

THE ESSENCE OF THE “NEIGHBORHOOD” SYSTEM IN THE TAX SYSTEM

Karimova Nilufar Sadriddin kizi

Tashkent State University of Economics

knilufar532@gmail.com

Abstract: Today, at the new stage of the economic development of our country, special attention is paid to the comprehensive socio-economic development of the regions, as well as increasing their incomes through the development of the population’s entrepreneurship, and ultimately to reducing poverty. Taking into account the potential of neighborhoods, it is important to develop and implement projects aimed at generating income for the population. Additionally, focusing on poverty reduction by ensuring employment and developing entrepreneurship in neighborhoods, the “neighborhood” work system is being introduced. This system aims to systematically study the population’s challenges based on the principle of “neighborhood-family-citizen” and resolve them in a timely manner. In this article, the role of the local tax system in Uzbekistan is analyzed, considering its current financial situation, achievements, shortcomings, reforms, and innovations aligned with global standards.

Keywords: Tax system, neighborhood work, employment, poverty reduction, entrepreneurship, financial situation.

Introduction

The Decree of the President of the Republic of Uzbekistan No. DP-6155 dated February 3, 2021, approved the Strategy of Actions in five priority areas of development for 2017–2021, titled “Year of Youth Support and Strengthening Public Health. It prioritized the systematic support of entrepreneurial initiatives in 2021, including the introduction of a “neighborhood” work system to promote income generation, youth empowerment, and women’s entrepreneurship.

The President of Uzbekistan, Sh.M. Mirziyoyev, emphasized that “economic agencies should organize their work at the neighborhood level, and commercial banks must implement effective projects locally, particularly expanding opportunities for young entrepreneurs.”

Working in the neighborhood- is a new mechanism for all sector officials to work together to solve problems in neighborhoods and important issues in the lives of the population. In order to identify and eliminate problems in the neighborhoods, in particular, to ensure the implementation of the “Prosperous Village” and “Prosperous neighborhood” programs in the regions, Working Groups consisting of responsible employees of the Ministry of Neighborhood and Family Support and its territorial divisions have been formed. As a result of this practice, many social problems that plague people in the areas are being solved.

Research Methodology

In Uzbekistan, recent years have seen serious attention paid to neighborhoods in creating advanced infrastructure. In the “Working in the neighborhood” framework, the first step is a scientific and theoretical analysis of the population’s financial conditions to improve well-being. This requires applying effective research methodologies, including theoretical observation, logical approaches, and synthesis analysis of official data. Using deductive and inductive methods, factors affecting financial management in cluster financing were studied. Proposals were formulated through complex analyses involving logical, comparative, and statistical methods.

Analysis

Neighborhood work is a new mechanism for all sector officials to work together to solve problems in neighborhoods and address important issues in the lives of the population. In order to identify and eliminate these problems—particularly to ensure the implementation of the “Prosperous Village” and “Prosperous Neighborhood” programs—Working Groups consisting of responsible employees of the Ministry of Neighborhood and Family Support and its territorial divisions have been formed. As a result of this practice, many social problems affecting people in the areas are being resolved.

The “Working in the neighborhood” working system consists of three links, which are presented in Figure 1 below.

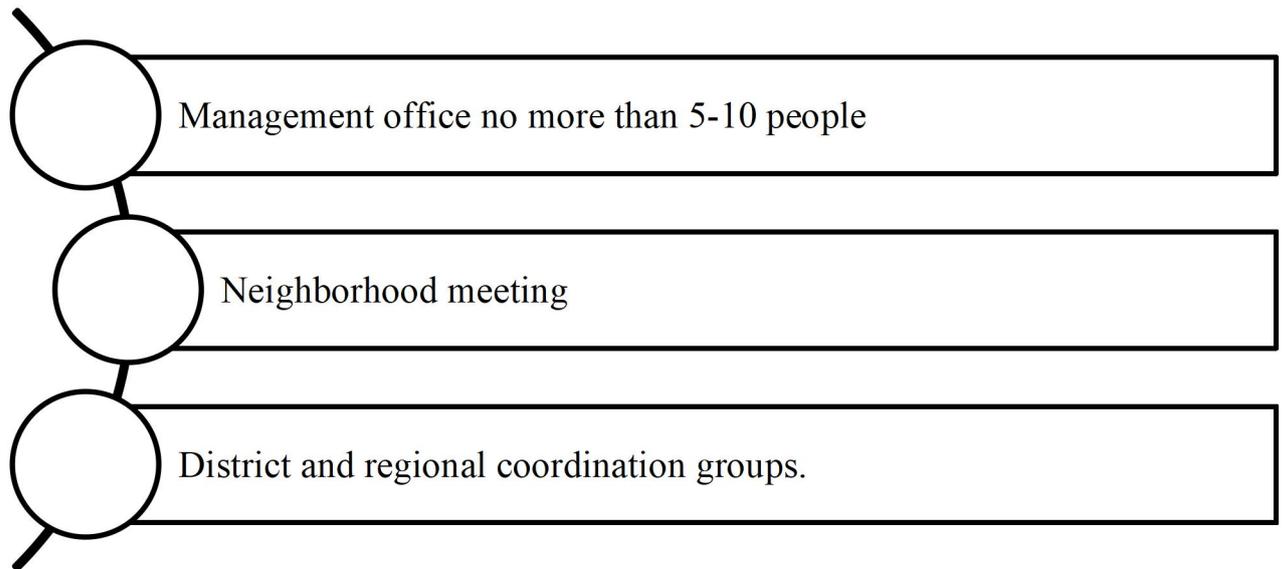


Figure 1. Elements of the “Working in the neighborhood” operating system¹

The central link is the neighborhood citizens’ assembly and a permanent representative of the commercial bank attached to the neighborhood. The middle link is the sectoral management offices. The final link is the district and regional coordination groups.

In the “Neighborhoodbay” system of work, qualified bank specialists are assigned to the neighborhood citizens’ assembly as permanent representatives (one for each neighborhood or one for every two smaller, neighboring neighborhoods). These representatives help create new jobs in neighborhoods by training unemployed residents—especially youth and women—in professional skills, developing entrepreneurial potential, and expanding existing businesses. In short, these bank representatives provide economic advice to the chairman of the neighborhood citizens’ assembly.

¹ Developed by the author

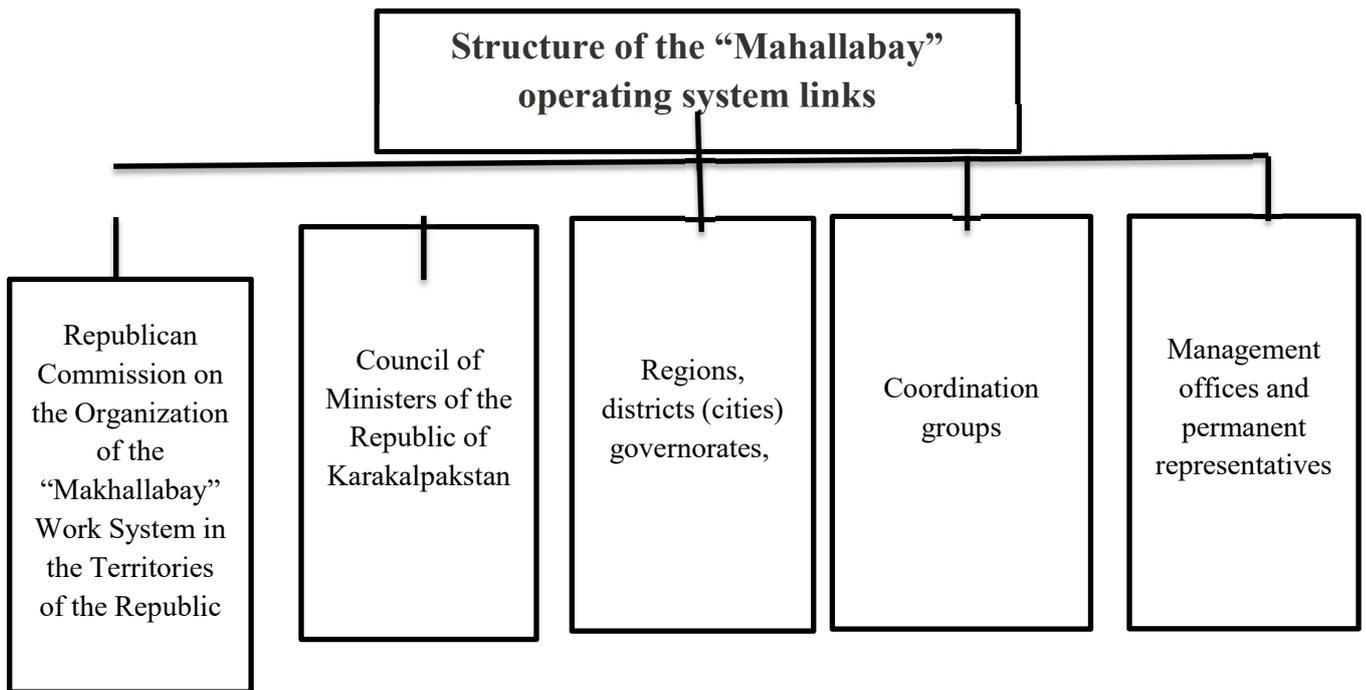


Figure 2: Structure of the links of the “Working in the neighborhood” operating system ²

In the process of developing a comprehensive program for the socio-economic development of neighborhoods:

- studying the sources of income of the population, including entrepreneurs with informal income, through a household-based approach;
- identifying the needs of the unemployed population, especially youth and women, for professional and entrepreneurial skills training;
- studying the problems of entrepreneurs in the neighborhood through a client-based approach, and presenting proposals to district (city) coordination groups on expanding their activities;
- making proposals to management offices on the development of the neighborhood and on providing the population with a sustainable source of income. In the process of implementing the socio-economic development program of the neighborhood:
- submitting biweekly proposals to the district (city) coordination group for training the unemployed population, particularly youth and women;
- assessing the population’s interest in entrepreneurship and assisting them in launching business activities, including the implementation of business projects;
- studying and monitoring the effectiveness and efficiency of projects implemented in the neighborhood.

² Developed by the author

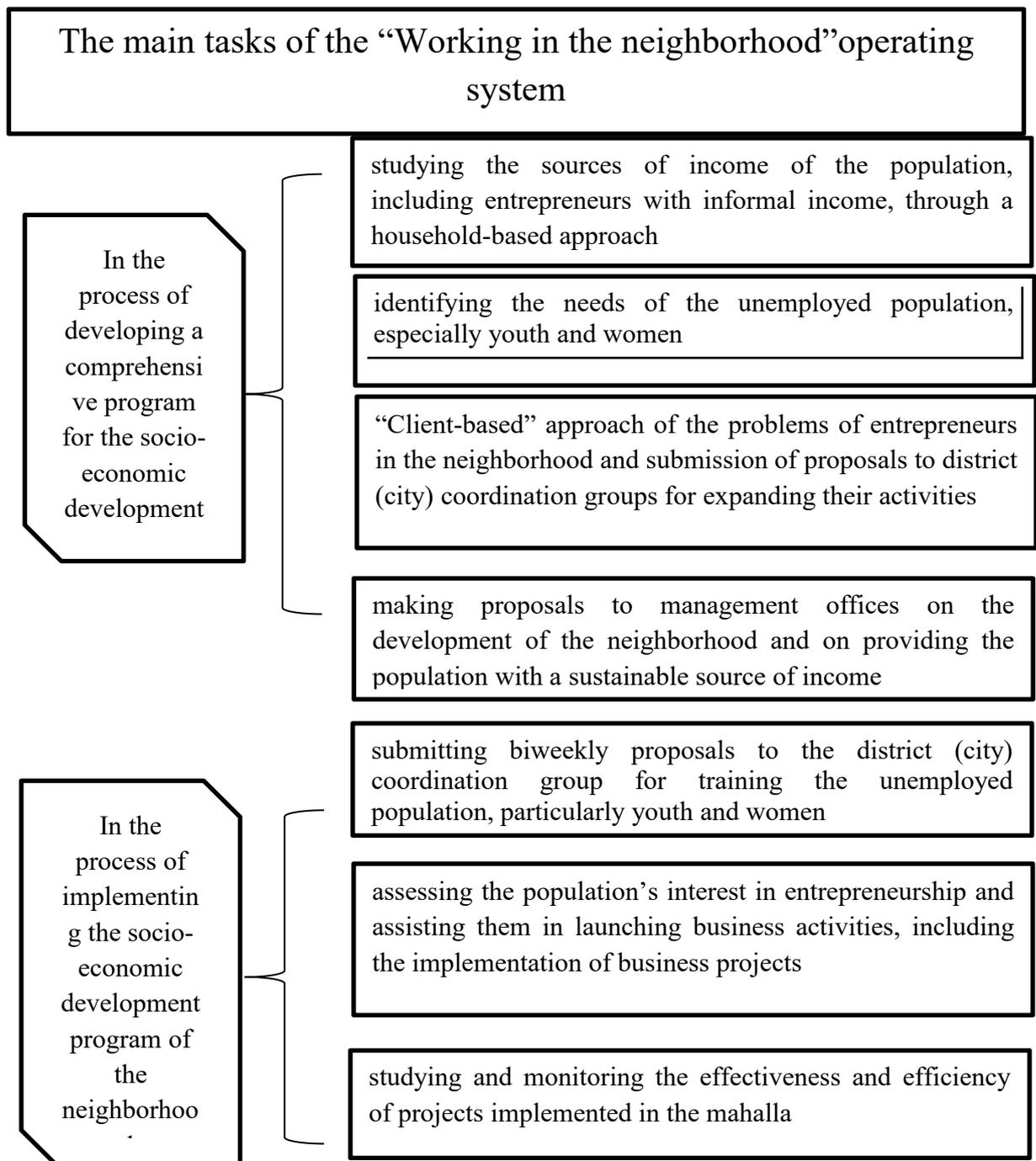


Figure 3. Main functions of the “Neighborhoodbay” operating system³

Discussion

Tax authorities assist local entrepreneurs through a “Taxpayer-Assistant” principle. Tax inspectors assigned to neighborhoods provide information on water tax, land tax, income tax, and others. They also emphasize the formalization of labor relations and the legal employment of informal workers.

In short, tax inspectors explain legislation on the ground, clarify the benefits of official income for retirement, and guide business entities on using online cash registers, issuing purchase receipts, reporting employee numbers honestly, and submitting reports on time.

³ Developed by the author according to current procedures.

Face-to-face interaction and the “neighborhood” work system have proven effective. Inspectors hold direct conversations with entrepreneurs, address their concerns, explain tax obligations and benefits, and highlight the fight against the shadow economy, including the requirement to issue online-NKT receipts along with receipts from payment terminals.

Conclusion and Suggestions

In conclusion, the neighborhood-based system introduced in our country contributes to poverty reduction, ensures the targeted delivery of public services, and provides financial support down to the neighborhood level. It facilitates the resolution of local issues such as infrastructure development, landscaping, material assistance, social support, and the construction of libraries and sports grounds.

In 764 neighborhoods across 14 districts where the “Neighborhood Budget” system was piloted, 45.249 billion soums were collected in property and land taxes in the first quarter of this year—1.8 times more than last year.

Key recommendations for improving the tax mechanism of the “Neighborhoodbay” system include:

- Improving the mechanism for collecting property and land taxes from individuals;
- Educating neighborhood residents on how tax debt arises from a lack of tax knowledge;
- Strengthening the work of authorized bodies in implementing financial relations within the “Neighborhoodbay” system and developing clear coordination mechanisms.

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