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# An example of foreign experience is improving the mechanisms of property income taxation of individuals to increase local budget revenues

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## ABSTRACT

This article aims to ensure the effectiveness of the tax and budget system in the new development strategy in the country. Also, the formulas for calculating the tax potential from the property of individuals, in addition to improving the tax policy, improving the development of existing innovative methods and methodological approaches in determining budget needs, and the main aspects of equalization programs, by using complex methods of economic and taxation, local governments can potentially increase their revenue streams, which can then be explored for various public services, infrastructure projects or other community needs. This example provides suggestions for adapting and improving fiscal policy to address local economic priorities and challenges.

## Keywords:

Tax, budget policy, budget, tax administration, local budget, tax potential, normative analysis, positive analysis, tax burden, representative tax rate, average rate tax report, tax revenues, tax deductions, tax rate.

**Introduction:** In the current globalization, developed countries are paying special attention to the issue of simplifying the mechanism of taxation of taxable property income of individuals, increasing the real income of the population by reducing the tax rate. Creating a favorable tax environment, optimizing the tax burden, simplifying taxation and increasing the transparency of tax administration, encouraging innovative activities, ensuring economic growth by organizing an effective tax-budget policy, and ensuring tax compliance of individuals attention is being paid to scientific research in areas such as full electronic accounting of taxable property income and wide use of the declaration method of taxation.

**Review of literature.** From an economic point of view, finding and attracting additional resources for the growth of tax and non-tax revenues is not only a matter of filling local

budgets, but also of forming a modern legal space, conditions for the development of entrepreneurship, various socially oriented city programs and their implementation. Among the Russian economists Y.A. According to Vlasova, "The revenue potential of local budgets requires more active implementation of public-private partnership, introduction of tax incentives and simplification of doing business by speeding up and simplifying bureaucratic processes, reducing the share of non-production costs and increasing production costs. As a result, it leads to an increase in the efficiency of the budget policy in the region. A comprehensive decision to increase the revenue potential of local budgets will have a strong positive effect on the economy of the entire region in the long term"[1]. Another Russian economist, Professor O. Sukharev, advocates the system of introducing cost-effective activity results aimed at the radical change of sources of budget revenues at all levels, stimulation of the budget

mechanism [2]. For example, A.V. Bryzgalin studied the relationship between tax revenues and the tax burden and evaluated its impact on the forecast of tax revenues in his research, while V.G. Panskov and V. Kynyazev showed the importance of tax revenue forecasting in budget forecasting. [3,4]. i.f.d. S. In his research, Khudoykulov determined the forecast indicators of total state budget revenues for 2018-2023 using econometric methods, PhD A. Agzamov determined the forecast indicators of personal income tax for 2019-2023, PhD U. Paradaev studied the issues of forecasting state budget revenues, i .f.d. J. Urmonov determined the forecast indicators of tax revenues of the single tax payment for 2018-2020. [5]. Among Uzbek economists A. Vahabov, A. Joraev, A. Mamanazarov, B. Tashmurodova, Z. Srojiddinova, N. Koziyeva, N. Haydarov, O. Iminov, T. Malikov, Kh. Kobulov, Sh. Toraev, In the researches of Yah'yoev and others, the composition of state budget revenues, their management, specific theoretical, practical and methodological aspects of tax reforms were studied [6]. In our opinion, an increase in the share of budget revenues, an increase in the number of tax payers, will lead to changes in the dynamics of tax credits, tax debts and excess (advance) payments. In addition, although regulation by the state through taxes is one of the factors affecting competitiveness, the tax system affects the competitiveness of enterprises in different ways. Taxation indirectly affects the competitiveness of enterprises by influencing investment and innovation processes. I. Yuldashev, one of our Uzbek economists, in his research work put forward the issue of transition to the system of general declaration of income of individuals. A. Adizov conducted research on the mechanism of calculating the income tax of individuals and formulated justified opinions on the role of income tax in the formation of budget revenues and ways to increase it. [7]. O. Abdurahmanov has extensively covered the issues of personal income tax, including taxation based on the declaration of personal income. The research conducted by M.Usmanova paid special attention to the issue of determining the amount of non-taxable income in the application of

income tax. M.Usmanova made suggestions and comments on the step-by-step transition to the system of general declaration of income of individuals in our republic, taking into account the national mentality in the application of discounts based on the declaration. [8]. Also, A. Bozorov studied the problems of taxing the property income of individuals based on the declaration in Uzbekistan, setting the minimum norms for the location of individuals in relation to the occupied area of the properties for sale, and the minimum norms for renting properties separately for other cities (not considered the regional center). it is proposed to introduce amounts. [9]. Research was conducted by A. Agzamov on the problems of taxing the income of individuals from automobile transport. The study analyzed the minimum rate of rent payments set for renting property by individuals, and it was noted that the parity of tax revenues under the influence of the inflation factor is lower than the level of market factors. Based on this, the procedure of annual indexation of the minimum rate of rent payments in the context of equal distribution of tax revenues in time and space is proposed. [10].

**Research methodology:** In the process of analysis, statistical grouping of data, comparative and trend analysis methods were used. The article compares the scientific-theoretical views of economists aimed at ensuring the stability of the mechanisms of property income taxation of individuals while increasing local budget revenues.

### **Analysis and discussion of results.**

In Uzbekistan, in recent years, by improving the tax policy, comprehensive reforms are being implemented to reduce the share of the "hidden economy", to improve the system of electronic income accounting so that "our citizens are interested in paying taxes on time rather than avoiding them". Despite this, today in Uzbekistan the property income of individuals remains untaxed in full and on time, including the existence of problems in the mechanism of taxation of property income formed as a result of the sale of residences belonging to individuals

on the basis of private property rights, and at the same time, the rental of properties of individuals the complexity of the procedure for taxation of the incomes formed as a result, the advantage applied to the taxation of the amount of profit remaining at the disposal of the owner of economic entities does not correspond to the principle of fairness, the income of individuals from the sale of securities, in particular, the income from REPO operations on securities, is not included in the property income of individuals situations such as the one left in Uzbekistan create the need for further improvement of property income taxation of individuals.

It is known that the higher the income of citizens in any country, the more economic and social progress is achieved in that country. It is gratifying that the new Development Strategy of Uzbekistan for 2022-2026, which is being implemented based on the Decrees adopted by the President of our country Sh. Mirziyoyev, is aimed at the prospects, full life and bright future of our people. The issue of "Rapid development of the national economy and ensuring high growth rates" was recognized as the 3rd priority direction of the development strategy, and accordingly, "By ensuring stable high growth rates in economic sectors, in the next five years, the gross domestic product per capita - 1.6 times and 2030- The fact that increasing per capita income from 4,000 US dollars per year and creating the ground for entering the ranks of "countries with higher than average income" is recognized as a special goal, which serves to ensure the economic freedom of the population of our country. Most of the foreign economists expressed their opinion on the fact that the property income of individuals serves to ensure family well-being, taking into account the internal capabilities of their country, regarding the application of taxation and declaration of such income.

The introduction of property income taxation for individuals varies by country, as it largely depends on each nation's specific history, legal system, and economic development. However, property income taxation for individuals can be traced back to various points in history. One of the earliest instances of property taxation dates

back to ancient civilizations such as Egypt, Mesopotamia, and Greece, where rulers collected taxes on land and property to fund public projects and services. In modern times, the exact timing of the introduction of property income taxation for individuals varies from country to country. Many nations began implementing formalized systems of property taxation during the 19th and 20th centuries as part of broader efforts to establish comprehensive tax frameworks to finance government activities. For example, in the United States, property taxation has been a fundamental aspect of the tax system since the country's founding, with local governments levying taxes on real estate and other property to fund local services. Similarly, in the United Kingdom, property taxation has a long history, with the introduction of various property taxes dating back centuries. The modern system of property income taxation for individuals has evolved over time through legislative changes and reforms. Overall, the introduction of property income taxation for individuals has occurred at different times and in different forms across various countries, reflecting the unique economic and political contexts of each nation.

Taxation of personal property income in the United States is done primarily through the state and local property tax system. Local governments assess the value of real property, including land and buildings, within their jurisdictions. This assessment is usually done periodically, the frequency varies by region. The assessed value of a property is determined based on factors such as its market value, location, size and any improvements made to it. Local governments often set a "national" or property tax rate expressed as the amount of tax per \$1,000 of assessed value. This rate is set to generate revenue needed to fund local services such as schools, police and fire departments, infrastructure maintenance and other community amenities. Property tax calculations are calculated by multiplying the assessed value of the property by the applicable tax rate. Property owners receive annual tax payments based on this calculation. Property taxes are usually paid annually or semi-annually,

depending on local regulations. Property owners are responsible for paying these taxes on time. Some jurisdictions offer exemptions or discounts for certain types of property or property owners, such as senior citizens, veterans or properties used for agricultural purposes. These exemptions and deductions can reduce your property tax bill. Local authorities have property tax enforcement mechanisms in place, which may include fines for late payments or delinquencies. In extreme cases of default, governments can place a lien on the property or initiate foreclosure proceedings. In general, property taxes in the United States are an important source of revenue for financing local government services and infrastructure, and they play an important role in the nation's fiscal system.

In South Korea, personal wealth tax is primarily implemented through a comprehensive tax system that includes various taxes such as income tax, property tax, and capital gains tax. South Korea imposes a property tax on the ownership of real property, including land and buildings. This tax is calculated annually based on the assessed value of the property. Local governments assess the value of real estate within their jurisdictions for property tax purposes. The assessed value is determined based on factors such as the market value of the property, its location, size and any improvements made to it. The property tax rate in South Korea varies depending on the type of property and its use. Residential properties may have different tax rates than commercial or industrial properties. Local governments set property tax rates within their jurisdiction to generate revenue for local services and infrastructure. Property tax calculations are calculated by multiplying the assessed value of the property by the applicable tax rate. Property owners receive annual tax payments based on this calculation. In South Korea, property taxes are usually paid annually, and property owners are responsible for paying them on time. South Korea offers benefits or discounts for certain property types or property owners. For example, there may be exemptions for low-income households or discounts for properties used for agricultural purposes. South Korean

authorities have mechanisms in place to enforce payment of property taxes, including fines for late payments or delinquencies. Failure to pay property taxes can result in legal consequences such as fines or seizure of property. In general, property income tax in South Korea, like many other countries, is an important source of revenue for financing local government services and infrastructure. Tax system specifics and rates vary depending on local regulations and policies.

In China, personal wealth tax is mainly implemented through several channels, such as property tax, personal income tax and capital gains tax. China has implemented various property tax policies in recent years to regulate the real estate market and generate revenue for local governments. However, starting in early 2022, property taxes will not be applied uniformly across the country and their application will vary by region. Some cities have implemented pilot property tax programs that focus on residential properties, which are typically levied on property values. Income from property, such as rental income, is subject to personal income tax in China. Individuals who receive income from the rental of property must report this income and pay taxes according to the applicable tax rates. Profits from the sale of property are subject to capital gains tax in China. Capital gains tax rates vary depending on factors such as tenure and the type of property being sold. For example, long-term capital gains from the sale of residential property are taxed at a different rate than short-term gains. Local tax authorities assess the value of real estate for tax purposes. The assessed value is used to calculate property tax, personal income tax on rental income and tax on the sale of property. Property owners are responsible for paying property taxes, reporting rental income, and meeting tax obligations related to property transactions. Taxpayers are required to submit tax returns and pay taxes to the relevant tax authorities on time. China may provide benefits or discounts for certain types of property or property owners, depending on local regulations and policies. For example, some jurisdictions may offer tax credits to property owners who contribute to affordable housing

initiatives or participate in urban renewal projects. Chinese tax authorities enforce property income tax through a variety of measures, including inspections, penalties for non-compliance and enforcement against tax evasion or fraud. It should be noted that China's tax policies and regulations are subject to change and the implementation of property income tax may evolve over time. In addition, tax rates, benefits and other details vary according to local government policies and initiatives.

Taxation of property income of individuals in Russia is carried out primarily through the property tax system and personal income tax. Russia taxes real estate, including land, residential and commercial property on individuals. The taxable base is determined based on the assessed value of the property, which is calculated by local tax authorities. Income from property, such as rental income, is subject to personal income tax in Russia. Individuals who receive income from the rental of property must report this income and pay taxes according to the applicable tax rates. As of my last update, the personal income tax rate on rental income was 13%. Local tax authorities assess the value of real estate for tax purposes. The assessed value is used to calculate property tax and personal income tax on rental income. Property owners and individuals receiving rental income are responsible for paying property taxes and reporting rental income to the tax authorities. Taxpayers are required to submit tax returns and pay taxes to the relevant tax authorities on time. Russia may provide benefits or discounts for certain types of property or property owners, depending on local regulations and policies. For example, some jurisdictions offer tax breaks to property owners who contribute to urban renewal projects or invest in certain types of real estate. Russian tax authorities enforce property income tax through a variety of measures, including inspections, fines for non-compliance and enforcement against tax evasion or fraud. It should be noted that Russian tax laws and regulations are subject to change and the implementation of property income tax may evolve over time. In addition, tax rates, benefits

and other details vary according to local government policies and initiatives.

Taxation of personal property in European countries varies significantly depending on each country's specific tax laws and regulations. Most European countries charge property tax on individuals who own real estate, including residential and commercial property. The taxable base is usually determined based on the assessed value of the property, which is calculated by local tax authorities. Property tax rates can vary depending on factors such as property type, location and value. Rental Income Tax: Income from renting out property is generally taxable. Persons with rental income must report this income and pay taxes according to the applicable tax rates. Some countries allow deductions for expenses related to rental property, such as maintenance costs and mortgage interest. Gains from the sale of real estate are often subject to capital gains tax. Tax rates and capital gains tax rules vary by country and depend on factors such as tenure and the type of property being sold. Local tax authorities assess the value of real estate for tax purposes. Homeowners and individuals receiving rental income are responsible for reporting their income and property ownership to the tax authorities and paying taxes on time. Failure to comply with tax legislation may result in fines or enforcement measures by tax authorities. Some European countries offer benefits or discounts for certain types of property or property owners. For example, there are tax credits for homeowners who invest in energy-efficient retrofits or historic preservation projects. Tax authorities enforce property income tax through a variety of measures, including inspections, penalties for non-compliance and enforcement against tax evasion or fraud. It should be noted that the specifics of property tax vary widely across European countries and tax laws and regulations vary. Individuals with property income in Europe should consult their tax professionals or local authorities to understand their tax obligations and ensure compliance with applicable laws and regulations.

In summary, the United States:

Property tax levied by local authorities based on

the assessed value of real property. Rental income subject to personal income tax. Tax on income from the sale of real estate. Taxes vary by jurisdiction; benefits and discounts may be available. Taxpayers taking measures of responsibility for non-compliance.

South Korea:

Property tax levied on the ownership of real estate. Rental income subject to personal income tax. Tax on income from the sale of real estate. Taxes are calculated and implemented locally, exceptions and discounts are possible.

China:

Property tax has been introduced based on property value in selected cities. Rental income taxed as personal income. Tax on income from the sale of real estate. Taxation varies by region, with exemptions and discounts available. Compliance by various measures taken by the tax authorities.

Russia:

Property tax levied on the ownership of real estate. Rental income taxed as personal income. Tax on income from the sale of real estate. Taxation at the local level is carried out with exceptions and deductions. Compliance is monitored by tax authorities, fines for non-compliance.

European countries (overview):

Property tax is based on the total assessed value of the property. Rental income subject to personal income tax. Tax on income from the sale of real estate. Tax laws vary from country to country and there are exemptions and deductions. Taxation is assessed and applied locally, with compliance measures in place.

These summaries provide an overview of how personal wealth tax works in each of the countries listed. However, specific details may vary depending on local regulations and tax laws in each jurisdiction.

### Conclusions and suggestions.

1. One of the main problems of taxation of the property income of individuals is to determine the untaxed property income of individuals and to expand the tax base by including this income in the total taxable income. .

2. Taxation of real estate rental income of individuals includes the minimum rates of rent

for individuals renting real estate. In 2018-2022, the minimum rates of monthly rent per 1 square meter for individuals renting real estate increased in all regions, which had a positive effect on the increase in tax revenue on income from renting real estate.

3. The proposal to cancel the benefits provided to the owner of a private enterprise, a participant in a family enterprise, and the head of a farm after paying taxes and other mandatory payments is substantiated.

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