ANALYSIS OF FACTORS AFFECTING TAX CAPACITY IN OUR COUNTRY AND THEIR IMPACT

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Abstract: *This article discusses the economic content of tax capacity, the laws of its formation and its strategic role in the tax system. During the study, the factors affecting tax capacity were analyzed and the importance of this indicator in stabilizing state budget revenues was substantiated. Also, ways to ensure the country's economic growth by expanding the tax base and increasing tax collection were considered. The article is intended for specialists interested in improving tax policy and optimizing the tax burden.*

Keywords: *tax capacity, tax system, economic content, tax base, budget revenues, tax policy, fiscal efficiency, optimization of the tax burden, tax revenues, optimization, tax incentives, tax rate.*

Introduction. The concept of tax capacity is not just the amount of taxes collected, but also the maximum amount of financial resources that can be mobilized at a certain stage of economic development without placing an undue burden on taxpayers. Within the framework of the tax reforms currently being implemented in our country, reducing the tax burden, simplifying tax administration, and reducing the share of the "shadow economy" have been identified as priority tasks. In this process, a correct assessment of tax capacity allows for accurate planning of state budget parameters and effective use of the economic potential of regions. Therefore, an in-depth study of the economic

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content of tax capacity and determining its place in the tax system is very relevant from a scientific and practical point of view.

The concept of tax capacity is used in the tax system. From a historical and scientific perspective, the concept of tax capacity has been used in scientific literature since the second half of the 20th century. In particular, it was formed during the period of increased research on the assessment of state finance and tax policy in scientific research, and gradually, along with its transformation into a practical process in the financial sector, it began to enter science as an important category of macroeconomic and microeconomic fiscal analysis. It can be noted that the entry of this economic category into economics as a scientific and practical concept occurred in several stages. In fact, this concept appeared in world practice in the 1950s-1970s with the emergence of the problem of forecasting the state budget and tax revenues. Because after the Second World War, countries began to feel the need to accurately assess the volume of tax revenues for planning economic development, and theoretical approaches to measuring "potential revenues" from taxes emerged during these periods.

It is worth noting that tax capacity is also formed under the influence of a number of factors, their structural changes occur, their transformation from one to another occurs, and it has a tendency to increase and decrease. The correct determination (assessment) of tax capacity at all levels creates the need to assess the factors affecting its level and their impact. Recognizing the scientific approaches of most scientists who have conducted scientific research in this regard, macroeconomic indicators that reflect the level of economic development play an important role in this.

If, from an economic theoretical point of view, there is a strong positive and correlational relationship between GDP and tax revenues. That is, if the economy grows, then naturally income, consumption and profit grow, which represents real tax capacity, in essence, as a result of such growth, the tax base

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expands and tax revenues grow. Here, the transformation of tax potential into real tax revenues occurs in two ways: first, if the tax potential is directly in the form of income or profit, then according to tax theory, the main source of taxes is income (profit), which means that the tax base in this form is relatively larger, that is, the transformation of tax potential into tax revenues is greater, which requires an increase in tax potential in this form (income, profit) to effectively use tax potential to increase tax revenues within the national or regional framework. Secondly, in various spheres of the production phase, sources and factors of tax capacity that form the tax base in accordance with the current tax legislation, changing their form and content, are economically available, and they indirectly form tax capacity, which requires special attention in tax policy implemented at the national and regional levels, that is, the direction of economic policy, along with its focus on development, also requires the formation of real tax capacity.

If these statements express the content of the state's economic and financial policy, then market laws also play an important role in the formation and level of tax capacity. We will try to explain this with a simple example. We noted above that gross value added is an important tax capacity and tax base. If a value added tax payer produces 250 million products in year "A" and sells 50 million soums of it in the same year, then taking into account the VAT, he pays 6 million soums in tax, where the tax capacity is a maximum of 6 million soums. If, in the next "V" year, the volume of products sold, having produced 300 million soums, is 200 million soums, then the tax capacity at the enterprise level will be 24 million soums, which indicates that the 4-fold increase in the tax burden of the enterprise occurred not due to the state's tax policy, but in accordance with market rules (increase in demand for products), where, naturally, the increase in the level of tax capacity is influenced by market laws. Based on this, it should be noted that the impact of factors on the level of tax capacity should be considered institutionally within the framework of the state's

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financial policy and market laws. From this it can be concluded that the tax burden and tax capacity are also interrelated.

The impact of GDP on tax capacity is carried out on the basis of certain mechanisms. The expansion of the tax base plays an important role in this. GDP growth leads to an expansion of the tax base within the framework of the data, that is, the incomes of the population and enterprises increase, the volume of consumption and trade increases, and tax revenues from them also increase, which is important for income tax, VAT and profit tax in this process. The automatic response of the tax system is also of particular importance in these mechanisms, as changes in GDP automatically affect tax revenues, and during economic growth, income taxes and VAT revenues expand. This reflects the integrated nature of the tax system as an automatic stabilizer, which means that tax revenues dynamically change with GDP growth compared to previous years, which means a dynamic increase in tax capacity.

The Tax-to-GDP ratio: "Tax-to-GDP" indicator is also important in expressing the factorial impact of GDP on tax capacity. In the scientific and economic literature, the ratio of tax revenues to GDP (Tax-to-GDP Ratio) is used to show the relationship between GDP and tax revenues, which indicates that this indicator is an important tool for assessing the tax level and potential of the country. Its advantages are that tax revenues are correlated with GDP growth, and in the long term, tax revenues grow together with GDP, the financial stability of the state and the efficiency of the tax system can be compared internationally. GDP growth affects the expansion of the taxpayer base, and when the activities of certain economic instruments and markets expand, tax objects also increase, thereby increasing the amount and potential of taxes falling to the budget.

The factor dependence of GDP on tax potential is also widely used in economic analyses, which is a theoretical and econometric concept that implies the presence of a two-way effect on economic processes. This shows the

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relationship between the economic cycle and tax revenues, as GDP changes are associated with economic cycles, and during economic growth, taxes do not increase rapidly, because in a certain period of time it takes to ensure capacity and administrative volume, while during economic recessions, tax revenues decrease rapidly, which indicates that tax capacity should be analyzed together with legal and economic conditions. In general, since GDP reflects the volume of economic activity, its growth expands the tax base and creates the necessary economic conditions for the growth of tax revenues. Thus, a strong positive relationship between GDP and tax revenues is a fundamental element in the analysis of tax capacity, since the impact of GDP on tax capacity plays a central role in the socio-economic approach and the formation of budget funds.

We briefly described the relationship between investment and tax capacity in the previous chapter. Therefore, we will try to briefly consider the impact of imports and exports on the national economy as macroeconomic indicators and the factorial relationship between them. As is known, import operations are an economic process associated with the entry of goods, services and capital from foreign markets into the national economy, which affects tax capacity mainly through tax revenues through customs, the formation of the tax base in the domestic market and its impact on economic activity. Of course, having a direct impact on the tax capacity of import operations, firstly, this process increases the state's tax capacity through taxes and fees, while customs duties, duties applied to imported goods, are an important source of revenue for the state budget, they increase the tax capacity of imports of consumer goods in the short term, as a result of which the level of tax capacity increases. VAT also plays an important role here, this type of tax is considered a stable source of tax revenue in many countries, and the growth of import volumes expands the VAT tax base, while excise taxes, as imports of goods such as alcohol, tobacco, fuel have a high tax potential, and fiscal efficiency is ensured through excises.

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The impact of the import process on tax potential is both direct and indirect, as an increase in economic activity in the domestic market, i.e., an increase in the volume of production of imported raw materials and technologies, expands the base of profit tax, personal income tax and social taxes. On the other hand, the expansion of the consumer market in the national economy increases VAT revenues through increased consumption, increasing the competitive environment for imported goods. This process, in turn, can affect inflation and prices, limiting import inflation, which ensures the stability of real tax revenues, while exchange rate fluctuations lead to instability of the tax base.

Based on this, it can be said that import processes can lead to a decrease in domestic production, that is, the base of taxes on profit and wages may decrease due to excessive imports crowding out local producers. Therefore, it is necessary to take into account the dependence of the tax base on external factors, since if the tax potential is strongly tied to external markets, exchange rates and logistics, it is a threat to budget stability. On the other hand, the effectiveness of financial and tax incentives on imports is not always high, since VAT and customs privileges limit the full realization of tax potential.

It should be noted that among the factors affecting tax capacity, in addition to economic and financial factors, institutional factors also have their own influence, and we considered it appropriate to briefly analyze the characteristics of their influence. Institutional factors affecting tax capacity are a system of laws, rules, norms and organizations that determine the behavior of economic entities, and are understood as factors that directly affect the formation and implementation of tax capacity in tax relations, which, according to their essence and spheres of influence, have the properties of forming tax capacity (tax base), implementing (collection rate) and stabilizing (creating long-term fiscal capacity), and their influence is present in several directions.

Conclusions and recommendations.

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Tax capacity is a dynamic category. It is not just the amount of taxes collected today, but the maximum fiscal potential that can be formed based on the available resources of the economy (natural, financial, human). Tax capacity serves as a "unit of measurement" in planning the state budget. Its incorrect assessment leads to an unjustified increase in the tax burden or budget deficit. The experience of China and South Korea shows that the most effective way to increase tax capacity is not only punitive measures, but also digital transparency and open dialogue with the population (incentive system). In the conditions of Uzbekistan, the main factor preventing the full realization of tax capacity is the informal sector of the economy and ineffective tax incentives in some sectors.

In order to effectively use and expand tax capacity in the tax system of the Republic of Uzbekistan, the following measures are proposed:

1. Digitalization of tax administration based on the "Korean model". To attract consumers to tax control, stratify the amount of cashback for cash receipts (Cash Receipt) and further simplify the system, as in South Korea. This will automatically include "hidden" turnover in the tax base.

2. Strengthen fiscal decentralization (the experience of China and Kazakhstan). Increase the interest of regional authorities in increasing their tax capacity. To do this, expand the mechanism for leaving a certain part of corporate taxes from entrepreneurial activities (for example, 30-50%) directly in the local budget.

3. Form a tax culture from a young age. Using the experience of South Korea, introduce "Tax Literacy" lessons into the curricula of secondary schools. Instill in the population the idea that paying taxes is the purchase of state services (education, medicine, security).

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