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OPTIMIZATION OF BUDGET REVENUES THROUGH TAX REFORMS

Abstract: The article explores the impact of indirect taxation on strengthening state budget revenues, highlighting the revenue of indirect taxes on the state budget in the context of global economic uncertainty. Indirect taxes, including value-added taxes, excise taxes, and Customs Tariffs, play a decisive role in ensuring government revenue, especially during the economic downturn or market volatility. This study aims to assess the effectiveness of indirect taxes as reliable sources of income relative to direct taxes, which are often more sensitive to economic fluctuations.

Keywords: Indirect taxation, excise tax value added tax, state income stability, state budget, fiscal policy, variability of fiscal revenues, analysis of mixed methods, state economic stability.

INTRODUCTION

Ensuring the stability of state budget revenues is essential to ensure economic growth, reduce inequality, and fund public services and infrastructure. Fiscal sustainability is the economy, where public investment in Social Security, Education and health is very important. The problems of achieving a stable income base and recent economic uncertainties, including global recession, changes in commodity prices, and escalated in the context of changing economic policies. Taxation, which remains the main mechanism for income generation, is increasingly focusing on indirect taxes such as Value-Added Tax, Excise Duties and customs tariffs. Indirect taxes are increasingly valued for their resistance to economic fluctuations, as they tend to demonstrate a steady flow of income compared to direct taxes, such as income and corporate taxes, which are sensitive to personal and corporate income. This study explores the role of indirect taxation in ensuring budget stability, with a particular focus on VAT as a key component.

Due to its efficiency and flexibility, VAT, which is applied in stages at each stage of value added, production and distribution, allows governments to continuously collect revenue when transferring tax burden to the final consumer. This structure differs from direct taxes, which generally rely on individual and corporate income, making them vulnerable to economic recession and Employment Change. In emerging markets, VAT often accounts for more than 20% of the state's revenue, highlighting its importance in national tax structures. The VAT design, which involves Assembly at each stage of the value chain, provides stability by reducing dependence on a single source or point of Assembly.

2 MATERIALS AND METHODS

The sustainability of government revenues is critical to fiscal policy effectiveness, especially in the context of global economic fluctuations. The economic literature emphasizes the need for a sustainable income base to support long-term government spending, ease economic shocks, and

promote sustainable growth. In this review, the existing literature on Taxation has been studied as a means of budgetary stability to specific contributions of indirect taxes, in particular value-added tax, fiscal stability. Having studied the theoretical foundations, empirical evidence and problems of indirect taxation, this section provides the basis for analyzing the VAT potential to increase budget stability.

Despite these advantages, critics argue that the regressive nature of VAT can exacerbate income inequality because it

place imposes a relative burden on low-income households. Be careful that excessive reliance on VAT without targeted benefits or subsidies can undermine the goals of social equality. In response, several countries have adopted progressive VAT frameworks that include reduced rates or benefits for essential goods and services to mitigate regressive effects while maintaining income stability.

3 RESULTS AND DISCUSSIONS

This section presents the results of a study that studies the impact of indirect taxation, in particular value added tax, on the stability of state budget revenues. The results were divided into two sub-sections: Quantitative findings from econometric analysis and qualitative insights from interviews and case studies. This integrated approach makes it possible to comprehensively understand the relationship between indirect taxes and financial stability.

Variable	medial	standard deviation	minimum	Maximum
total income	28,5%	5,2%	18,0%	45,0%
VAT income	20,3%	7,4%	10,0%	35,0%
direct tax income	25,1%	6,3%	10,0%	40,0%
income volatility	2,3%	1,5%	0,5%	7,0%

Table 1: summary statistics of key variables based on World Bank and OECD data (2000-2023)

Quantitative analysis used a fixed-effect regression model to assess the relationship between VAT income and total income stability on a sample of 50 countries from 2000 to 2023. The Model was controlled for the share of key variables, including GDP growth, inflation, and direct tax revenues, providing a solid foundation for understanding the dynamics of fiscal income stability.

Main findings:

Regression analysis has identified several important results:

Statistically significant positive relationships have been found between VAT income and total income stability ($p < 0.01$). In particular, a 1% increase in VAT income is associated with a 0.4% decrease in income volatility. This finding suggests that as countries increase their confidence in VAT, they may expect a stabilizing effect on overall income flows.

In contrast, direct tax revenues demonstrated a high volatility coefferentiation ($p < 0.05$), which suggests that changes in direct taxes contribute to greater overall income instability. This supports the argument that indirect taxes, in particular VAT, can act as buffers against economic fluctuations.

Subsequent analyses have identified regional differences, VAT has significantly contributed to income stability in developing countries developed countries that may belong to informal sectors

of developing countries, where the self-sufficient nature of VAT may play a decisive role in revenue collection.

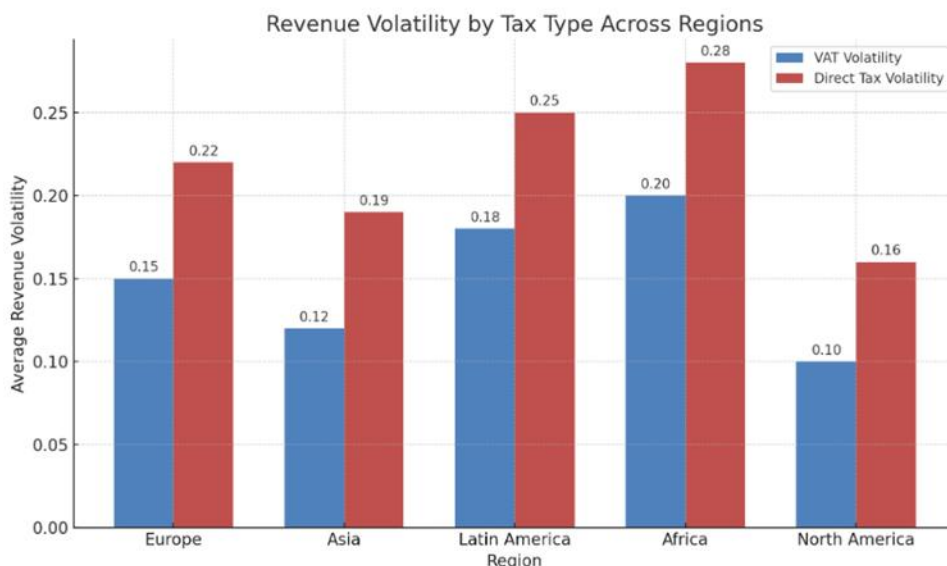


Figure 1: volatility of income by type of tax

The qualitative results of semi-structured interviews with tax policy experts, government officials and economists have provided critical insights into the challenges and opportunities associated with the implementation of VAT as a means of income stability. As for administrative efficiency, respondents believe that the self-sufficient nature of VAT enhances compliance and reduces administrative burdens with respect to direct taxes. The official form of Uzbekistan is " VAT allows us to use technology to better track transactions, which makes it difficult for enterprises to avoid taxes." This observation emphasizes the importance of administrative capacity and technological infrastructure in the successful implementation of VAT. When it comes to cases of objectivity, concerns about the regressive nature of VAT are eaten, which is common among interviewees. Several experts say that although VAT is effective for income stability, it can have a disproportionate impact on low-income households. The minister of Finance from the developing district said: "We recognize the need to balance our income goals with social equality, so we focus on the exemption of basic goods from VAT. this sentiment reflects the need for a nuanced approach to tax policy that takes equality into account alongside efficiency. The effectiveness of VAT in income stabilization has been found to vary depending on the economic context. Countries with large informal sectors reported problems in VAT collection. As The Economist points out, in economies with high informality, expanding the tax base is essential for VAT to fulfill its potential". this refers to the importance of additional measures such as strengthening the formal participation of the sector in order to increase the efficiency of VAT. Many interviewers stressed the need for a flexible VAT policy that would respond to changing economic conditions. The official said that our VAT system has evolved and included lessons learned during the economic downturn, which has improved our stability. This flexibility is critical to maintaining income stability in the context of economic shocks.

The results of this study confirm the existing literature related to the benefits of indirect taxation, in particular VAT, in ensuring stable state income. Quantitative analysis demonstrates a clear positive relationship between VAT income and income stability, arguing that VAT may increase revenue prediction in comparison to direct variable taxes. The findings that the increase in VAT is associated with a decrease in income reinforce the argument that indirect taxes may play an important role in fiscal stabilization.

CONCLUSION

The role of indirect taxation, in particular VAT, in stabilizing the income of the state budget was studied. Demonstrated a significant positive relationship between VAT income and overall income stability, suggesting that increased VAT confidence could lead to a decrease in volatility. This finding highlights the potential of VAT as an important tool to increase fiscal prediction, especially in developing economies with informal sectors. Qualitative concepts from interviews with tax policy experts emphasized the administrative effectiveness of VAT and the possibility of improving its compliance. However, concerns over its regressive nature have stressed the need for policy makers to implement targeted benefits for goods necessary to protect vulnerable segments of the population. The results support a diversified tax structure by balancing indirect and direct taxes to reduce risks associated with dependence on a single source of income.

The study focuses on the importance of VAT in achieving sustainable public budgets and addressing capital issues. Policy makers are advised to strengthen VAT compliance through technology and training and adopt flexible VAT policies that can adapt to changing economic conditions. Future research should study the mechanisms of VAT in a variety of economic conditions and its long-term impact on social equality.

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