

BASES OF REAL ESTATE TAXATION IN UZBEKISTAN

¹Tulakov Ulugbek Toshmamatovich,² Ismoilov Shuxrat Shafolat o'g'li

ABSTRACT-- *The article is devoted to imposition of the single real estate tax in the Uzbekistan. In particular, the basic difficulties and positive sides of such reforming are reflected. Developed proposals for the application of real estate tax and the implementation of the principle of justice.*

Key words-- *real estate, real estate tax, cadastral real estate appraisal, reassessment, tax incentives*

I. INTRODUCTION

An efficient and fair tax system has a positive impact on the successful development of the national economy. The problem of creating a fair tax system is becoming increasingly important due to the significant income differentiation of the population and, as a consequence, social inequality [1]. One of the ways to reduce social inequality and achieve a favorable tax burden for all taxpayers is to tax real estate, called luxury by the state.

As is the case in all spheres, the revision of the real estate taxation system in Uzbekistan is a major challenge. It is important to recognize that the country does not have an effective system of real estate taxation and that is why it is being reformed. Today, its elements are the land tax and property tax, which are regulated by Articles 59, 60, 61, 62 of the Tax Code of the Republic of Uzbekistan [2] and are the main source of income for local budgets. However, they do not allow full implementation of the fiscal function. In this regard, there is a need to introduce a single real estate tax.

II. THEORITICAL BACKGROUND

The main objective of this system is to optimize the country's real estate taxation system and to develop high-quality mechanisms for the system to be transparent, transparent and equitable. This can be achieved by eliminating the debate over new taxation of real estate through the modernization of tax and the adoption of normative acts on the transfer of land and property to cadastral valuables.

The problems of applying real property taxes have been studied by many foreign scientists. Results of these studies are V.B.Bezrukov [3], M.Yu.Berezina [4], M.S.Zevlakovich [5], M.Mishustina [6], A.N.Mayorova [7], I.A.Mayburova and this is reflected in the works of V.V.Derbeneva [8], N.V.Prokudina [9]. Economists have argued that real estate taxation is one of the most important sources of government revenue, has laid out the conceptual framework for this tax, and highlights some aspects that must be taken into account when determining

¹ Termiz State Universit, ytulakov77@mail.ru.

² Termiz State University, shuxrat98@inbox.ru .

real estate taxes. In their research, empirical trends have been identified and justified because local property taxes are established locally. Also, such scientific works are based on international experience, real estate taxation, use of real estate tax incentives, improvement of tax mechanism, and necessity of real estate tax system reform.

III. MAINPART

However, insufficient coverage of analytical considerations in terms of accessibility of real estate taxation in Uzbekistan requires further research, and this article is relevant.

The cadastral value of real property as close to market value as possible, and the fact that the real estate tax so far is several times lower than that, may threaten taxpayers a significant increase in costs.

If inventory value is determined only based on the cost of the building and its depreciation at the time of construction, the cadastral value is closer to the market value of the residential property - the location and segment of the property.

The cadastral value is close to the actual state of the property. It varies 1,5 to 3 times the market value. Inventory costs vary from 10 to 15 times the actual market value, so you have to give up gradually. Due to this discrepancy, the cadastral value of the tax is the basis for using the foreign tax system.

IV. DISCUSSIONS

Today, real estate taxes are available in more than 140 countries around the world. Each of these countries has its own property tax system. Nevertheless, some of the principles of this tax system have remained unchanged and are reflected to some extent by the legislation of most countries.

Real estate taxes are usually levied on land and buildings built on it, for residential or commercial purposes. In some countries, they are subject to a single tax (Italy, Spain, Japan), while in other countries two types of tax are applied (Turkey, France, Russia) [10].

There are also several types of real estate taxes - purchase tax, income tax for commercial use, capital gains tax and property tax.

Real estate tax is calculated based on the estimated value of an asset using market data, but in some countries (France, Sweden, UK) rental prices are used as a basis for payment [11].

In almost all countries, real estate owners are taxpayers of property taxes (both individuals and legal entities). Only in some countries (the Netherlands, France) tenants pay property taxes [12].

Currently, real estate tax in Uzbekistan is based on property tax. The Decree of the President of the Republic of Uzbekistan dated December 29, 2017 No. 3454 [16] introduced a number of changes to the procedure for calculating and paying taxes on property tax. In particular, since January 1, 2018, property tax rates for individuals have been determined based on the cadastral value of the property. Previously, this tax was calculated based on the inventory value of the property.

The cadastral value of the property of individuals is considerably higher than the inventory value, given the market value, and tax rates have been significantly reduced compared to the previous year.

The procedure for calculating the cadastral value of real estate owned by individuals for tax purposes is based on the Regulations approved by the Cabinet of Ministers Decree No. 1043 of December 30, 2017 and No. 561 of July 20, 2018.

These Regulations establish the procedure for calculating the cadastral value of residential and non-residential property owned by individuals in order to calculate property tax. Cadastral valuation of the object is carried out by the State enterprises of the State Committee on Land Resources, Geodesy, Cartography and State Cadastre of the Republic of Uzbekistan (ygk.uz bodies of Davergeodezkadastr) together with khokimiyats of the Republic of Karakalpakstan, regions and Tashkent city.

Due to the ineffectiveness of local taxes and fees administration mechanisms in Uzbekistan, there is a lack of real estate and land tax, based on a strategy of tax administration improvement from 2021, due to the lack of full accounting and objective estimation of real estate and land parcels [19] introduction of the property tax has been set [20] It is also envisaged to introduce a mechanism for determining the market value of legal entities' real estate, taking into account best international practice in conducting public assessments [19].

The concept of real estate taxation in Uzbekistan is being developed to develop a system of tax administration under the Agreement between the Ministries of Finance of Uzbekistan and the Russian Federation.

The next step is to develop normative documents to address the actual problem of valuation of cadastral valuation of land owned by legal entities and individuals.

The following main areas of improvement of real estate tax are presented in the country:

- introduction of tax will influence on development and formation of tax administration in the country;
- therefore, tax administration costs are reduced;
- simplified because of the unified tax payment system;
- Creation of a unified database of real estate objects;
- measures will be taken to improve the appraisal activity;
- development of professional real estate valuation methods;
- Keeps a real record of the constructed and constructed buildings;
- will be a permanent source of tax revenues to the local budget;
- Creation of conditions for improvement of social real estate objects;
- the standard of living of the population increases;
- the local budget will have access to the funds for the implementation of socio-economic projects;
- development of a project that allows evaluating real estate objects using a unified methodology.

Periods should be set for real estate valuation, reflecting the market situation. For example, a revaluation of an object's value (other than an emergency valuation) can be made no more than once every three years, and at least once every five years. Due to the high price, the types of valuation procedures also need to change and their implementation should depend on significant changes in the real estate market.

Experts note that for many taxpayers, the tax burden will increase several times. It is difficult for people with low inventory levels (in old, demolished homes, which were assessed 10-20 years ago) and with high cadastre (expensive areas, prestigious areas). The cadastral cost of some objects may exceed hundreds or even thousands of inventories [14].

The inventory cost of new buildings commissioned today is almost the same as the market. No significant increase

in tax burden in this segment of the market.

In determining property tax rates, the value of taxable items should be taken into account. This approach takes into account the true ability of the taxpayer to pay the tax. The fact that a taxpayer owns luxury property is evidence that he has the ability to purchase such a large amount of real estate and is able to withstand the tax burden [15]. Given the increased tax burden, special attention should be paid to the mechanism of tax incentives in real estate taxes. Undoubtedly, the real estate tax should provide benefits for certain categories of citizens, such as pensioners, disabled people, heroes, families with many children, and other categories, considering the social component of the population [13].

The mechanism for granting tax benefits is of interest to the taxpayer. Tax incentives should be granted for a certain period of time to encourage certain activities. For example, new buildings allow for tax breaks for several years, or during construction. Establishment of this tax benefit will strengthen the protection of socially vulnerable categories of taxpayers (unemployed pensioners, disabled or disabled people, etc.).

Table 1:The main elements of real estate tax that can be applied in Uzbekistan

Comparative elements	Indicators
Taxpayers	- real estate owners; - real estate tenants; - property owners and tenants jointly.
Object of taxation	- real estate; - land; - land and real estate together
Tax base	- market value of real estate; - real estate inventory value; - rent of real estate
Methodology for determining the market value of real estate	- a lucrative approach; - comparative approach; - cost approach
The real estate appraisal authorities	- tax authorities; - special state bodies; - professional appraisers
Tax rates	- fixed rates; - floating rates.
Tax concessions	- socially vulnerable groups of the population; - depending on the type of property and the nature of its use
The tax rate for which the budget is assigned	- local tax.
Periods of real estate revaluation	- 1 time in 5 years; - 1 time in 10 years; - 1 time over 10 years
The number of taxes that make up the real estate tax	- two; - three.

The table presents the results of real estate taxation and valuation analysis. Clearly, the choice of a single type of real estate taxation methodology is simple and straightforward, since the determination of the value of single property can simplify the valuation process.

The basic principles of real estate taxation are:

1. The object of taxation is real estate, that is, land, buildings and various buildings are often objects of real estate, which makes it easier to identify and record them;
2. The tax can be paid not only by the real estate owner but also by the tenant;
3. In most cases, the market value of the taxable object, which is the tax base, encourages the rational and effective use of the object;
4. In order to reduce costs and optimize the work of tax authorities, the procedure for calculating the value of real estate on numerous taxable objects will be standardized;
5. The property itself is subject to taxation, so the privileges with regard to the object of taxation are established, which prevents confusion among the owners;
6. Real estate tax revenues complement local budgets, ensuring their financial independence.

V. CONCLUSION

Thus, it is necessary to reform the property tax system using the experience of foreign countries, which will allow to increase budget revenues without increasing the tax burden on the population. The use of cadastral valuations in the determination of property taxes helps to update the production base, the efficient use of land and real estate, and the development of territories. Given that real estate taxes are a measure of welfare and luxury, in addition to a cost and comparative approach to property valuation, income analysis is also offered.

Reforms in real estate taxation mean that increased revenues to local budgets will not only increase the average tax burden on the payer, but also apply tax rates on non-residential and elite real estate, restrict benefits and tax measures. The introduction of real estate tax for previously unrecognized and unaccounted items is a positive one as it significantly reduces the cost of managing two taxes - property and land taxes, the prospect of creating a single real estate database, and a fair tax burden distribution. will continue to develop a sustainable and reliable source of tax revenues to local budgets based on the principle. As a result, this tax at the local level will be a stimulus for budget revenues to address socio-economic projects. As a result of the ongoing reforms in Yunusabad district of the capital, a pilot project on real estate taxation will be launched in Uzbekistan, developed by Uzbekistan and the Russian Federation in accordance with the Concept of Improving Real Estate Tax, which will show how effective the Concept is.

In conclusion, we would like to note that the single real estate tax will be possible after a number of legal and organizational changes. At the same time, this project will increase the budgets of local governments, simplify tax administration, improve administrative administration and reduce costs and lead to more efficient use of real estate. In particular, it protects the rights of owners, eliminates conflicts between the parties when it is necessary to attract and withdraw investments.

REFERENCES

1. Tolakov U. T., Boypulatov A. The new preliminary development of the tax system of the republic of

- Uzbekistan //International Journal of Advanced Research in Management and Social Sciences. – 2019. – T. 8. – №. 5. – C. 98-105.
2. Tax Code of the Republic of Uzbekistan. December 31, 2019.
 3. Bezrukov VB. The introduction of real estate tax and double taxation risks // Tax policy and practice. 2011. No. 5.
 4. Berezin M. Yu. New real estate tax in the Russian tax system // Finance. 2011. No. 4.
 5. Zhevlovakovich M. S. On the issue of introducing real estate tax in Russia: a forecast of consequences based on foreign experience // Bulletin of the Moscow University of the Ministry of Internal Affairs of Russia. 2011. No. 7.
 6. Mishustin M. The system of administration of real estate tax and tax assessment in the region (for example, the State of Massachusetts, USA) // Economic policy. 2008. No. 1.
 7. Mayorova A. N. From property tax of legal entities to property tax // Economics and Entrepreneurship. 2014. No. 11-2 (52-2).
 8. Mayburov I. A., Derbeneva V. V. The practice of determining the main elements of real estate tax: a foreign palette // Taxes and Financial Law. 2012. No. 3.
 9. Ivanenko D.E. Aspects of cadastral valuation of real estate: institutional experience of foreign countries // Property relations in the Russian Federation. 2014. No. 1.
 10. Kosenkova Yu.Yu. Foreign experience in real estate taxation // Economics and economic sciences. 2014. No. 4.
 11. Kuznetsova L.V., Tyurina Yu.G. Analysis of foreign experience in real estate taxation and assessing the possibility of its application in Russia. // Orenburg: GBU RCRO, 2014.
 12. Povarova A.I. About real estate tax // Problems of development of the territory. 2012. No.3.
 13. Turbine N.M. Analysis of the social consequences of the introduction of real estate tax // Socio-economic phenomena and processes. 2013. No. 11.
 14. Turbine N.M., Kosenkova Yu.Yu. Problems of introducing real estate tax // Socio-economic phenomena and processes. 2013. No. 1.
 15. Tyutyunnik I.G. Luxury as an object of Russian tax legislation // Taxes (magazine). 2014 P. 11 - 16.. No. 4.
 16. Resolution of the President of the Republic of Uzbekistan dated December 29, 2017 No.3454.
 17. Regulation “On the Procedure of Calculation of Cadastral Cost of Real Estate, Residential Property owned by Natural Persons for Taxation”, approved by the Cabinet of Ministers dated December 30, 2017, No.1043.
 18. Regulation “On the Procedure of Calculation of Cadastral Value of Non-Real Estate Assets Owned by Individuals in the Right of Private Property for Taxation” approved by the Cabinet of Ministers dated July 20, 2018 No.561.
 19. Decree of the President of the Republic of Uzbekistan dated June 29, 2018 No.5468 "On the Concept of Improvement of the Tax Policy of the Republic of Uzbekistan".
 20. Road Map on Implementation of the Tax Administration Improvement Strategy approved by the Decree of the President of the Republic of Uzbekistan dated July 10, 2019 No.4389 “On Additional Measures to Improve Tax Administration”