

Organization of Activities of Tax Authorities in Mahallas

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Abstract: This article develops proposals and recommendations aimed at increasing the sources of income for mahallas, organizing the activities of tax authorities in mahallas and increasing the efficiency of their activities.

Key words: local budget, loan, grant, self-employed person, e-commerce, foreign economic activity.

In world practice, increasing local budget revenues, increasing its independence, and expanding the taxable base are among the most relevant directions. In world practice, it is rare for state bodies to operate based on the neighborhood system.

In Uzbekistan, a "neighborhood" system of work has been introduced in order to reduce poverty, increase population incomes, find solutions to employment problems, and support social protection of the population. As a result of the introduction of this system, neighborhoods have been economically and socially supported, and the activities of persons responsible for "neighborhood" work have been effectively organized and their mutual cooperation has been ensured.

In accordance with Article 127 of the Constitution of the Republic of Uzbekistan, our government is carrying out a number of works to create the necessary conditions for the implementation of the activities of citizens' self-government bodies and to assist them in the implementation of their powers established by law.

In order to increase the income of the mahalla and expand the base of the mahalla budget, a fund for solving the socio-economic problems of the mahalla, which is not a legal entity in the form of an extra-budgetary fund of budgetary organizations, was established for each mahalla.

The following were determined as the sources of funds for the formation of funds:

- funds received from the sale of state real estate objects in the mahalla with an area of up to 2,000 square meters through direct electronic online auctions based on the online order of the assistant to the district (city) khokim on issues of developing entrepreneurship in the mahalla, ensuring employment and reducing poverty, minus the costs of evaluation and sale;
- funds received from renting out mahalla property in the prescribed manner;
- funds allocated from additional sources of the local budget based on decisions of the district (city) Councils of People's Deputies;
- funds allocated from the local budget to improve the infrastructure of the mahalla on the basis of the recommendation of the assistant district (city) khokim on issues of developing entrepreneurship in the mahalla, ensuring employment and reducing poverty;
- sponsorship donations from individuals and legal entities;
- technical assistance funds from foreign (international) financial institutions and other foreign organizations (loans, grants, gratuitous assistance, etc.);

- other sources not prohibited by legislative acts;

By 2023, in order to serve the interests of the population and find timely solutions to citizens' appeals, the mahalla "five" was implemented. The mahalla five included the mahalla chairman, assistant khokim, youth leader, women's activist, and prevention inspector.

In order to increase the role of the mahalla in society and ensure that the population finds solutions to their problems in the mahalla, the "mahalla seven" activity was organized in accordance with the Decree of the President of the Republic of Uzbekistan No. PF-209 dated December 21, 2023.

The "mahalla seven" included the mahalla chairman, assistant khokim, youth leader, women's activist, prevention inspector, social worker, and tax inspector.

The main tasks of each line employee were specified in accordance with the Decree of the President of the Republic of Uzbekistan No. PF-209 dated December 21, 2023. In particular, the main tasks of the tax inspector were determined as follows:

- providing tax services to entrepreneurs
- expanding the tax base
- collecting taxes and generating income for the mahalla budget.

Based on the instructions given to establish the “mahalla seven” activity in our republic, 4,334 tax officers were assigned to the existing 9,453 mahallas.

In addition, in order to more effectively organize the “Mahallabay” system of work of the tax authority in the regions, 14 managers and employees from the tax committee were assigned to the regions, and daily control of the work carried out in the mahallas to expand the tax base and collect taxes was established.

The information system "Tax Authorities in Neighborhoods" was developed to organize the tasks assigned to tax authorities at the mahalla level, increase income in the mahalla, reduce the share of the shadow economy, and assess the effectiveness of the work of tax office employees assigned to the mahallas. In this, the effectiveness of the work of the tax inspector is assessed using 23 criteria.

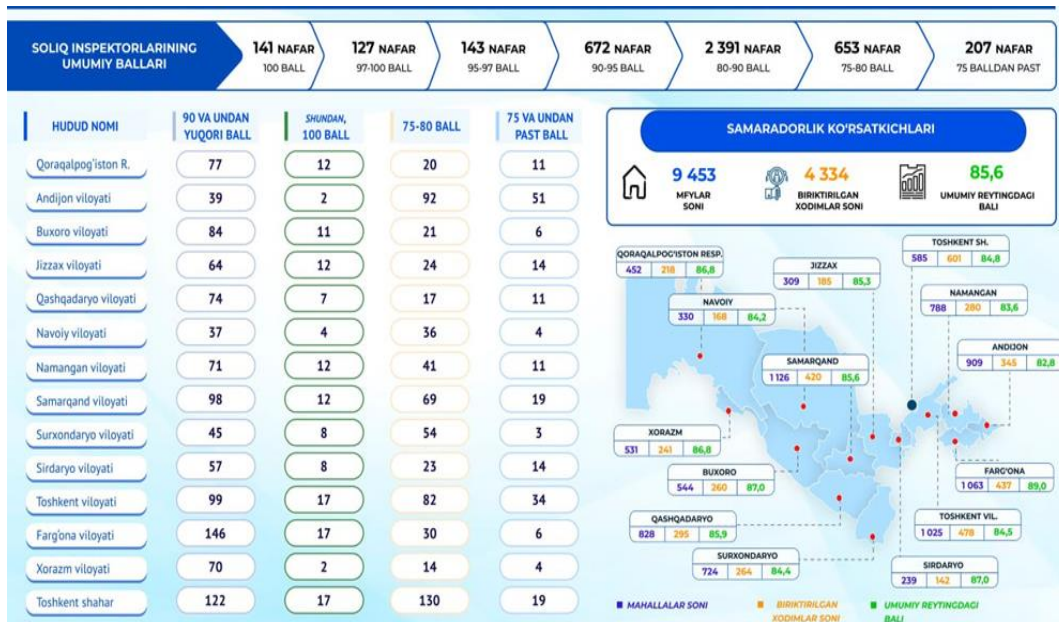


Figure 1. Indicators of the activity of tax inspectors attached to mahallas across the republic

According to the analytical data of the information system “Activity of tax authorities in neighborhoods”, the efficiency index of the republic in August of this year was 85.6 points.

This indicator was 94.0 points in May, 92.2 points in April, 89.6 points in March, 93.7 points in February, and 87.3 points in January.

If we analyze some indicators of the results of the activities of tax authorities attached to neighborhoods

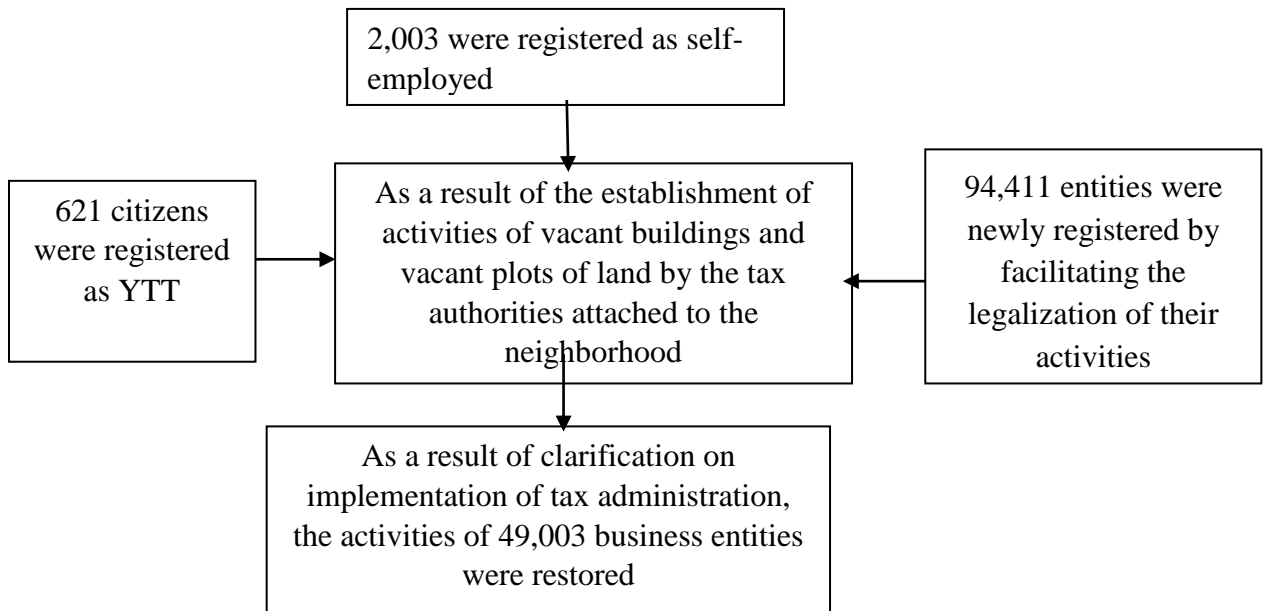


Chart 1. Results of the activities of the tax inspector attached to the mahalla

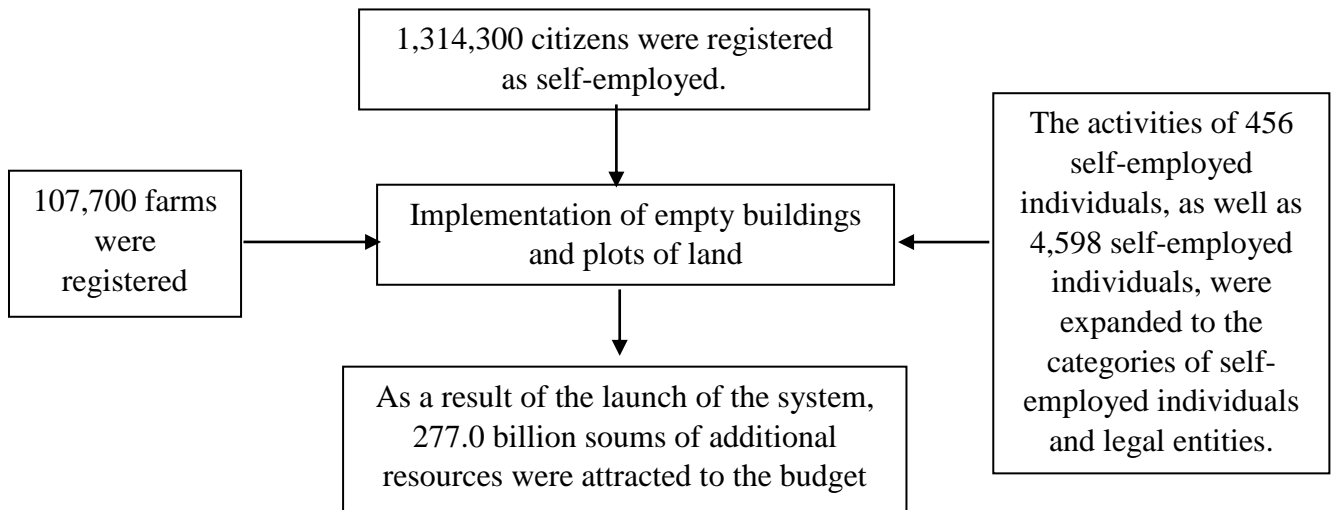


Chart 2. Results of the activities of the tax inspector attached to the mahalla

As can be seen from these figures, tax authorities are achieving economic efficiency indicators in the course of their activities.

In order to increase the economic potential of neighborhoods, the “Neighborhood Budget” system will be implemented in all districts and cities from January 1, 2024, and its main source will be formed at the expense of the following funds. Here:

- 10 percent of the funds collected from individuals on property tax and land tax (except for property tax and land tax collected on non-residential premises);
- 10 percent of the fee collected for state services provided through neighborhood offices;
- Funds received from renting out neighborhood property in the prescribed manner;
- Other funds determined by the Regulation on the Fund for Solving Socio-Economic Problems of the Neighborhood

These sources of funds serve the economic growth of the makhallas, solving their problems, and improving infrastructure facilities. As a result of the active actions of the tax authorities, during January-June of this year, 5,307 billion soums were calculated for the collection of property and land taxes of individuals for residential properties (tax debt at the beginning of the year 1,582.9 billion soums, tax accrued for the current year 3,724.0 billion soums), of which 1,857.8 billion soums were collected. 10 percent of the collected taxes, 185.8 billion soums, fall to the makhalla budget.

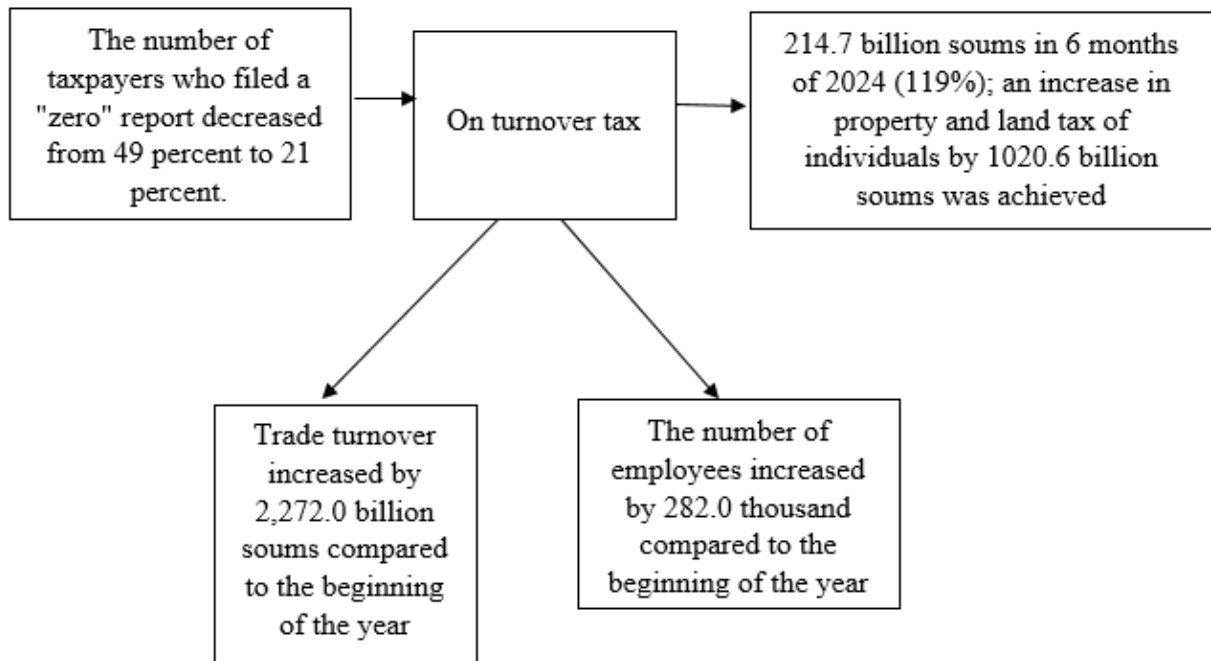


Chart 2. Results of the activities of the tax inspector attached to the mahalla

From the data in Chart 1-2 above, it can be seen that

In the first 6 months of 2024, the growth in revenues increased by 119% compared to the previous year. An increase in property and land tax revenues was achieved. The number of employed people increased. The number of economically inactive and temporarily inactive entrepreneurs decreased.

In conjunction with the achievements achieved as a result of practical assistance provided by tax authorities to entrepreneurs in the mahalla, the following conclusions and proposals were developed to further increase the effectiveness of their work and increase the economic indicators of the mahalla.

Conclusion and suggestions

1. The number of makhallas in the republic is 9,453, with 4,334 tax inspectors assigned to them, and the lack of tax authority staff in relation to the volume of work leads to a decrease in productivity.

(In some districts, 1 tax inspector is assigned to 1 to 5 makhallas. The workload for a tax inspector to fully cover these makhallas is too high)

2. Amendment to paragraph 5 of Appendix 2 to Resolution No. 704 of the Cabinet of Ministers of the Republic of Uzbekistan to include “non-submission of tax reports or submission of “zero” reports” within nine months.

Taxpayers who are not actually active, even if they have not implemented any transactions for 9 months, as a result of submitting only one “zero” report, are included in the category of active taxpayers in accordance with Resolution No. 704 of the Cabinet of Ministers, which negatively affects the efficiency of tax inspectors in the mahalla.

(For example, in March 2024, 92,788 taxpayers submitted “zero” reports, 72,723 in April, 63,731 in May, and 53,898 in June.)

3. Improving the information system “Activities of tax authorities in mahallas”.
4. Removing tax debts that are in the process of compulsory enforcement and court proceedings from the mahalla inspector’s workload.
5. Introducing a mechanism for citizens conducting undocumented entrepreneurial activities in the region to fill out an application through the program and send it to the State Services Center. In this case, the process of legalizing entrepreneurship will be simplified, and the tax inspector will assist the citizen in transferring the business entity to the business entity. Introducing a system of direct payment of fees for state registration via tablet.
6. Creating a state services questionnaire form for entrepreneurs wishing to terminate or restore their business activities in the “Soliq Mobile” application to form data. In this case, introducing a system of confirmation of the termination or rejection button by the entrepreneur by entering the TIN or JShSHIR in the questionnaire via the “FACE-ID” or “Fingerprint” of the business entity.

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