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Development Trends Of Real Estate Taxation In Uzbekistan

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ABSTRACT

This article provides information on the development of a methodology for assessing real estate objects for the introduction of real estate tax, the creation of a unified cadastre of real estate objects, as well as work related to the reform of land legislation and problems in creating a cadastre of real estate objects, as well as the complexity of real estate valuation, which leads to delays in the introduction of this tax.

Keywords:

Land Code, tax system, tax base, unified real estate object, land resources, geodesy, cartography and state cadastre.

The fundamental reform of the economy, which began in Uzbekistan, required reforming the entire system of public administration in the country, including the budget system. The budget system formed in our country in the first years of independence had a fiscal policy and high centralization, which led to inefficient spending of budget funds. Therefore, one of the main directions of state fiscal policy is to increase the independence of local budgets and expand their sources of income.

The application of foreign experience in the process of improving the budget system has had a serious impact on the significance of local budgets, which formed the basis of a fundamentally new system of budget revenues. The Land Code of the Republic of Uzbekistan states that "land is a national treasure, it is necessary to rationally use it as the basis for the life, activity, and well-being of the people of the Republic of Uzbekistan, and it is protected by the state. The main tasks of land legislation are

the regulation of land relations in order to ensure the scientifically based, rational use and protection of land in the interests of present and future generations, the restoration and enhancement of soil fertility, the preservation and improvement of the natural environment, the creation of conditions for the equal development of all forms of economic management, the protection of the rights of legal entities and individuals to land plots, as well as the strengthening of legality in this area, including the prevention of corruption offenses" [1].

This created the basis for a full legal framework regulating land relations, which allowed for the creation of fundamental foundations for market reforms in the field of land exchange, contributed to the development of constitutional principles for the diversity of forms of land ownership, and also simplified issues of land use and land relations.

Based on the powers of local authorities to

introduce taxes, the tax legislation of the Republic of Uzbekistan defines national and local taxes. Thus, in Uzbekistan, local authorities have been granted the right to apply increasing and decreasing coefficients to land tax rates for legal entities and individuals in their territories. It should be noted that the formation of separate taxation of real estate (land and other real estate), as well as categories of taxpayers in our country, is closely related to historical reasons. The Action Strategy of the Republic of Uzbekistan defines the tasks of "consistently simplifying the tax system, reducing the tax burden by expanding the tax base, as well as introducing modern methods of tax administration, increasing the collection of taxes and other mandatory payments" [2].

It is known that "in recent years, a number of measures have been implemented in the republic to organize the rational and efficient use of land, ensure effective control, and comprehensively regulate relations in the field of land resources, geodesy, cartography, and state cadastre. Nevertheless, the analysis of the state of land use shows that the work on ensuring regular state control over land use, the introduction of modern technologies, as well as the systematic accounting of land resources, is not sufficiently effective. The material and technical base of the industry does not meet today's requirements for the timely and high-quality fulfillment of the tasks assigned to the industry, the prompt and effective implementation of research work" [3]. The current number of employees, especially at the lower level, does not allow for control over the use of land resources and their full accounting. Insufficient attention is paid to establishing close ties with leading foreign organizations in the field, in-depth study and application of advanced international experience, organization of internships and advanced training of specialists.

Also, "the absence of the institution of private ownership of real estate and the predominance of state property in the main market segments necessitated the creation of a special approach to taxing land and other real estate. The reasons were the status of taxpayers (legal entities and individuals), differences in property relations

between them, a low level of real incomes, a lack of economic information, as well as differences in accounting and the formation of the tax base. Due to the lack of a unified system of technical accounting and inventory bodies in the country, it was not possible to create a unified system for accounting and valuation of real estate. Therefore, in order to prevent a sharp increase in the tax burden after the transition to taxation based on the cadastral value of property from 2018, the amount of tax on the property of individuals, established on the basis of the cadastral value, cannot exceed the amount of tax calculated in the previous year by more than 1.2 times" [4].

At the same time, "the procedure for calculating the cadastral value of "housing stock" [5] and "non-residential" real estate objects belonging to individuals for the purposes of calculating the property tax of individuals" [6] has been established.

On this basis, "in order to simplify the registration of rights to real estate objects, as well as to transition to accounting for a single real estate object in automatic mode, the principle of the unity of destiny of a land plot and other real estate objects in Uzbekistan has been established. This principle is also reflected in the articles of the Civil Code of the Republic of Uzbekistan, which regulate the scope of rights to a land plot when transferring rights to a real estate object located on it. To implement this principle, it was required to change the payment system for land and other real estate objects" [7].

It was determined that "as a result of the creation of additional conditions for the rational and efficient use of vacant production areas, further improvement of the mechanism for the prompt involvement of unused facilities in economic activity, creation of favorable conditions for the creation of modern production facilities and new jobs on their basis, as well as simplification of the procedure for an effective tax mechanism for unused facilities" [8].

At the same time, work has begun on determining the market value of real estate of legal entities in Uzbekistan. Together with the State Committee for Land Resources, Geodesy,

Cartography and State Cadastre, the State Tax Committee, the Ministry of Finance of the Republic of Uzbekistan, and other interested ministries and agencies, taking into account best foreign practices in mass appraisal, a set of measures has been defined for the implementation of a mechanism for determining the market value of real estate of legal entities. Consistent reduction of the tax burden, simplification of the tax system and improvement of tax administration are also important conditions for accelerated economic development and improvement of the country's investment attractiveness" [9].

However, "the results of the studies have revealed a number of systemic problems in this area that hinder steady economic growth, increased business and investment activity, the formation of a healthy competitive environment, as well as ensuring the necessary level of collection of taxes and other mandatory payments. In particular, the insufficient level of collection of local taxes and fees due to the ineffectiveness of their administrative mechanisms, as well as the lack of complete accounting and objective determination of the value of real estate and land plots, were indicated" [9].

Based on the reforms being carried out in the country's tax system, a number of comprehensive measures have been implemented. In particular, it was determined that "for the purpose of taxation, the introduction of a real estate tax instead of property and land tax from 2021, along with the integration of databases of cadastral and tax authorities, for the implementation of measures for full coverage of cadastral accounting and valuation of land and real estate" [10].

Ensuring the rational, efficient, and targeted use of land, land protection, and the full implementation of a unified system of state cadastres, inextricably linked with land, are among the most important tasks of the state.

Large-scale changes in the economic sphere require further improvement of the system of accurate accounting and rational use of land and related resources. In particular, the concentration of tasks for the allocation of land, its accounting, placement of agricultural crops,

and land control in a single body, the preparation of cadastral files for land plots, buildings, and structures by the registering body itself, creates a conflict of interest in this area.

Also, "a new stage has begun in the system of land accounting and maintaining state cadastres, a set of tasks has been defined for reforming the industry based on foreign experience, introducing a new management system, and fully maintaining land records and digitalization. Starting from 2021, along with the portals davreestr.uz - the State Register of Real Estate Objects, ugk.uz - the Cadastre Agency under the State Tax Committee of the Republic of Uzbekistan, the opening of an online geoportal, which will be integrated into the National Geoinformation System of the Cadastre Agency, will lead to more budget revenues through the expansion of the tax base [11].

Since 2020, the Cadastral Agency under the State Tax Committee of the Republic of Uzbekistan has been created, which "forms a unified database on all land and other real estate objects in our country, ensures the complete and reliable maintenance of 21 state cadastres included in the unified system of state cadastres, and is integrated with tax authorities that maintain the actual accounting of lands, buildings and structures, and other cadastral objects" [12].

Finally, it was determined that "a two-stage (2021-2024) implementation of a system for calculating property and land taxes based on the cadastral value of real estate objects (buildings, structures, and land plots) close to their market value" [13].

An agreement was reached between the governments of the Russian Federation and the Republic of Uzbekistan on economic cooperation in 2019-2024, as well as "Implementation of a draft corresponding agreement between the Federal Service for State Registration, Cadastre and Cartography and the Ministry of Finance of the Republic of Uzbekistan on the creation of state cadastral valuation systems and the determination of the cadastral value of real estate, including within the framework of providing technical assistance to the Republic of Uzbekistan for tax purposes in

2020-2021" [14].

As a result of a comprehensive analysis, legal regulation, and methodological study of the current legislation and other regulatory legal acts in the field of accounting, valuation, and taxation of real estate in Uzbekistan, as well as information security, it was established that the existing system is imperfect and its support is economic in nature.

As a result of the research, we propose the following main directions for improving real estate taxation in Uzbekistan:

development of a draft law of the Republic of Uzbekistan "On State Cadastral Valuation" contributing to the creation of a system of state cadastral valuation of real estate objects, providing for the regulation of relations arising from the cadastral valuation of real estate objects, the approval and support of its results, as well as the definition of authorized bodies for cadastral valuation by the public method;

creation of a mechanism for determining the cadastral (market) value of residential and non-residential real estate objects;

making amendments and additions to regulatory legal acts arising from the Law of the Republic of Uzbekistan "On State Cadastre of Real Estate Valuation";

Depending on the purposes of taxation of real estate: residential and non-residential (commercial) premises, industrial, recreational zones and specially protected areas, as well as agricultural facilities.

determination of "experimental" territories for determining the cadastral (market) value of land and other real estate objects of the country, depending on their intended use, and conducting an experiment in these territories; legalization of the definition of the cadastral value of a real estate object for the purposes stipulated by the legislation of the Republic of Uzbekistan;

Conducting public appraisal based on the basic principles of cadastral appraisal, including legislative, methodological, information support, and structural changes;

carry out the valuation of real estate by classifiers of real estate objects and land plots.

In our country, important areas of real estate taxation should be developed based on best

international practices and national characteristics, a phased transition to real estate taxation based on cadastral value, as well as the use of the results of state cadastral valuation for the purpose of determining the level of fair value when taxing real estate, including making decisions on the acquisition, lease, compulsory seizure of real estate for state needs, development of territories, and other purposes established by the legislation of the Republic of Uzbekistan.

As a result of the research, we propose the following basic principles for creating a system for taxing real estate in Uzbekistan and determining the state cadastral value:

Uniformity of the methodology for determining cadastral value;

constant updating of information necessary for determining cadastral value;

independence and openness of cadastral value determination procedures;

economic feasibility and control of the results of determining cadastral value.

The purpose of introducing a real estate tax system in Uzbekistan is:

formation of conditions for the creation of a system for assessing the state cadastre (including the regulation of cadastral value determination processes, organizational, methodological, software and personnel support);

formation of a unified approach to determining the procedure for conducting state cadastral valuation, such as preparation for determining cadastral value, collection, registration and storage of data, criteria and procedure for determining cadastral value, requirements for results and reporting documents generated in the process of state cadastral valuation, support for these results;

creation of the possibility of using the results of the state cadastral assessment in order to improve legal regulation from the point of view of tax policy, tax administration;

Establish a fair value level in real estate transactions, including when purchasing, leasing, and forcibly withdrawing real estate for state needs;

adoption of decisions on the development of territories, including the development of

territorial planning documentation;
establishing a fair amount of collateral for lending to legal entities and individuals secured by real estate.

When introducing a real estate taxation system in Uzbekistan, the following tasks should be implemented:

determination of cadastral value and analysis of the information security of the public valuation process in relation to land plots and capital construction objects located on them, including collection and processing of accounting, technical, market and other data, grouping of objects, determination of pricing factors and reflection of possible sources of information on the values of these factors, the values of pricing factors, determination of cadastral value by methods of public and individual valuation;

creation of the state cadastral appraisal institute, determination of the purposes of use of real estate objects;

development of a methodology for collecting and processing data at each stage of the state cadastre assessment, determining the cadastral value of real estate and supporting the results of the state cadastral assessment, allowing for the automation of the processes of its assessment, as well as the creation of archival data on the results and data used in determining the cadastral value;

development and testing of data processing algorithms and software and technical solutions for the creation of automated information systems aimed at automating the main processes in the state cadastral valuation system;

personnel training, as well as the development of educational programs and the training of specialists who determine the cadastral value and determine cadastral conditions.

The fact that the cadastral value of real estate is as close as possible to the market value, and the inventory value, for which real estate tax has been calculated to date, is several times lower than it, may threaten taxpayers with a serious increase in tax liabilities.

If the inventory value is determined only taking into account the price of the building at the time of construction and the degree of its depreciation, then the cadastral value is closer

to market prices, since it is based on the commercial characteristics of the residential premises - the location and segment of the real estate.

The cadastral value is close to the actual state of the property. It differs from the market value by 1.5-3 times. Since the inventory value differs from the actual market value by 10-15 times, it has to be gradually abandoned. Due to this difference, the calculation of tax at the cadastral value is the basis for using the practice of the tax system of foreign countries.

"The lack of cadastral information in the real estate market and the high costs associated with obtaining the necessary information lead to an incorrect assessment of real estate objects and indicate the need to improve this market. Therefore, taxing real estate at relatively high rates leads to an uneven distribution of the tax burden" [15].

The real estate tax is progressive in nature and causes the following at the local level:

is a stable source of income;

is a lever for effective property management;

creates a basis for pursuing a separate and independent policy;

creates conditions for financial independence.

From the perspective of the traditional model of fiscal policy, it is important that the real estate tax has a stable tax base. The advantages of this tax are:

relatively equal distribution;

resistance to periodic vibrations;

influence the price of the real estate market;

use for infrastructure improvement.

"The real estate tax is fair because it takes measures for sustainable development and contributes to the growth of the market value of real estate. That is, this is a kind of "perpetual motion machine" of regional development. The tax is paid to the local budget in proportion to the market value of the real estate located in the local area" [16]. Local budget funds are mainly spent on infrastructure projects and environmental improvement. The received funds are invested in infrastructure, and the process continues cyclically.

The results of the conducted scientific research made it possible to identify a number of factors complicating the implementation of reforms in

the real estate tax:

uneven distribution of the tax burden by types of economic activity and categories of taxpayers;

high cost of real estate tax administration;

to have extensive information about the market for the correct calculation of tax, its collection, processing and periodic updating;

requiring high qualifications in real estate valuation procedures in a rapidly changing environment;

the presence of real estate may cause additional social problems, independent of current income and taxable ability;

dissatisfaction of taxpayers with the high political risk associated with the revaluation of real estate or the increase in rates;

Property tax does not ensure sufficient growth of the tax base as the economy develops, preventing rapid and accurate growth of income in case of increased expenses.

At the same time, the ineffectiveness of this tax administration can lead to negative results, that is, to the regressive nature of the tax. In order to prevent these negative consequences, it was proposed to gradually implement tax reforms that would allow differentiating taxpayers by category during the transition period.

For the introduction of the real estate tax, it is necessary to develop a methodology for assessing real estate objects (including industrial and recreational zones and objects of specially protected areas), create a unified cadastre of real estate objects, as well as carry out work related to the reform of land legislation. However, problems in creating a cadastre of real estate objects, as well as the complexity of real estate valuation, can lead to delays in the introduction of this tax.

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