

THE IMPORTANCE OF FEES IN THE FORMATION OF LOCAL BUDGET REVENUES IN UZBEKISTAN**Turayev Alijon Akmal ugli,**

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Abstract

The sustainability of local budget revenues is an important factor in ensuring effective public finance management and regional development. This study examines the role of fees in the formation of local budget revenues in Uzbekistan based on the Tax Code, the Budget Code, and current fiscal reforms. The results show that fees contribute to the diversification of revenue sources and strengthen the financial independence of local governments.

Keywords

local budget, fees, fiscal decentralization, non-tax revenues, public finance

Annotatsiya

Mahalliy budjet daromadlarining barqaror shakllanishi hududiy rivojlanish va davlat moliyasini samarali boshqarishda muhim ahamiyatga ega. Mazkur tadqiqotda O'zbekistonda mahalliy budjet daromadlarini shakllantirishda yig'implarning o'rni Soliq kodeksi va amaldagi fiskal islohotlar asosida tahlil qilinadi. Natijalar yig'implar mahalliy daromad manbalarini diversifikatsiya qilish va hududiy moliyaviy mustaqillikni oshirishga xizmat qilishini ko'rsatadi.

Kalit so'zlar

mahalliy budjet, yig'implar, fiskal markazsizlashuv, soliqsiz daromadlar, davlat moliyasi

Аннотация

Формирование устойчивых доходов местных бюджетов играет важную роль в эффективном управлении государственными финансами и региональном развитии. В исследовании анализируется значение сборов в формировании доходов местных бюджетов Узбекистана на основе Налогового кодекса и современных фискальных реформ. Результаты показывают, что сборы способствуют диверсификации доходов и укреплению финансовой самостоятельности местных органов власти.

Ключевые слова

местный бюджет, сборы, фискальная децентрализация, неналоговые доходы, государственные финансы

INTRODUCTION

The formation of stable and sustainable local budget revenues is one of the most important elements of an effective public finance system. Local governments play a crucial role in implementing socio-economic policies, maintaining public infrastructure, and ensuring the provision of essential services to the population. The financial capacity of these governments depends largely on the adequacy and stability of their revenue sources. Therefore, the structure of local budget revenues and the mechanisms of their formation are of particular importance in modern fiscal policy.

In many countries, local budgets are formed through a combination of local taxes, shared national taxes, intergovernmental transfers, and non-tax revenues. Among these components, fees represent an important source of revenue because they are directly linked to specific services provided by local authorities. Unlike general taxes, fees are usually collected in exchange for administrative services, licensing procedures, registration processes, and other public services delivered at the local level. As a result, they play a dual role in both financing local governments and regulating economic activities.

The Republic of Uzbekistan has been implementing large-scale fiscal reforms aimed at strengthening the efficiency and transparency of public finance management. One of the major priorities of these reforms is the expansion of fiscal decentralization and the strengthening of the financial independence of regional and municipal governments. Within this framework, the government has introduced various mechanisms to increase the share of local revenues and reduce the dependence of local budgets on transfers from the central government.

The legal basis for the formation of local budget revenues in Uzbekistan is defined by the Tax Code, the Budget Code, and the annual law on the State Budget. These documents regulate the types of taxes and fees collected at different levels of government and determine the distribution of revenue sources between the state and local budgets. According to these legal frameworks, local budgets are formed from several sources, including property taxes, land taxes, certain shared national taxes, and various fees and charges collected by local authorities. In recent years, particular attention has been paid to strengthening the role of non-tax revenues in local budgets. Fees, which include payments for licensing, administrative services, and the use of municipal resources, have become an increasingly important component of territorial financial resources. Their significance has grown due to the expansion of local government powers and the modernization of the public finance system.

From an economic perspective, fees contribute not only to revenue generation but also to improving the efficiency of public service delivery. By linking payments to specific services, fees create incentives for both citizens and public institutions to use resources more efficiently. In addition, they help ensure that part of the cost of public services is covered by those who directly benefit from them. Therefore, studying the importance of fees in the formation of local budget revenues is essential for understanding the development of fiscal decentralization and the sustainability of local public finance in Uzbekistan. The analysis of their role allows us to evaluate how effectively local governments are able to mobilize financial resources and meet the growing demands for regional development and public services.

LITERATURE REVIEW

The role of local revenue sources in ensuring the financial sustainability of territorial governments has been widely discussed in the economic literature. Scholars emphasize that the effectiveness of fiscal decentralization largely depends on the ability of local governments to generate their own revenues. In this context, fees and other non-tax revenues play an important role in strengthening the financial capacity of local authorities and improving the efficiency of public service delivery.

One of the most influential contributions to the theory of public finance belongs to Richard Musgrave, who emphasized the importance of decentralization in the allocation of public resources. According to Musgrave's theoretical framework, local governments are better positioned to provide public services that correspond to the preferences and needs of local communities. In order to perform these functions effectively, local authorities must have access to sufficient and stable revenue sources. Fees represent one of the mechanisms that allow local governments to finance services that directly benefit residents and businesses. Later studies by Joseph Stiglitz further developed the theoretical foundations of public finance and emphasized the role of user charges and fees in improving economic efficiency. Stiglitz argues that fees can be considered an effective instrument for financing public services when the benefits of those

services can be clearly attributed to specific users. In such cases, fees not only generate revenue but also promote more efficient allocation of resources by encouraging responsible consumption of public services.

In the field of fiscal decentralization, scholars such as Bird and Bahl have highlighted the importance of local revenue autonomy. Their research indicates that local governments are more effective and accountable when they have the authority to generate and manage their own financial resources. According to these studies, non-tax revenues, including fees, licenses, and administrative charges, are particularly important in developing and transition economies where the tax base at the local level may be limited. International financial institutions have also analyzed the importance of strengthening local fiscal systems. Reports from the World Bank and the International Monetary Fund emphasize that diversified revenue structures are essential for ensuring fiscal stability and improving public financial management. These studies recommend expanding the role of non-tax revenues, including service fees and administrative charges, as a means of reducing the dependence of local governments on transfers from central budgets.

Research related specifically to Uzbekistan's fiscal system also highlights the growing importance of local revenue sources. National scholars have noted that the development of the tax system and the improvement of fiscal policy mechanisms have significantly influenced the formation of local budgets. Studies on Uzbekistan's public finance reforms emphasize that increasing the share of local revenues is necessary for strengthening the financial independence of regional authorities and improving the efficiency of regional development policies.

Recent academic works analyzing fiscal reforms in Uzbekistan indicate that the government has taken important steps toward strengthening fiscal decentralization. These reforms include the redistribution of certain national taxes to local budgets, the expansion of local tax bases, and the improvement of mechanisms for collecting fees and other non-tax revenues. Researchers emphasize that these measures are intended to increase the financial autonomy of local governments and provide them with greater resources for addressing regional socio-economic challenges. Another important aspect discussed in the literature is the administrative efficiency of fee collection systems. Scholars argue that the effectiveness of fees as a revenue source depends on transparent procedures, efficient administration, and the availability of digital public services. In recent years, Uzbekistan has implemented significant reforms aimed at digitalizing public administration and improving the transparency of government financial operations. These reforms have contributed to the improvement of revenue collection mechanisms and the reduction of administrative barriers for businesses and citizens.

Despite the positive developments in the fiscal system, researchers also note several challenges related to the use of fees as a source of local budget revenues. One of the main challenges is ensuring that fee levels remain economically justified and socially acceptable. Excessive fees may create financial burdens for businesses and households, while insufficient fees may fail to cover the costs of public service provision. Therefore, an optimal balance must be maintained between revenue generation and economic efficiency. Overall, the existing literature demonstrates that fees represent an important component of local public finance systems. They contribute to the diversification of revenue sources, improve the efficiency of public service provision, and strengthen the financial independence of local governments. In the context of Uzbekistan's ongoing fiscal reforms, the role of fees in the formation of local budget revenues is expected to increase further as part of the broader strategy aimed at developing a more decentralized and efficient public finance system.

METHODOLOGY

The methodological basis of this research is formed by a combination of theoretical and empirical approaches widely used in public finance studies. The research relies on legislative analysis, comparative analysis, and statistical evaluation of budget revenues in order to examine the role of fees in the formation of local budget revenues. The legal analysis method was used to

examine the normative documents regulating the fiscal system of the Republic of Uzbekistan. Particular attention was given to the provisions of the Tax Code, the Budget Code, and the legal acts regulating the distribution of revenues between different levels of government. These documents provide the legal framework for understanding the types of fees collected by local authorities and their role in the structure of local budgets.

The comparative method was applied to analyze the structure of local budget revenues and determine the relative importance of fees compared with other revenue sources such as taxes and intergovernmental transfers. This approach made it possible to evaluate how the composition of local revenues has evolved in recent years and how fiscal reforms have influenced the financial capacity of regional governments. In addition to legal and comparative analysis, the research also used statistical data from official government sources, including reports from the Ministry of Economy and Finance, national statistical publications, and analytical materials related to the state budget. These data provide insights into the dynamics of local budget revenues and the share of non-tax revenues in the overall fiscal structure.

Another important method used in this study is institutional analysis. This approach focuses on examining the role of government institutions involved in the collection, administration, and distribution of fees. The effectiveness of revenue collection mechanisms depends not only on legal regulations but also on the administrative capacity of public institutions. Therefore, the institutional framework plays a crucial role in determining how efficiently local governments are able to mobilize financial resources. Finally, the study incorporates a review of academic literature related to public finance, fiscal decentralization, and local taxation systems. Theoretical contributions from both international and national scholars were analyzed to develop a comprehensive understanding of the economic nature of fees and their role in strengthening local fiscal systems.

Through the integration of these methodological approaches, the research provides a comprehensive and multidimensional analysis of the importance of fees in the formation of local budget revenues in Uzbekistan.

RESULTS

The analysis of Uzbekistan's fiscal system shows that local budget revenues are composed of several interconnected elements. These include local taxes, shares of national taxes transferred to local budgets, non-tax revenues, and intergovernmental transfers from the central government. Among these sources, non-tax revenues—particularly fees—occupy an increasingly significant position. Fees are defined as mandatory payments collected by public authorities in exchange for specific services, administrative actions, or regulatory permissions. In the context of local governments, these payments may include licensing fees, registration fees, payments for the use of municipal infrastructure, and other administrative charges. Unlike taxes, which are collected without direct compensation, fees are associated with particular services or benefits provided by government institutions.

The legal framework regulating the collection of fees in Uzbekistan has been gradually expanded in recent years. Legislative reforms have granted local governments greater authority to administer certain types of fees and retain the revenues generated from them. This policy reflects the broader objective of strengthening fiscal decentralization and enhancing the financial independence of regional authorities. An important aspect of recent fiscal reforms is the redistribution of certain national tax revenues to local budgets. Beginning in 2026, a portion of value-added tax revenues is allocated directly to local budgets. This reform significantly increases the financial resources available to territorial governments and reduces their reliance on transfers from the state budget.

At the same time, local authorities have been granted the right to adjust certain fixed fees within defined limits. This measure allows regional governments to adapt their revenue policies to local economic conditions and increase their financial capacity. Revenues generated from such

fees remain entirely within the corresponding territorial budgets and can be used to finance local development projects. Another important source of fee-based revenue is related to the use of land and municipal property. Payments for the leasing of agricultural land and the use of municipal infrastructure are increasingly directed to local budgets. These revenues play an important role in financing infrastructure development, improving public services, and supporting local economic growth.

Statistical data indicate that the share of non-tax revenues in Uzbekistan's budget system has gradually increased in recent years. This trend reflects the government's efforts to diversify revenue sources and strengthen the financial sustainability of public budgets. In particular, the expansion of administrative services and digital government platforms has improved the efficiency of fee collection and reduced administrative barriers. Overall, the results of the analysis show that fees have become an important component of local budget revenues in Uzbekistan. Their growing role reflects broader reforms aimed at strengthening fiscal decentralization, improving public financial management, and ensuring balanced regional development.

DISCUSSION

The findings of this study demonstrate that fees perform several important economic and fiscal functions within the local public finance system. First of all, they contribute to the diversification of local budget revenues. A diversified revenue structure is essential for ensuring financial stability and reducing dependence on a single source of funding. By combining taxes, fees, and other revenue sources, local governments can better withstand economic fluctuations and maintain stable public services. Another important function of fees is their role in cost recovery for public services. Many administrative procedures and regulatory activities require financial and human resources. By charging fees for these services, governments are able to recover part of the costs associated with their provision. This mechanism not only improves fiscal sustainability but also promotes more efficient use of public resources.

Fees also serve as an economic regulatory instrument. Certain fees are designed to regulate economic activities, ensure compliance with legal requirements, and maintain public order. For example, licensing fees can be used to regulate commercial activities, while environmental charges may encourage businesses to adopt more sustainable practices. From the perspective of fiscal decentralization, fees play a particularly important role because they are typically collected and managed at the local level. This gives local authorities greater control over their financial resources and increases their accountability to the population. When residents and businesses contribute directly to local budgets through fees, they are more likely to demand transparency and efficiency in public spending. However, the effective use of fees as a revenue source requires strong institutional and administrative capacity. Transparent procedures, efficient collection mechanisms, and clear legal regulations are essential for preventing misuse and ensuring fairness. In addition, the level of fees must be carefully balanced so that they generate sufficient revenue without creating excessive financial burdens for businesses and citizens.

The ongoing fiscal reforms in Uzbekistan aim to address these challenges by modernizing the public finance system and strengthening the institutional framework of local governance. Digitalization of public services, improved tax administration, and enhanced financial transparency are key components of these reforms. Overall, the expansion of fee-based revenues represents an important step toward building a more decentralized and efficient fiscal system. By strengthening the financial independence of local governments, these reforms contribute to improving regional development, enhancing public service delivery, and promoting sustainable economic growth.

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