

## **PROPERTY TAXATION PROCEDURE IMPROVEMENT ISSUES**

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### **Abstract**

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**Keywords:** *Tax, property tax, real estate tax, legal entities, individuals*

*The article examines the economic essence and characteristics of property tax, its importance in budget revenues, the formation of tax revenue by groups of taxpayers, the current situation, and comments on the problems in this regard and their elimination are presented. The changes made in the tax system of our republic in recent years serve to bring it closer to the world tax system, to optimize taxation obligations for all economic entities. At the same time, the fact that some problems remain in the current mechanism of property tax and land tax, and the need to improve them based on the requirements of the times, requires the introduction of real estate tax instead of these taxes. The introduction of the real estate tax in our country, which is effectively used in the world tax practice, shows the need to improve the current property tax and land tax. The introduction of the real estate tax is carried out by improving the definition of the property tax and land tax base, requiring the determination of the value of property and land resources at the market price. In our republic, property tax is paid by legal entities and individuals. The procedure for calculating property tax paid by legal entities and individuals and paying it to the budget differs sharply from each other. At the same time, the fact that the base of the land tax is determined as the total area of the land plot, regardless of the value of the land plots, creates complications in the implementation of the real estate tax. The establishment of measures for the gradual implementation of the property and land tax calculation system on the basis of the cadastral value of real estate objects close to the market value indicates the need to improve the current mechanism of these taxes. The introduction of the real estate tax serves to ensure the fairness of taxation and to increase the efficiency of the economic mechanism aimed at the efficient use of resources, while bringing property taxes closer to the world tax system.*

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## **INTRODUCTION**

Property tax has been effectively used in the tax system of our republic for many years. The importance of property tax is reflected in the formation of state budget revenues, and it is the main source of income for local budgets. Based on this, the property tax has been improved over the years, and certain changes have been made to its payers, the object and basis of taxation, the tax rate and benefits, the procedure for calculating the tax and paying it to the budget. Property tax is also important because it is effectively used in the tax system of many countries of the world. However, the property tax applied in the tax system of our country differs from the real estate tax in developed countries in some respects. Based on this, the measures to improve property tax and land tax and replace them with real estate tax, which is effectively used in the world tax system, were determined and are being implemented step by step.... "the system of calculating property and land taxes based on the cadastral value of real estate objects close to the market value will be introduced in two stages:

in the first stage (2021-2023) - in relation to real estate housing stock objects (apartment, single-family houses, field-yard), as well as the land plots occupied by these objects;

in the second stage (2022-2024) - in relation to individual real estate objects not intended for living, as well as the land plots occupied by these objects"[2].

The introduction of real estate tax instead of land tax and property tax is considered as a special direction in the reform of the tax system of our country, and it serves to ensure the fairness of taxation while bringing property taxes closer to the world tax system, and to increase the efficiency of the economic mechanism aimed at the effective use of property and land resources. does. At the same time, based on the study of the current mechanism of these taxes, identifying existing problems and developing proposals aimed at eliminating them is an important direction of improving the tax system.

## **LITERATURE REVIEW**

The theoretical and practical issues of property tax have been studied in the researches of a number of scientists from abroad and our country. Among them, foreign scientists such as S.V. Bogachev [4], V.G. Panskov, A.N. Mayorova [7], Mayburov and V.V. Derbeneva[6], B. Umarov, Sh. Musalimov, I. Local scientists such as Niyazmetov, S. Voronin, B. Koraboev, D. Ugay, O. Meyliev, F. Fayziev conducted research on the improvement of property tax, in particular, on the application of real estate tax.

Foreign scholars, Atilola Moses Idowu and others, researched the effect of real estate tax assessment and noted that the most controversial issue in calculating the tax amount is determining their value and suggested involving experienced appraisers for real estate assessment [3].

Property taxes in EU member states consist of "permanent taxes" on real estate and "other real estate taxes." "Permanent taxes" are usually paid annually based on some measure of property value. "Other real estate taxes" include capital gains taxes and transfer taxes (including inheritance and gift taxes) and transaction taxes.

In 2020, real estate taxes accounted for 2.3% of GDP, an increase of 0.1% compared to 2019, and accounted for 5.6% of total tax revenue in the EU.

In general, in 2020, permanent real estate taxes dominated the composition of real estate taxes, and accounted for 1.2 percent of the EU-27 GDP and 55 percent of total real estate taxes[12].

Due to the relatively low fixed taxes on real estate and its potential source of revenue growth, it has received special attention in many countries. In addition, due to the fact that this tax base does not depend on the turnover of goods and has a low impact on economic activity compared to other forms of taxation, it has little impact on economic growth.

S. V. Bogachev, one of the Russian scientists, has thoroughly analyzed real estate tax based on foreign experience. "Today, the real estate tax is valid in more than 130 countries of the world. This tax falls to local budgets in most countries and its share in budgets at all levels ranges from 1 to 3 percent (2.17% in France; 1.85% in Denmark; 1.8% in the Netherlands and Italy; 1.06% in Germany; 0.89% in Sweden). The share of real estate tax in the budget revenues of some developed countries is rather high. In particular, the share of real estate tax is 10 percent in Great Britain, 9 percent in the United States, and 8 percent in Canada. In these countries, real estate tax has a significant impact on the formation of revenues of local budgets. In particular, in Canada, their share in the local budgets of municipalities reaches 40%, in Great Britain up to 30%, in France up to 20%" [4].

Economists who have conducted research on property taxes in our country have analyzed the current state of property tax, pointed out the shortcomings, and given their opinion on the need to introduce real estate tax. In particular, B.Umarov noted in his research that two goals are envisaged for the introduction of enterprise property tax in the tax system. "First, to arouse the interest of enterprises to sell the excess and unused part of the property at their disposal;

Secondly, to increase and stimulate the effective use of assets on the balance sheet of economic entities" [11].

According to Sh.Musalimov, "In order to increase the fiscal importance of property taxes, it is necessary to abandon the annual average residual value method for legal entities in determining the basis of real estate tax, which includes buildings and structures, as well as the land plot on which they are located, and move to the system of evaluating the value of real estate based on market mechanisms." [9].

Economists I.Niyazmetov, S.Voronin, B.Koraboev, D.Ugay studied real estate taxation on the basis of foreign experience, revealed the features of real estate tax in developed countries and studied the prospects of its introduction in our republic. He noted that the current mechanism of property tax collection is not efficient enough[5].

In his research, O. Meyliev stated that it is appropriate to implement measures such as "switching to a system of assessing the value of real estate based on market mechanisms, introducing a progressive mechanism of taxation of real estate, canceling the existing inefficient benefits from property tax and determining the amount of "non-taxable value" of real estate "[8] noted that.

In his research, F. Fayziev studied the theoretical and practical aspects of the specific features of real estate valuation at the market value, as well as the foreign experience in this regard, and suggested "based on the experience of developed countries, the introduction of real estate tax by combining property and land taxes" [12].

In the studies conducted by the above scientists, it was concluded that the real estate tax should be introduced by combining the current property tax with the land tax.

Although scientific studies have been conducted on the introduction of real estate tax instead of land tax and property tax, and measures for its implementation have been determined, the originality and different aspects of the property and land tax base in the tax system of our republic are in this process. causing some complications. Based on this, it is necessary to carry out research aimed at a specific solution.

### **ANALYSIS AND RESULTS**

Taxation of property is an integral part of the tax system, and has been the focus of constant attention in the organization and reform of the independent tax system in our country. In many cases, there are also controversial opinions on property taxation. Because property tax is applied to property purchased or built at the expense of the profit or income remaining after paying all taxes, causes such thoughts to arise. Because if taxpayers pay tax several times on their profit or income, it causes them to have negative thoughts about taxes. This situation is especially evident in individuals who pay property tax. "...property tax is to a certain extent additional to income tax, and its importance is increasing in the conditions of market relations"[11].

Therefore, revealing the essence of property taxation with a scientific approach, identifying the existing problems based on the research of its actual situation and importance, serves to solve the controversial issues in this regard.

It is known that, despite the fact that the main function of the property tax is fiscal, its share in the formation of state budget revenues is not high (see Table 1).

Analyzes show that during 2016-2021, regular growth of state budget revenues was observed. While the amount of property tax increased from 2016 to 2018, it decreased in 2019 and 2020, and has a tendency to increase again from 2021. Accordingly, the share of property tax in state budget revenues was 4.0 percent in 2016, and 1.5 percent in 2021. Such a change was observed on the basis of changes in tax legislation and tax rates. It is noteworthy that the share of the tax on the property of legal entities in the total property tax decreased from 73.2 percent in 2016 to 64.1 percent (by 9.1 points) in 2021. its share in property tax increased from 26.8 percent to 35.9 percent (9.1 points).

Table 1

## Importance of property tax in state budget revenues [ 13 ]

Indicators	Years					
	2016	2017	2018	2019	2020	2021
<b>State budget revenues, billion soums</b>	41043.4	49681.0	79099.0	112165.4	132938.0	<b>164680.3</b>
<b>Property tax, billion soums</b>	<b>1659.2</b>	<b>2129.7</b>	<b>2606.1</b>	<b>2360.2</b>	<b>1974.3</b>	<b>2457.3</b>
<i>state budget revenues, in %</i>	<i>4.0</i>	<i>4.3</i>	<i>3.3</i>	<i>2.1</i>	<i>1.5</i>	<i>1.5</i>
<b>Property tax of legal entities, billion soums</b>	1214, 2	1554.1	1897.8	1553.7	1240.8	<b>1576.1</b>
<i>Share of total property tax, in percent</i>	<i>73.2</i>	<i>73.0</i>	<i>72.8</i>	<i>65.8</i>	<i>62.8</i>	<b><i>64.1</i></b>
<b>Property tax collected from individuals, billion soums</b>	445, 0	575.6	708.3	806.5	733.5	<b>881.2</b>
<i>Share of total property tax, in percent</i>	<b><i>26.8</i></b>	<b><i>27.0</i></b>	<b><i>27.2</i></b>	<b><i>34.2</i></b>	<b><i>37.2</i></b>	<b><i>35.9</i></b>

Determining the measures to implement the property and land tax calculation system in two stages on the basis of the cadastral value of real estate objects close to the market value indicates the need to improve the current mechanism of these taxes.

According to the newly revised Tax Code of the Republic of Uzbekistan, "Real estate is considered an object of taxation on the property of legal entities" [1]. It can be seen that the object of the current property tax corresponds to the real estate tax. However, determining its basis based on the average annual residual value or the average annual value of the property does not give the opportunity to determine it based on the market price of the property. Based on this, starting from January 1, 2022, 1 square meter of the property tax base. it was determined that it cannot be lower than the absolute minimum value per meter. In this case, 1 square meter of the property tax base.per meter " in the city of Tashkent - two million five hundred thousand soums; in the city of Nukus and regional centers - one million five hundred thousand soums; in other cities and rural areas - one million soums " [1] has served to bring the price of real estate objects closer to the market price to a certain extent, but it is causing objections from some taxpayers.

republic, property tax is paid by legal entities and individuals. The procedure for calculating property tax paid by legal entities and individuals and paying it to the budget differs sharply from each other. In turn, it should be noted that some changes have been observed in the composition of groups of tax payers of legal entities in recent years.

The analysis of the dynamics of the formation of revenues from the tax on the property of legal entities by groups of taxpayers shows that in 2016-2019 and 2020-2021, sharp changes were observed in the composition and structure of tax revenues. This was influenced, among other factors, by changes in tax administration (see Table 2).

Table 2

**Tax on proceeds from the tax on the property of legal entities  
formation by groups of payers [13], in percent**

Indicators	Years					
	2016	2017	2018	2019	2020	2021
<b>Property tax paid by taxpayers in all sectors of the economy (except for the following)</b>	92.5	92.3	94.2	95.0	36.1	17.6
<b>Property tax paid by commercial banks*</b>	3.4	3.8	2.9	1.5		
<b>Property tax paid by enterprises with foreign investment*</b>	4.1	3.9	2.9	3.5		
<b>Property tax paid by large taxpayers</b>					52.1	56.2
<b>Property tax paid by taxpayers under DSB administration</b>					11.8	26.2

\*Commercial banks and property tax paid by foreign-invested enterprises is reflected in the tax paid by large taxpayers in 2020 and 2021.

In 2016-2019, the tax payers of the property tax of legal entities were divided into 3 groups and were formed according to the main payers of property tax, commercial banks and enterprises with foreign investment, in 2020 and 2021, the lower and middle levels of the state tax service bodies formed by tax payers and large tax payer groups under the administration. Therefore, changes in tax administration require clarification of certain aspects in the research on the formation of the tax imposed on the property of legal entities by groups of taxpayers.

If we analyze the tax imposed on the property of legal entities according to the indicators of 2020-2021, the main payers of property tax are large taxpayers (52.1 and 56.2 percent) and taxpayers under the administration of State Tax Administrations (11.8 and 26.2 percent). This category of taxpayers includes legal entities that are considered VAT payers, but are not large taxpayers. Therefore, it is necessary to pay special attention to these categories when improving the current property tax.

Individuals are important among property tax payers. According to the newly revised Tax Code of the Republic of Uzbekistan, "The following properties located in the territory of the Republic of Uzbekistan are subject to taxation of property tax collected from individuals.

- 1) houses, apartments, country yard buildings;
- 2) non-residential real estate objects intended for business activity and (or) income;
- 3) unfinished non-residential facilities.

4) car accommodation, as well as other buildings, buildings and structures integrally connected to multi-apartment buildings"[1].

The object of the property tax collected from individuals is real estate. The fact that the basis of this tax is the cadastral value[1] of the tax objects determined by the state registration



body of real estate rights creates some problems in the process of gradual transition to the system of calculating property and land taxes based on the cadastral value of real estate objects, which is close to the market value. The analysis shows that there is a sharp difference between the actual cadastral value of the properties and their market value. This situation should be considered as one of the main aspects in the improvement of the property tax levied on individuals.

It is known that the property tax rates charged to individuals are determined by classification depending on the location and total area of the property. Based on this, if we analyze this tax revenue by groups of taxpayers, the main taxpayers are taxpayers of the general category. Property tax paid by this category of taxpayers decreased from 92.1 percent of total tax revenue in 2016 to 86.5 percent in 2021 (see Table 3).

**Table 3**

**Income from property tax collected from individuals  
formation by groups of taxpayers [13], in percent**

Indicators	Years					
	2016	2017	2018	2019	2020	2021
<b>Houses and apartments, courtyard buildings, carports integrally connected to multi-apartment buildings, as well as other buildings, buildings and structures</b>	92.1	87.4	85.2	93.2	81.2	<b>86.5</b>
<b>Houses and apartments located in cities, total area:</b>						
<b>More than 200 sq.m. and up to 500 sq.m.</b>	4.0	8.8	11.8	4.5	14.3	<b>11.2</b>
<b>More than 500 sq.m.</b>	0.9	1.6	2.0	1.5	4.1	<b>1.9</b>
<b>Houses and apartments with a total area of more than 200 sq.m., country yard buildings located in other settlements</b>	<b>3.0</b>	<b>2.1</b>	<b>1.1</b>	<b>0.9</b>	<b>0.4</b>	<b>0.3</b>

Analyses show that the share of property tax paid for houses and apartments in cities with a total area of more than 200sq.m. and up to 500 sq.m.ranges from 4.0% to 11.2%and for those over 500 sq.m. The share of property tax paid for houses and apartments with a total area of more than 200 sq.m., farm yard buildings located in other settlements, increased from 9% to 1.9%, decreased from 3.0% to 0.3%.

The dynamics of the formation of revenues from property tax collected from individuals by groups of taxpayers shows that the stratification of property tax rates based on the location of the property and the size of the total area does not sufficiently encourage individuals to use their property effectively. Another aspect of this procedure is that when determining the area of this property, it is calculated separately for each property.

### CONCLUSION

Our republic is a taxAlthough the property tax used in the system differs from the real estate tax in the world tax system according to a number of features, recent changes in the tax legislation have brought it closer to the real estate taxation system. However, the rules on determining the tax base do not allow the property of legal entities and individuals to be taxed at the market price.

When determining the property tax base of legal entities, 1 sq.m. the setting of the minimum value per meter serves to bring their property closer to the market price, but some taxpayers increase the tax burden and are the reason for their objections.

The classification of property tax rates levied on individuals based on the location of the property and the size of the total area does not sufficiently encourage the effective use of the property by individuals. According to the tax legislation, the classification of the property tax rate depending on its area is considered separately for each property of an individual.

In the improvement of the property tax levied on individuals, the use of market mechanisms for determining the tax base, based on the application of increasing tax rates for real estates with a large area occupied by the main taxpayers without increasing the tax burden, a mechanism for encouraging the allocation of surplus funds of individuals to investments rather than the purchase of real estate It is appropriate to develop and put into practice.

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