

**WAYS TO BOOST REGIONAL ECONOMIC DEVELOPMENT THROUGH THE
REGULATORY ROLE OF TAXATION**

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Abstract: This article examines the theoretical and practical aspects of developing regional economies through the effective use of the regulatory function of taxation. The study scientifically analyzes the mechanisms by which taxes influence economic processes, their role in stimulating regional development, and the importance of tax policy in reducing interregional economic disparities. In addition, the paper substantiates ways to enhance regional economic activity in the context of Uzbekistan through tax incentives, differentiated tax rates, and fiscal stimuli, highlighting their practical significance for improving regional economic policy.

Keywords: tax policy, regulatory function, regional economy, fiscal incentives, tax benefits, territorial development.

Uneven levels of regional economic development constitute one of the most pressing issues of the modern economy. Economic disparities between regions are clearly reflected in employment levels, income distribution, infrastructure development, and investment attractiveness. From this perspective, state tax policy emerges as one of the most important instruments for regulating and stimulating regional economic development.

Taxes are not only the primary source of government budget revenues but also a regulatory mechanism that directly influences economic processes. In particular, through the regulatory function of taxation, it becomes possible to increase entrepreneurial activity in regions, attract investments, and expand production capacity. This article analyzes these aspects from both scientific-theoretical and practical viewpoints.

Economic theory identifies several key functions of taxation: fiscal, redistributive, and regulatory. Through the regulatory function, the state influences the economic behavior of business entities by encouraging or restricting certain types of activities.

This function is implemented through changes in tax rates, expansion or contraction of the tax base, and the provision of tax incentives and preferences. Classical economists, such as A. Smith and D. Ricardo, emphasized that taxes should minimally disrupt economic equilibrium, whereas later economists, including J.M. Keynes, viewed taxation as an instrument for stimulating economic activity.

From the perspective of regional economics, the regulatory role of taxation becomes even more significant. Since regions differ in terms of natural resources, labor potential, and infrastructure development, a uniform tax approach does not yield equal results across all regions. Therefore, a differentiated and flexible tax policy is considered a key factor in regional development.

The use of tax mechanisms to develop regional economies is implemented in several main directions. First, the investment climate can be improved through tax incentives. For example, granting temporary exemptions or reductions in corporate income tax or property tax to newly established enterprises in economically underdeveloped regions contributes to increased production volumes.

Second, the introduction of simplified tax regimes for small businesses and private entrepreneurs has a positive impact on employment levels in regions. This, in turn, leads to an increase in household incomes and the expansion of domestic demand.

Third, tax incentives for export-oriented and innovative enterprises help develop regions' external economic relations. Through such mechanisms, the competitiveness of regional economies is enhanced.

The Tax Code of the Republic of Uzbekistan also contains a number of provisions aimed at supporting regional development, which envisage reducing the tax burden and increasing economic activity in certain regions.

In recent years, tax reforms implemented in Uzbekistan have had a noticeable impact on regional economic development. Reductions in tax rates, simplification of tax administration, and increased transparency have contributed to improving the business environment.

Tax preferences applied in special economic zones and industrial zones play an important role in attracting foreign direct investment to regions. As a result, new jobs are being created, production is being diversified, and the revenue base of local budgets is expanding.

At the same time, it is essential to consider regional characteristics when utilizing the regulatory role of taxation. Otherwise, inefficient allocation of tax incentives may lead to budgetary losses.

In conclusion, the regulatory function of taxation is an important and effective tool for regional economic development. Through the rational use of tax mechanisms, it is possible to increase investment activity, promote entrepreneurship, and reduce economic disparities across regions. Under the conditions of Uzbekistan, further improvement of regional tax policy will remain a key factor in ensuring sustainable economic growth of regions.

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