

**THE ROLE AND IMPORTANCE OF TAXES IN FORMING STATE BUDGET
REVENUES**

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Abstract

This article examines the crucial role of taxes in the formation of state budget revenues. Taxes serve as the primary financial instrument through which governments fund public goods, social services, and economic development programs. The study analyzes different types of taxes, their functions, and their impact on economic stability and growth. Special attention is given to the efficiency, equity, and sustainability of tax systems in modern economies. The paper also highlights the challenges governments face in tax collection and proposes strategies to improve fiscal capacity and ensure balanced budget formation.

Keywords:

taxation, state budget, public finance, fiscal policy, tax system, economic development, government revenue, direct taxes, indirect taxes, tax administration, budget sustainability

Introduction

The state budget is a fundamental tool for managing a country's economic and social development. One of the main sources of budget revenue is taxation. Taxes provide governments with the financial resources necessary to perform their essential functions, including maintaining law and order, providing education and healthcare, and supporting infrastructure development. In both developed and developing economies, the efficiency of the tax system directly affects the stability and effectiveness of public finance.

Theoretical Background of Taxation

Taxes are compulsory payments imposed by the government on individuals and businesses without direct compensation. They are essential for redistributing income, stabilizing the economy, and financing public expenditures. From a theoretical perspective, taxation is based on principles such as equity, efficiency, simplicity, and transparency. A well-designed tax system ensures that the tax burden is distributed fairly while minimizing distortions in economic behavior.

Types of Taxes and Their Role in Budget Formation

Taxes can be broadly classified into direct and indirect taxes. Direct taxes, such as income tax and corporate tax, are levied directly on individuals and organizations. These taxes are important for ensuring fairness and reducing income inequality. Indirect taxes, including value-added tax (VAT) and excise duties, are imposed on goods and services. They are easier to collect and provide a stable source of revenue for the government.

Both types of taxes play a significant role in shaping the structure of state budget revenues. A balanced combination of direct and indirect taxes allows governments to maintain fiscal stability while promoting economic growth.

Economic Importance of Taxes

Taxes are not only a source of revenue but also a tool for economic regulation. Through fiscal policy, governments can influence consumption, investment, and production. For example, tax incentives can encourage investment in priority sectors, while higher taxes on harmful goods can reduce their consumption.

Moreover, taxation contributes to income redistribution by transferring resources from higher-income groups to lower-income groups through social programs. This helps reduce poverty and inequality, promoting social stability.

Despite their importance, tax systems face several challenges. These include tax evasion, a large informal economy, inefficient tax administration, and lack of transparency. In developing countries, weak institutional capacity often limits the effectiveness of tax collection.

Globalization and digitalization have also created new challenges, such as profit shifting by multinational corporations and difficulties in taxing digital services. Addressing these issues requires international cooperation and modernization of tax policies. To enhance the role of taxes in budget formation, governments should focus on improving tax administration, broadening the tax base, and reducing tax evasion. The use of digital technologies can increase transparency and efficiency in tax collection.

In addition, governments should ensure that tax policies are fair and predictable to build trust among taxpayers. Public awareness and education about the importance of taxes can also improve compliance. Taxes play a central role in forming state budget revenues and ensuring the functioning of modern economies. A well-structured and efficiently administered tax system is essential for sustainable economic development, social equity, and fiscal stability. By addressing existing challenges and implementing effective reforms, governments can strengthen their fiscal capacity and achieve long-term economic goals.

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