

## STATE BUDGET: FORMATION, TAXES AND DEFICIT

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### Abstract

The state budget is a crucial component of a country's fiscal policy, outlining the government's revenues and expenditures over a specific period. The formation of a state budget is a complex process that involves the allocation of resources, taxation, and management of deficit. In this article, we will delve into the process of state budget formation, the role of taxes, and the implications of budget deficit.

**Keywords:** budget system, different sectors, economic growth, development, state budget, financial support, tax system

### Introduction:

An important role in the formation and development of the economic and social structure of society is played by state regulation, which is carried out within the framework of certain policies at each stage of historical development. One of the weapons, supports that allow the state to fulfill its functions, to carry out its own economic and social policy, is also the state budget. A budget is a form of accumulation and expenditure of monetary funds designed to financially support the functions and functions of state and local self-government. In the current conditions of market relations and liberalization of the economy, the formation of stable mechanisms of flows of financial resources at the macro and micro levels is of urgent importance. The perfection of flows of financial resources ensures the mutual relativity and equality of the development of the economy, ensures the development and efficient functioning of various sectors and sectors of the economy, and ensures the equality of budget revenues and expenditures. Budgetary relations are an integral part of the economic system of society, the functioning of which is objectively determined by the state with the formation of the necessary material and financial base for it to carry out the corresponding functions. The state budget forms the financial basis of the state's economic capabilities as the main (main) financial plan of the state.

So, on the one hand, the emergence of the budget is directly related to the emergence of states, on the other hand, it is precisely in the market economy that the qualitative signs of the budget as the main instrument for the implementation of state reforms in the social, economic spheres of society are clarified.

## **Background and Importance of State Budget Analysis**

Moreover, the importance of state budget analysis extends to its impact on taxation policies and deficit management. Through a comprehensive understanding of the budgeting process, stakeholders can evaluate the effectiveness of tax regulations and assess the sustainability of fiscal deficits. This analysis provides valuable information for decision-makers to make informed choices regarding revenue generation, expenditure prioritization, and debt management. Ultimately, a thorough examination of the state budget is crucial for fostering transparency, accountability, and efficiency in public financial management. This section sets the stage for the comprehensive study of state budget analysis, establishing its relevance and significance in the field of public finance.

The analysis of state budget formation, taxation policies, and deficit management is a critical aspect of public finance and governance. Understanding the background and importance of state budget analysis is essential to grasp the complexities and implications of fiscal policies. State budgets play a crucial role in determining the allocation of resources, funding for public services, and the overall economic stability of a region. By examining the historical context and the factors driving budget decisions, researchers and policymakers can gain insights into the underlying principles and challenges of budget formation.

## **Purpose and Scope of the Study**

The scope of the study will encompass a comprehensive review of state budgeting processes, tax structures, and deficit reduction measures across different government levels and jurisdictions. It will also examine the theoretical frameworks and practical approaches utilized in budget formation, revenue generation, and deficit management. Additionally, the study will analyze case studies and comparative analyses to provide a holistic view of state budget practices and their impact on public finance. Overall, this research aims to contribute to a deeper understanding of the complexities and challenges associated with state budgeting and taxation policies, and provide insights for more effective fiscal management and policy development.

The function of regulating and managing the economy: through taxes and budget expenditures, the budget serves as a decisive and important weapon of regulating the economy, stimulating investment, increasing production efficiency. At the expense of budget funds, advanced sectors of the economy are supported, such as aviation, space programs and projects, the nuclear industry, energy and mechanical engineering industries. State support for projects with high efficiency and fast self-covering is also important. But it should be remembered that the use of the state budget for purposes that have existed in the recent past and have not justified themselves, such as financial assistance to backward production, lagging behind this function of the state budget, seriously undermines the competitiveness of the economy, increases production efficiency.

Social function of the state budget: the state budget plays an important role in the implementation of the country's social policy. Providing services within the framework of social guarantees of the state, providing funds for the areas of education, health, culture, social protection of underprivileged segments of the population (pensioners, disabled people, children, low - income families) - are the priorities of social policy. In addition, culture in a broad sense is one of the important components of economic development, in this regard, the development of the capabilities of members of society is the driving force for progress. Therefore, the social function of the state budget is more clearly manifested in the provision of funds for state events in this direction. The control function of the state budget is important in the formation of budgetary revenues, rational and purposeful use of budgetary funds, financial and economic activities of those receiving funds from the budget, the state of compliance with budgetary legislation by them, control over the ratio of distribution and redistribution of gross domestic product and national income. The main reason for this is the increasing need and importance of control over the formation and use of state financial resources in the context of the liberalization of economic relations.

The process of state budget formation is a lengthy and intricate one. It typically begins with the executive branch of the government, which submits a proposed budget to the legislative branch. The proposed budget outlines the government's revenue and expenditure projections for the upcoming fiscal year. The legislative branch then reviews and debates the proposed budget, making any necessary amendments before approving the final budget. The formation of a state budget is guided by certain principles, including transparency, accountability, and efficiency. Transparency ensures that the budget-making process is open and accessible to the public, while accountability ensures that those responsible for managing the budget are held responsible for their actions. Efficiency ensures that the budget is allocated in a way that maximizes the effectiveness of public resources.

Taxes play a crucial role in the formation of a state budget. The government relies on taxes as the primary source of revenue to finance its activities. Taxes can be classified into two broad categories: direct and indirect taxes. Direct taxes include income tax, property tax, and wealth tax, while indirect taxes include sales tax, value-added tax, and customs duty. The tax system is designed to redistribute wealth, reduce income inequality, and influence economic behavior. The taxation system has a significant impact on the economy. Taxes can influence consumer behavior, discourage or encourage certain economic activities, and affect the overall growth rate of the economy. For instance, a high tax rate on luxury goods can discourage their consumption, while a low tax rate on essential goods can encourage their consumption. The tax system also has a significant impact on the government's revenue. A well-designed tax system can generate significant revenue for the government, while a poorly designed system can lead to revenue losses. However, the government's reliance on taxes has its limitations. Over-reliance on taxes can lead to tax evasion, which can result in revenue losses for the government. Additionally, high tax rates can discourage economic activity, leading to reduced

economic growth. The government must therefore strike a balance between taxation and economic growth.

One of the most significant challenges facing governments today is the management of budget deficit. A budget deficit occurs when the government's expenditures exceed its revenues, resulting in a shortfall. The budget deficit can be financed through borrowing, printing money, or a combination of both. However, a high budget deficit can have severe consequences, including inflation, high interest rates, and reduced economic growth. The management of budget deficit requires careful planning and discipline. The government must prioritize its expenditures, reducing unnecessary expenses and allocating resources efficiently. The government can also implement fiscal consolidation measures, such as increasing taxes or reducing expenditures, to reduce the budget deficit. Additionally, the government can adopt a medium-term fiscal framework, which sets out fiscal policy objectives and budget strategies over a three-to-five-year period.

In recent years, many governments have struggled to manage their budget deficits. The global financial crisis of 2008 highlighted the importance of fiscal discipline and responsible budget management. The crisis led to a significant increase in budget deficits, as governments implemented stimulus packages to stimulate economic growth. However, the crisis also highlighted the need for governments to adopt sustainable fiscal policies and reduce their reliance on borrowing.

## Conclusion

In conclusion, the state budget is a critical component of a country's fiscal policy. The formation of a state budget is a complex process that involves the allocation of resources, taxation, and management of deficit. The taxation system plays a crucial role in generating revenue for the government, but it must be designed carefully to avoid negative consequences. The management of budget deficit requires careful planning, discipline, and a commitment to fiscal responsibility. As governments continue to face fiscal challenges, it is essential that they adopt sustainable fiscal policies, prioritize their expenditures, and manage their deficit effectively. In order to manage the state budget effectively, governments must adopt a comprehensive approach that takes into account the complexities of the budget process. This approach must include a thorough analysis of the government's revenue and expenditure projections, as well as a careful consideration of the taxation system and its impact on the economy. Additionally, the government must prioritize its expenditures, allocating resources efficiently and reducing unnecessary expenses. Furthermore, the government must adopt a medium-term fiscal framework, which sets out fiscal policy objectives and budget strategies over a three-to-five-year period. This framework must be flexible enough to accommodate changing economic conditions, while providing a stable and predictable fiscal environment. In addition, the government must ensure transparency and accountability in the budget process. This can be achieved through the establishment of an independent audit agency, which can

review the government's budget and ensure that it is transparent and accountable. The government must also engage in public discourse, providing the public with accurate and timely information about the budget process.

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