



## Experience of foreign countries in resource taxation practices and issues of their application in the national tax system

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### ABSTRACT

In recent years, countries around the world, when developing short- and long-term budget and tax policy strategies, have been paying special attention to the introduction of various mechanisms to prevent and reduce tax evasion by taxpayers. At the same time, areas have been studied, foreign experience has been studied, and scientific and practical conclusions and proposals have been formulated on its application in our country.

### Keywords:

Tax revenues, risk analysis, risks, efficiency, digital platform, methods and tools, advanced information and communication technologies, analysis, optimization, tax incentives, tax rate

**Introduction.** As one of the important areas of administrative, economic, and tax system reforms in our republic, today the tax system is being improved, aimed at ensuring the effective use of water resources in our republic, the widespread introduction of water-saving technologies in the cultivation of agricultural crops, further improving the taxation of existing land plots and property, introducing modern methods for their assessment and accounting, and increasing the efficiency of the use of land and water resources, minerals extracted from the subsoil. “The water shortages that have been periodically observed in recent years as a result of global climate change and the fact that most of the internal irrigation networks have become unusable have led to the deterioration of the reclamation condition of irrigated arable lands and their abandonment over the years, which in recent years has led to further improvement of the procedure for calculating taxes on subsoil users, taking into account advanced foreign experience and involving experts,”

### Analysis of literature on the topic.

In his candidate dissertation on the topic “Promoting the effective use of natural resources by economic entities through taxes”, Uzbek scientist G.A. Safarov scientifically substantiated the use of incentive benefits for low-cost investments involved in the production process related to natural resources by enterprises and organizations, the use of natural resource taxes in a compacted taxation system, proposed the introduction of a mechanism for calculating and collecting land taxes from non-agricultural enterprises based on the cadastral value of the land they use, proposed a method for calculating taxes on subsoil resources, and developed scientific proposals for further improving the mechanisms for collecting this tax[1].

D. Kurbanov, in the course of his dissertation and monographic research, developed a proposal in Uzbekistan to “introduce a tax on the use of water resources in order to ensure the economical and efficient use of water resources

in enterprises producing soft drinks, as well as to justify the establishment of a tax on the use of water resources for enterprises specializing in washing vehicles, and to ensure the rational and efficient use of water resources, to include business entities in the list of taxpayers for the use of water resources if their annual gross revenue exceeds 1 billion soums"[2].

A. Toshkulov developed methodological directions for determining the status of agricultural producers as taxpayers, taxation in accordance with the generally established procedure, the application of reduced tax rates for the use of water resources in order to stimulate the economic activity of agricultural enterprises, and the stimulation of newly established gardens, vineyards, and mulberry plantations through taxes[3].

Economist S. Kuznesov theoretically systematized the issues of financial support for business entities and highlighted a number of its important scientific economic research provisions as a process paradigm. In particular, he recognizes that the concept of "Financial support" is presented as a combination of monetary funds or material assets[4].

American economists Zvi Bodi and Robert Merton, having clarified the financial support system, argued that the financial support system is a set of actions and a sequence of actions taken in relation to certain objects. They recognize that the support system related to financial provision should be based on the economic essence and functions of finance as a financial category[5].

Economist S. V. Barulin considers the financial support system as a two-way process. In his opinion, the financial support system is the coordination of the optimal provision of the financial support system of individual economic agents under certain uncertainties[6].

Economist I.V. Ziyatkovsky believes that financial support as a holistic system is a system of sources and forms of financing that create a favorable environment for the financial provision of sustainable development of economic and social sectors of society[7].

T.V. Sokolskaya clarifies the system of financial support for agriculture, emphasizing that it is a system of providing agricultural business

entities with fixed and circulating, private and borrowed funds, and creating favorable financial conditions to ensure sufficient production volumes [8].

**Research methodology.** In the study of the foundations for improving the theoretical foundations of resource taxation, theoretical methods such as scientific abstraction, induction-deduction, as well as observation, statistical analysis, vertical and horizontal analysis and methods were widely used.

#### **Analysis and results.**

Based on the analysis of economic scientific and educational literature and the legislation of countries related to the tax system, and their comparative comparison, it can be noted that in world practice, in the process of taxing resources, the priority directions of the economy of countries are determined depending on the purpose for which they are taxed, or vice versa, that is, the tactical directions of tax policy are determined based on the economic directions of the state. For example, in the USA, as a priority direction of economic policy, the issues of taxing resource taxes, like other taxes, are resolved based on the principle of "preserving the share of future generations" from the natural resources available within the country. In Russia, the main part of the country's state budget is allocated to natural resources, mainly oil and gas products, while the priority policy is considered an important factor in determining the directions of economic policy in other directions.

In some countries, based on the policy aimed at ensuring the balance of resources, the state changes the tactical directions of taxing resources. For example, Israel differentiates tax rates on water use based on the time of year and the level of water consumption, with a higher tax rate (on average 0.7 euros) in winter, and a tax based on water consumption in the rest of the year. If water consumption exceeds the established norm, a tax of five times the current rate is levied. This shows that resource taxes in this country primarily prioritize the function of resource efficiency and are based on progressive taxation regimes.

It is known that in European countries such as Italy, Portugal, France, Germany, and Poland, in

recent years, drought has intensified, and special emphasis is being placed on tax policies aimed at further enhancing the use of water resources and encouraging their economical consumption.

In particular, in Poland, the collection, application of rates, and granting of benefits for water use are carried out depending on the source, quality, area of water consumption, and place of consumption, while in countries such as Finland and Italy, just like in Israel and Denmark, the amount of tax for water use and consumption is applied separately from the amount within the established norm, and a separate (increased) tax regime is applied for the amount of water consumption exceeding the norm.

Germany, like the Uzbek tax system, levies a tax on water consumption based on the source of water resources: groundwater and surface water, as well as the level of water use (for example, business or agricultural, municipal, etc.), with tax rates approved by local municipalities and federal states (from 0.31 to 0.0003 euros per cubic meter).

"In the UK, there are a number of taxes and levies closely related to the use of natural resources: a landfill tax of 13 pounds per ton of waste, with a minimum rate of 2 pounds per ton of inert waste. A climate change levy of 0.43 pounds per kWh applies to electricity at sea, 0.15 pounds per kWh for gas, and 0.96 pounds per kWh for climate change. kWh per kilogram of LPG and £1.17 per kilogram of solid fuel<sup>1</sup>

If we pay attention to the process of resource taxation in Europe, they, like the Uzbek tax system, are based on the collection of mandatory payments for the benefit of society in exchange for the use of limited and unlimited resources considered national wealth, on the one hand, establishing social criteria through a mechanism for fairly distributing high marginal benefits of resource users (consumers), and on the other hand, the practice of transferring part of the damage caused to society, nature and people in exchange for the use of such important strategic resources to these taxpayers is used.

A study of foreign experience in resource taxation shows that some countries focus on the main source of income in the formation of state budget revenues, that is, on the progressive taxation of oil revenues, and also form their own "budget rules" for this. For example, while the African countries of Angola and Nigeria, and Asian countries such as Malaysia and the United Arab Emirates focus on this, similar budget and tax policies can be seen in the United States, Norway, China and Russia. While in countries such as Russia, a large share of state budget revenues is accounted for by resource taxes, in the United States it is 2-4 percent, in Canada it is 7-8 percent, and in England and France it is slightly more, i.e. 10-12 percent. As we saw in the previous chapter of our study, in Uzbekistan the share of resource taxes in the state budget is around 2-3 percent, which is slightly lower than in most countries in the world.

The experience of Russia in the experience of resource taxation can be mentioned separately. Because, as mentioned above, one of the main economic levers determining the medium-term forecasts of federal budget revenues and expenditures in this country is the significant role of tax revenues from the use of subsoil, which, depending on the situation on the world market of energy products (oil and gas) and changes in exchange rates, forms the basis of Russia's "budget rules". "Budget rules" are actually widely used in many countries of the world (USA, Chile, Slovakia, Romania, Portugal, Poland, Austria, Ecuador, Colombia, Israel, Russia, etc.), where the sources of income and expenditure of the state treasury and their restrictions (for example, the size of the state debt, the size of the budget deficit, the limitation of budget parameters such as budget revenues and expenditures) and minimum amounts are determined. In this regard, "budget rules" are "an important tool for ensuring the stability of the country's budget and economy, as well as reducing the impact of unpredictable factors in the long term, and are also a mechanism for reducing the dependence of the state budget and domestic economic conditions on energy prices for countries with resource-based

<sup>1</sup> Марин Е.В. Зарубежный опыт правового регулирования платежей за пользование недрами //

Вопросы российского и международного права. 2019. Том 9. № 1В. С. 317-323.

economies by sterilizing oil and gas budget revenues and accumulating sovereign funds.”<sup>2</sup> Today, in world practice, royalty payments are used to tax resources, especially natural resources, especially in most developed countries. In fact, in essence, royalty is a mandatory payment received from the use of natural resources sold by the state, usually this payment is a payment made to the state for permission to develop deposits related to natural resources and determine their reserves, in which the state temporarily transfers the right to dispose of its national resources to others, thereby attracting additional funds to the state budget.

At the same time, royalty payments can pose risks for taxpayers, that is, royalties are collected only during the exploration and development of natural resource deposits, which is likely to become an additional financial burden on a non-paying project, in addition, there is no guarantee of investment profitability for subsoil users, that is, the costs incurred by paying royalties and taking risks may not be reimbursed, in this regard, subsoil users are willing to provide investment discounts on royalty payments. Based on this, in some countries that have abandoned royalty payments (for example, Mexico, Peru, Sweden, Great Britain and Norway), there is a reduction in taxes based on royalty and a transition from real profits to tax incentives, and in some countries, a high priority is given to the use of tax incentives for investing in the mining industry. For example, the United States can be cited as an example of such countries.

“In the United States of America, there are 2 areas of incentives for the depletion of minerals. One of the incomes shows separately the costs of exploration and development of deposits and the residual value of fixed assets (created as a result of the development of the deposit). In the

second, license and rental payments are calculated from the profit from the sale”<sup>3</sup>.

“In the United States, there are two types of mineral depletion allowances. One is a separate income stream that separates the costs of exploration and development of deposits and the residual value of fixed assets (created as a result of the development of the deposit). The second is a revenue stream that includes license and rental fees from the proceeds of the sale of”<sup>4</sup>. “In the United States, taxes in the natural resource sector primarily include environmental protection taxes, taxes on oil extraction and refining. The federal environmental tax includes a rate of 0.12%. This tax is levied on corporations if their income exceeds \$2 million. The funds received as a result of the collection of this tax are directed to reducing and eliminating environmental damage. The next type of tax is taxes on the extraction and refining of oil and other minerals. More than half of the subjects (states) of the United States, if they exist, collect these taxes. The tax rate and list of resources depend on the specific state”<sup>5</sup>.

In many countries (China, USA, Norway, UAE, Mexico, etc.), accelerated methods for calculating depreciation in the use of subsoil are used, which allow taxpayers to accelerate the write-off of capital investments based on the level and forecast of a high profit margin. This method has also been used as a best practice in the tax system of Uzbekistan since 2022. In addition, in world practice, in resource taxation, in order to reduce costs in sectors that create high added value, especially in the mining industry, there is a wide emphasis on the use of tax exemptions from customs duties on imported equipment and on the export of finished products, the main goal of which is to improve the country's balance of payments by stimulating the export of unique and high-value products (for example, in the Russian

<sup>2</sup> Сафина Е.С. Зарубежная практика налогообложения природных ресурсов, <https://cyberleninka.ru/article/n/zarubezhnaya-praktika-nalogooblozheniya-prirodnih-resurov/viewer>.

<sup>3</sup> Чхетия Л.Б. Опыт зарубежных стран налогообложения природных ресурсов на примере твердых полезных ископаемых. *jurisprudence / «Colloquium-journal»*#15(39), 2019.

<sup>4</sup> Чхетия Л.Б. Опыт зарубежных стран налогообложения природных ресурсов на примере твердых полезных ископаемых. *jurisprudence / «Colloquium-journal»*#15(39), 2019.

<sup>5</sup> Марин Е.В. Зарубежный опыт правового регулирования платежей за пользование недрами // *Вопросы российского и международного права*. 2019. Том 9. № 1В. С. 317-323.

Federation).

If we pay attention to the legislation of most foreign countries, we can cite several types of mandatory payments related to the use of subsoil: "a one-time fee levied upon the occurrence of certain events, as well as regular payments. The latter include payments for prospecting, evaluation, exploration, etc. of deposits, such payments are called rent"<sup>6</sup>.

Having identified the issue of resource taxation as the main object, based on the scope of the dissertation work, we could not deeply analyze the issue of taxation of resources such as property, mainly focusing on the process of using (consuming) land and water resources and subsoil in our scientific analysis. However, when viewed from the point of view of the content (as mentioned in the first chapter), property objects are also considered resources, and their taxation is an important issue. Based on this, we considered it necessary to dwell a little on the section of resources in the form of real estate in the comparative study of the advanced experience of foreign countries in resource taxation. In Latvia, the tax is calculated based on the cadastral value of the property. Real estate tax is applied for land and buildings in the amount of 0.2 to 1.5 percent. The local government may set rates from 0.2% to 3%, and if it does not announce tax rates by November 1, the rates established by law shall be adopted. The legislation establishes the real estate tax rates as follows: a standard rate of 1.5% of the cadastral value of land, buildings and engineering structures; a progressive rate for residential buildings, their parts and any parts of a non-residential building that are functionally used for living and not for trade or business:

- a) 0.2% of the cadastral value (up to 56,915 euros).
- b) 0.4% of the cadastral value (between 56,915 euros and 106,715 euros).
- c) 0.6% of the cadastral value (above 106,715 euros).

If the permitted construction period has expired, a rate of 3% is applied to buildings under construction. This procedure applies

until the building is put into operation. The rate is based on the cadastral value of the land or the cadastral value of the building (whichever is higher).

In Estonia, on the other hand, the tax is also based on the cadastral value, but only applies to land, and not to apartments and houses. If a private house is located on a plot of land up to 1,500 sq. m., no land tax is paid. Land is subject to an annual land tax, which is calculated at rates ranging from 0.1% to 2.5% of the assessed value of the land, depending on the local government. The tax is paid by landowners or sometimes land users in two installments by March 31 and October 1 (amounts not exceeding €64 are paid in one installment by March 31). Land on which a house is built is usually exempt from land tax.

In Bulgaria, real estate tax is calculated based on the cadastral value of the property for individuals and the book value of the property for legal entities. In addition, an additional 5% discount is applied if the taxpayer has paid the total annual value of the property tax by April 30 of the tax period. The annual property tax rate is set by each municipality and is subject to change from 0.01% to 0.45% of the taxable value of the property. Individuals and legal entities that own real estate (i.e. land and buildings) are liable for property tax. The taxable base for residential properties of individuals and enterprises is the taxable value determined by the municipality based on certain legal criteria. The taxable base for enterprise properties is the higher of the gross taxable value of the property and the taxable value determined by the relevant municipality. Local authorities levy a property tax on all Austrian real estate, regardless of whether it is developed or not. The tax is levied on the assessed standard value of the property. The assessed value is usually significantly lower than the market value. The effective tax rate is calculated using a special multiplier, depending on the intended use of the property. Tax rates: for agricultural land and forests - 0.16%-0.2%, buildings and property are taxed at 0.2% of the assessed standard value.

<sup>6</sup> Марин Е.В. Зарубежный опыт правового регулирования платежей за пользование недрами // Вопросы российского

и международного права. 2019. Том 9. № 1В. С. 317-323.

From January 1, 2021, a tax on real estate and vehicles came into force, and the concepts of property tax and land tax were abolished. Real estate tax is assessed and collected at the city (district) level on buildings and land. The land cadastre (assessment system) is used to determine the value of land. Land tax for agricultural land is calculated at 15% of net income determined by the cadastral value. For non-agricultural land, the rate is set at 0.25% to 1.0% of the cadastral value. The cadastral value should be assessed based on market value. Legal entities must pay real estate tax to the city (district) budget annually by December 1 of the tax year. City (district) authorities are required to calculate the annual tax amount and notify taxpayers no later than November 1 of the tax year. From January 1, 2021, the requirement to submit real estate tax declarations has been abolished in the Tax Code. Along with common features (similarities) in the experience of foreign countries, the practice of taxing resources has its own specifics. These features are reflected in the following:

firstly, resource taxation has been developing in all countries over long historical evolutionary stages, while each country has its own unique experiences;

secondly, while the issue of resource taxation arises from the general financial and tax policy of each country, the availability of resources and their scarcity and limitation in each country have influenced the procedures and practices of their taxation;

thirdly, in most countries, just like in the tax system of Uzbekistan, the priority of state policy aimed at their effective use is set as the first goal, and the issue of financing the state budget is the next goal;

fourthly, in addition to special taxes, the practice of using tax-free payments and other mandatory payments is widely practiced in the extraction, extraction, and use of natural resources based on the national interests (defense interests) of the country;

Fifth, the practice of applying differentiated tax rates in resource taxation in foreign countries is quite developed, and so on.

In the experience of foreign countries, the practice of resource taxation, along with

common features (similarities), also has its own specific aspects. These features are reflected in the following:

firstly, resource taxation has been developing in all countries in long historical evolutionary stages, while the specific experiences of each receiving country are also developing;

secondly, the issue of resource taxation arises from the general financial and tax policy of each country, while on the other hand, the availability of resources and their scarcity and limitation in each receiving country affect the procedures and practice of their taxation;

thirdly, in most countries, the first goal of resource taxation, just like in the tax system of Uzbekistan, is the priority of state policy aimed at their effective use, and the second goal is the issue of financing the state budget;

Fourth, in addition to special taxes, the practice of using additional tax-free payments and other mandatory payments in the extraction, extraction, and use of natural resources based on the national interests (defense interests) of the country is being widely practiced;

Fifth, in foreign countries, the practice of applying a differentiated tax rate in resource taxation is well developed, etc.

It was found that there are certain problems in the tax system of Uzbekistan in determining the base of resource taxes, calculating them, defining resources as objects of taxation in legislation, and collecting them correctly from the budget.

### **Conclusions and suggestions.**

The share of indirect taxes in the formation of state budget revenues is still high. The share of resource taxes, on the other hand, is 2.0-3.0 times lower than that of indirect taxes, because the formation of the tax base of indirect taxes is more dynamic than that of resource taxes, although the amount of tax revenues is nominal, and analyzing their contribution to the base indicator (GDP, state budget) is of great importance in scientific research methodology. The fact that the share of resource taxes in the state budget is not sharply dynamic is primarily due to the limited resources and the level of their use, as well as the static nature of the tax base arising from them.

The calculation of land tax is somewhat simpler than that of other types of taxes. However, the analysis shows that in 2022 alone, there are discrepancies identified in the land tax reports submitted by land tax payers for agriculture within the framework of the land tax that should be calculated in our republic and the land tax actually calculated and paid. The mechanism for collecting land tax has a very ancient evolutionary development, and it has been collected based on the cadastral method of taxation. Along with the improvement of mechanisms for collecting land tax in various forms in the tax system of Uzbekistan, problems have arisen.

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