or services sold (purchased) (excluding the value of the goods and services provided) [7].

Russian specialists A. Perov and A. Tolkushkins VAT is a category of economic value that forms a certain economic relationship in itself. It is believed that such an economic attitude is expressed by the action of value[9].

Researcher Sancak C. "...in its essence, VAT is considered a consumption tax because of its ideal base, that is, the total final consumption costs are stable for some time during business cycles, which implies the stability of the VAT base as well"[10].

Despite the fact that a number of studies have been carried out on the methodological basis of calculating VAT and transferring it to the budget, such issues as the stimulating function of VAT and, at the same time, its role in reducing the scale of the hidden economy remain insufficiently studied.

Methods of research. The methodological basis of the study is the laws and regulatory documents of the Republic of Uzbekistan on the directions of formation of an effective tax mechanism for the distribution of value added in the Republic of Uzbekistan, fundamental works of the president of the Republic of Uzbekistan, forecasting of tax revenues of the state budget, state tax policy, economic theory and socio-economic systemology.

In the process of scientific research, a gurukhlah, a systematic comparative taxing and Ridge approach, economic-mathematical models, correlation, regression, expert and comparative taxing, forecasting, statistical development of data, methods of gurukhlah and other modern methods are used.

Main part. Since VAT can prove itself as an effective means of increasing budget revenues, it has a direct impact on fiscal policy, macroeconomic stability and economic development. For this reason, the assessment of the effectiveness of VAT is relevant.

There are several diagnostic instruments for assessing VAT efficiency in the literature, including VAT productivity (VAT productivity ratio), VAT flexibility (VAT buoyancy), and VAT C-efficiency (c-efficiency ratio). These indicators make service in revealing the effectiveness of the VAT system in various respects.

In particular, the VAT productivity VAT standard rate assesses the volatility potential of each percentage point relative to GDP. It is calculated as the ratio of VAT revenue to the product of GDP and standard rate.

When assessing the effectiveness of VAT, it is important to divide it into components, M. One method developed by Keen [11] and widely used in research is to describe in reality the VAT revenue (v) levied as the proportion of gross domestic product (Y).

The tax rate was initially set (in 1992) at 30%, which was gradually reduced in the following years. From 2000 to 2019, the VAT base was taxed at a standard rate of 20%, and from October 1, 2019, the rate was set at 15%, while from January 1, 2023, the tax rate was set at 12% (Figure 1).

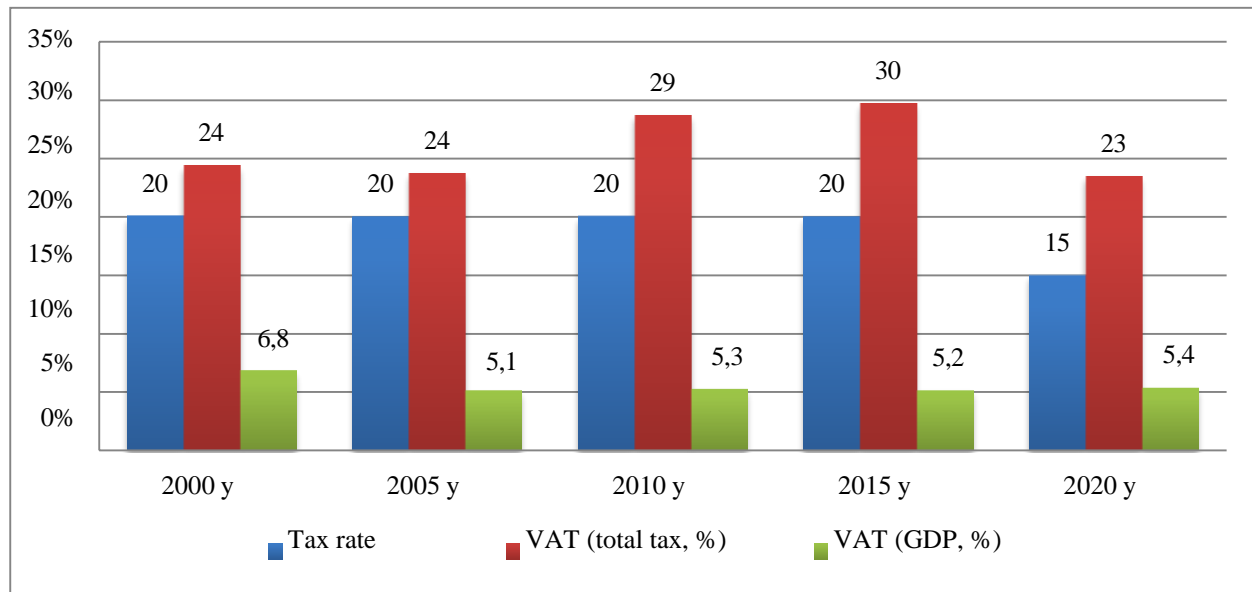


Figure 1. VAT revenue figures, 2000-2020.

Source: formed by the author on the basis of the data of the tax committee.

In the period 2000-2020, the share of VAT in total tax revenues averaged 26% and the ratio to GDP was 5.6%.

Although these indicators indicate that the tax system and the reforms in it have a general trend with VAT revenue, they do not provide detailed information about the level of efficiency of the VAT system, the factors affecting it and their role in determining the level of efficiency (balance).

For this reason, it is important to study the state of VAT productivity, VAT flexibility and S - efficiency indicators in order to assess the VAT system in force in Uzbekistan.

We can see that the productivity of the VAT mechanism in Uzbekistan, that is, the VAT standard rate, is equal to 0.35 (35%) of the cumulative potential of each percentage point in relation to GDP in 2020, which has improved to a coefficient of 0.1 compared to 2015 (Figure 2). But this figure is lower than the average for the countries of East Asia (0.5), Latin America (0.44), Europe and Central Asia (0.4), as well as the world (0.38). This, in turn, testifies to the fact that the VAT mechanism in Uzbekistan has been developed relatively weakly (for example, a huge number of benefits) and (or) the tax administration is weak.

Based on the analysis of the adaptive capacity of VAT, that is, the coefficient of flexibility (resilience) of the VAT mechanism in relation to various external shocks and changes in tax policies that occur in a certain period range is on average 0.94 between 2000 and 2020, and in 2007-2008 and 2012-2014, respectively, the average was increased to 1.4 and 1.2 (Figure 2). This, in turn, is the crisis of the VAT mechanism of Uzbekistan (2007-2008 yy.) and rapid economic growth (2012-2014.) indicates that they have a high adaptability in their cycles.

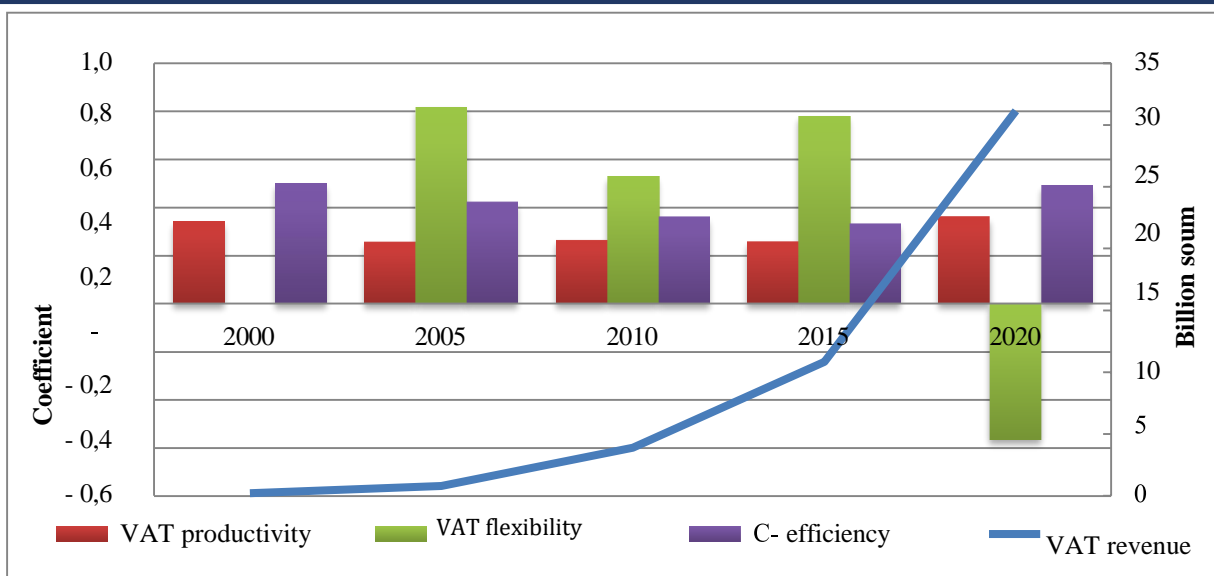


Figure 2. VAT efficiency indicators, 2000-2020.

Source: formed by the author on the basis of the data of the tax committee.

To assess the ability of the current VAT system to adapt to changes in tax policy, we can analyze the period of large-scale reforms carried out in the country in 2017-2019. In this period interval, the coefficient of flexibility is on average 1.5, indicating that VAT also has a high flexibility in relation to fiscal reforms. However, during the global pandemic that began in 2020, it has been observed that the VAT mechanism's flexibility factor drops to -0.56. This can be explained by the fact that in 2020 significant reforms were carried out in tax policy, in particular, the adoption of the tax code in the new edition and the introduction of various tax incentives for the purpose of social support of the population due to COVID-19 (Figure 3).

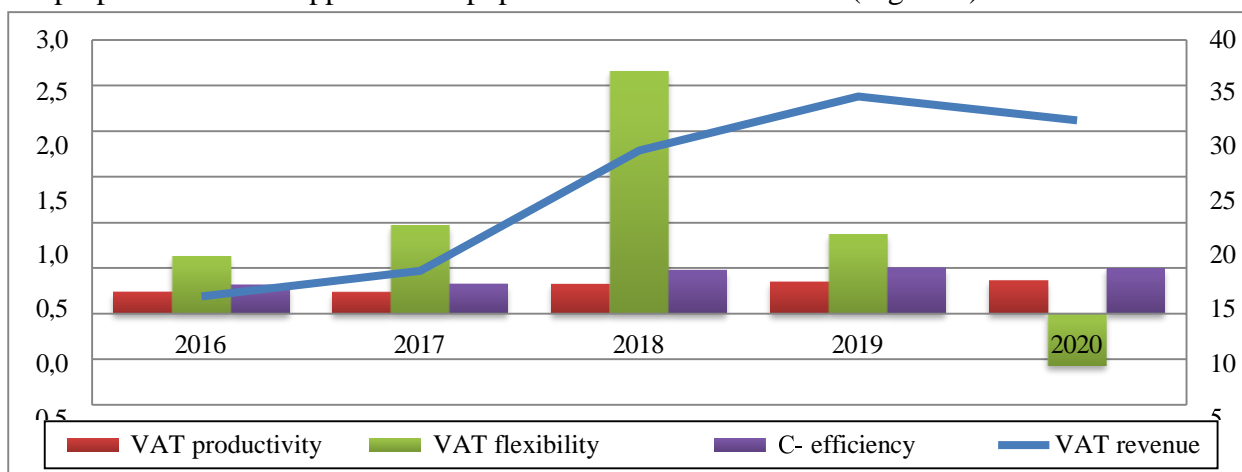


Figure 3. VAT efficiency indicators, 2016-2020.

Source: formed by the author on the basis of the data of the tax committee.

While indicators of VAT productivity and flexibility make it possible to assess the overall reaction of the VAT mechanism to changes in GDP to ensure the stability of tax revenues, the following two disadvantages are used as additional information to consolidate the results of the main analysis:

1. Since VAT refers to taxation of final consumption costs rather than production, changes in GDP are limited in more accurate reflection of changes in VAT receipts.
2. These indicators are limited in providing information about the composition of factors

affecting the effectiveness of VAT and the influence of each factor.

C-efficiency is an indicator that eliminates these disadvantages and allows you to get detailed information about the level of VAT efficiency and the factors affecting it, that is, the S-efficiency indicator allows you to analyze in detail the level of efficiency of the current VAT system in relation to the ideal VAT system.

The C-efficiency indicator was determined by the ratio of the actual VAT revenue for 2000-2021 to the ideal VAT sum (see Formula 3). In this case, the ideal VAT amount was determined by multiplying all final consumption costs in the economy, in particular, by the standard tax rate of final consumption costs carried out by non-profit organizations serving households, state governing bodies and households. This indicator will ideally be equal to a coefficient of 1 or 100% (Table 1).

Table 1.

C-efficiency indicator of the VAT system of Uzbekistan *

Year	VAT revenue (bln. soum).	final consumption (bln. soum)	Tax rate	C- efficiency
2000	221,5	2 445,9	20	0.50
2001	320,1	2 544,5	20	0.47
2002	447,5	2 671,9	20	0.43
2003	535,8	2 760,2	20	0.40
2004	654,9	2 879,3	20	0.42
2005	814,6	3 039,1	20	0.42
2006	1 142,0	3 366,4	20	0.45
2007	1 721,7	3 946,1	20	0.50
2008	2 505,5	4 729,9	20	0.55
2009	3 085,0	5 309,4	20	0.49
2010	3 900,2	58433,5	20	0.36
2011	4 761,4	75 571,1	20	0.34
2012	5 966,6	95 408,3	20	0.33
2013	7 552,5	118 712,9	20	0.34
2014	9 476,1	143 042,6	20	0.35
2015	10 851,0	173 804,4	20	0.33
2016	11 891,6	205 441,7	20	0.31
2017	14 685,8	243 702,0	20	0.32
2018	27 876,5	319 614,6	20	0.48
2019	33 809,8	400 026,8	18.4**	0.50
2020	31 177,4	452 208,2	15	0.49
2021	43657,6	572342,8	15	0,50

From the data of Figure 2 and 3 and Table 1, we see that in 2000-2010, the VAT efficiency was equal to the average coefficient of 0.45, and in 2011-2017, the average coefficient of 0.33, a decrease occurred. That is, the aggregate (fiscal potential) of VAT has deteriorated by an average of 0.08 points. For the last 5 years (2017-2021 yy.) this was equivalent to an average coefficient of 0.43. Although the efficiency figure increased by 0.1 points during this period, it is considered

lower than the average (0.51) in the countries of East Asia (0.73), developed countries (0.62), Europe and Central Asia (0.61) and Latin America (0.56) and the world [10].

Judging from the above, as a result of reforms carried out within the framework of Tax Policy and administration in recent years, the fiscal capacity of VAT, that is, the S-efficiency, has significantly improved compared to the previous 10-15 years, which in turn also contributed significantly to an increase in real tax revenues.

Also, two factors affecting the change in VAT revenue, namely the tax rate and final consumption costs, are components of the C-efficiency indicator, and their optimization simultaneously serves to improve the C-efficiency indicator, as well as increase in tax revenues.

Conclusions and suggestions. Thus, on the analysis of the methodology for assessing the effectiveness of the mechanism for taxing the added value, it should be noted::

1. Research has shown that VAT is important in shaping countries' budget revenues, accounting for an average of one-fifth of total tax revenues worldwide. This is explained in essence by the fact that it is designed for two main purposes, such as the expansion of the source of budget revenues and the redistribution of income.

2. The advantage of VAT over other alternative methods of indirect taxation is its high fiscal potential, which usually means that it has an extensive tax base and the possibility of monitoring invoices through it helps to comply with tax legislation and improve tax aggregation

3. Since VAT is not directed towards influencing consumer decisions, ideally its mechanism provides for the taxation of all and only final consumption costs at a single optimal rate, without any benefits and taking into account the incoming VAT for intermediate consumption. In this case, it is effective to use the approach of the type of consumption in calculating the VAT base, as well as the invoice-based method in calculating the tax.

4. The analysis showed that the VAT in force in Uzbekistan has a complex and relatively poorly improved mechanism, and the cumulative potential of the current tax rate in relation to the gross domestic product and the level of flexibility of the tax mechanism in relation to external influences are below the average in the world.

5. The fiscal potential of the VAT mechanism was evaluated through the S-efficiency indicator. This indicator is based on assessing the difference between the actual VAT revenue and the volume of VAT that can be collected on the basis of an ideal tax mechanism that provides for the taxation of all final consumption costs in the economy at a single rate. As a result of the analysis, it was found that the VAT mechanism in force in Uzbekistan is twice as inefficient compared to its ideal potential.

6. In Uzbekistan, the VAT mechanism is developed relatively weakly, and only by lowering the tax rate or reducing benefits, increasing its fiscal potential will not work.

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