



Trends in the Development of Real Estate Taxation in Uzbekistan

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Abstract

The fundamental reform of the economy, which began in Uzbekistan, demanded the reform of the entire system of public administration in the country, including the budget system. The budget system formed in the first years of independence in our country had a fiscal policy and high centralization, which led to inefficient spending of budget funds. Therefore, one of the main directions of the state budget-tax policy is to increase the independence of local budgets and expand sources of income. In the article, in the process of improving the budget system, issues of increasing the importance of local budgets, which are the basis of a new system that ensures the efficiency of state budget revenues, are studied. Also, taking into account international experiences, proposals and recommendations on taxation of real estate in Uzbekistan have been developed.

Keywords: *Real Estate; Cadastral Value; Increasing and Decreasing Coefficients; Local Budget*

Introduction

The Land Code of the Republic of Uzbekistan laid the foundation for full legal foundations regulating land relations, which made it possible to establish the fundamental foundations of market reforms in the field of land exchange, helped to develop constitutional principles for the diversity of forms of land ownership, and also simplified the issues of land use and land relations [1].

Based on the powers of local authorities on the introduction of taxes, the tax legislation of the Republic of Uzbekistan determined the state and local taxes. Thus, the powers of local authorities in Uzbekistan were given the right to apply multiplying and reducing coefficients in land tax rates to legal entities and individuals in their territories.

It should be noted that the formation of a separate taxation of real estate (land and other real estate) in our country, as well as categories of taxpayers, is closely related to historical reasons.

Research Methodology

In the process of analysis, statistical grouping of data, methods of comparative analysis were used. The article analyzed the development trends in the taxation of real estate in Uzbekistan scientifically-theoretically and gave suggestions and recommendations on the application of real estate tax

in our country. Also, the main directions for the introduction of real estate tax in our country were developed, as well as the basic principles for determining the cadastral value.

Analysis and Results Discussion

In the strategy of action of the Republic of Uzbekistan «on the implementation of such tasks as consistently simplifying the taxation system, reducing the tax burden through the expansion of the tax base, as well as the introduction of modern methods of tax administration, increasing the collection of taxes and other mandatory payments» [2].

It is known that «in the following years, a number of measures have been implemented in the organization of rational and effective use of land in our Republic, ensuring impressive control and comprehensive regulation of 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 in the use of land, the introduction of modern technologies, as well as systematized accounting of land resources, is not being effective enough. The material and technical base of the network does not meet the requirements of today in the timely and high-quality implementation of the tasks assigned to the industry, in the rapid and effective implementation of research work» [3]. The number of employees in force, especially in the lower tier, does not allow controlling the use of land resources and maintaining their full accounting. Insufficient attention is paid to establishing close relations with leading foreign organizations of the industry, in-depth study and application of Advanced International Experience, organization of internships and professional development of specialists.

Also, «the absence of an 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 taxation of land and other real estate. The status of taxpayers (legal entities and individuals) was caused by differences in property relations between them, a low level of Real income, a lack of economic data, as well as differences in accounting and the formation of the tax base. Due to the lack of a single system of technical accounting and inventory bodies in the country, it was not possible to create a single system of accounting and valuation of real estate. Therefore, the way out of this situation was provided that since 2018, after the transition to taxation of property based on cadastral value, in order to avoid a sharp increase in the tax burden, the amount of tax set on the property of individuals on the basis of cadastral value cannot be increased more than 1.2 times the amount of tax» [4].

At the same time, the «procedure for calculating the cadastral value of real estate objects» [5] and «non-residential fund» belonging to individuals for the purpose of calculating the tax on property of individuals» [6] was established.

On this basis, «laid the principle of unity of the fate of the land plot and other real estate objects in Uzbekistan in order to simplify the registration of rights to Real Estate objects, as well as to switch to accounting for a single real estate object in automatic mode. This principle was also reflected in the articles of the Civil Code of the Republic of Uzbekistan, when transferring rights to the object of real estate located in it, regulating the scope of rights to the land plot. And for the implementation of this principle, it was required to change the system of payments for land and other real estate objects» [7].

It is established that «as a result of the creation of additional conditions in the field of rational and effective use of vacant production areas, further improvement of the mechanism of rapid involvement of unused objects in economic activity, creation of favorable conditions for the organization of modern production and new jobs on the basis of them, and simplification of the order of» [8].

At the same time, «work on determining the market value of real estate of legal entities in Uzbekistan has also been launched. Taking into account the advanced foreign experience of conducting mass assessment of land resources, Geodesy, cartography and state cadastre of the Republic of

Uzbekistan together with the state committee, the state tax committee, the Ministry of Finance and other ministries and departments of interest, comprehensive measures were established to introduce a mechanism for determining the market value of real estate of legal entities. It also took into account the important conditions for the rapid development of the economy and the improvement of the country's investment attractiveness, in order to consistently reduce the tax burden, simplify the taxation system and improve tax administration». However, «the results of the study showed a number of systemic problems that prevent the simultaneous economic growth in this area, increasing 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, it was indicated that due to the inefficiency of the mechanisms of administration of local taxes and fees, their level of aggregation is insufficient, as well as the inability to fully take into account real estate and land plots and objectively determine their value» [9].

On the basis of the reforms carried out in the tax system of our country, a number of comprehensive measures were implemented. In particular, «for the implementation of measures of full coverage of land and real estate with Cadastral accounting and value assessment for tax purposes, the implementation of real estate tax instead of property and land tax from 2021 in the amount of the integration of databases of cadastral and tax authorities» [10].

Therefore, the most important tasks of the state are to ensure the rational, efficient and established use of lands, to protect lands, to fully maintain a single system of State cadastres inextricably linked with the land.

Large-scale changes in the economic sphere require further improvement of the system of accurate accounting of land and related resources, their rational use. In particular, the fact that the tasks of separating lands, keeping their records, placing agricultural crops, carrying out land control are concentrated in a single body, Cadastral collection of land plots, buildings and structures is being prepared by the Registering Authority itself, creates a conflict of interest in the field.

Also, "a new stage has begun in the system of land accounting and maintenance of State cadastres, complex tasks have been set for reforming the industry on the basis of foreign experience, introducing a new management system, full maintenance and digitalization of land accounting. Since 2021 davreestr.uz -State Register of real estate objects, ygk.uz – among the portals of the cadastral agency under the state tax committee of the Republic of Uzbekistan, the opening of an integrated online geoportal to the National Geoinformation system of the cadastral agency will lead to more budget revenues through the expansion of the tax base» [11].

Since 2020, «a cadastral agency under the state tax committee of the Republic of Uzbekistan has been established, which forms a single base on all land and other real estate objects in our country, provides full and reliable maintenance of 21 state cadastre belonging to a single system of State Cadastre, and also integrates into tax offices where real accounting of land, buildings» [12].

Finally, «the system of calculation of property and land taxes on the basis of cadastral value of real estate (buildings, structures and land plots) objects close to market prices has been introduced in two stages (2021-2024)» [13].

Economic cooperation between the governments of the Russian Federation and the Republic of Uzbekistan in 2019-2024, as well as «implementation of the draft relevant agreement between the federal service for state registration, Cadastre and cartography and the Ministry of Finance of the Republic of Uzbekistan in 2020-2021 within the framework of providing technical assistance to the for Republic of Uzbekistan» [14].

As a result of a comprehensive study of current legislation and other regulatory legal acts in the field of real estate accounting, assessment and taxation in Uzbekistan, as well as information security

analysis, Legal Regulation, methodological aspects, it was found that the existing system is not perfect and its support is of an economic nature.

Purpose of introduction of real estate taxation system in Uzbekistan:

Formation of conditions for the creation of a system for assessing the state cadastre (including 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;

Creation of access to the results of State Cadastral valuation in order to improve legal regulation in terms of Tax Policy, Tax Administration;

Establishing a fair level of value in real estate transactions, including the purchase, lease, mandatory seizure of real estate for state needs;

Making decisions on the development of territories, including the development of territorial planning documents;

Determination of a fair amount of collateral for lending to legal entities and individuals with real estate collateral.

Real estate tax has a progressive character, which at the local level causes:

Is a stable source of income;

Creates conditions for financial independence;

Effective property management is the lever.

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

Relatively equal distribution;

Resistance to periodic fluctuations;

Impact on real estate market prices;

To be used to improve infrastructure.

The results of the scientific research carried out made it possible to identify a number of factors that complicate the implementation of real estate tax reforms:

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

much more expensive real estate tax administration;

To correctly calculate the tax, it is necessary to have extensive information about the market, collect it, process it and periodically update it;

Real estate appraisal procedures in a rapidly changing environment require high qualifications;

The fact that the presence of real estate can cause additional social problems, not depending on the Current income and the ability to pay taxes;

Taxpayers dislike the large political risk associated with real estate revaluation or rate increases;

The fact that real estate tax does not allow a rapid and accurate increase in income in the event of an increase in spending without ensuring an adequate increase in the tax base as the economy develops.

Conclusion and Suggestions

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

- Development of the draft law of the Republic of Uzbekistan «on state Cadastral valuation», which serves to create a state Cadastral valuation system of real estate objects;
- Creation of a mechanism for determining the cadastral (market) value of residential and non-residential real estate objects;
- Development of a new edition of the Land Code, which provides for the regulation of legal relations related to land plots;
- Amendments and additions to regulatory legal acts arising from the law on state Cadastral valuation of real estate objects of the Republic of Uzbekistan;

Depending on the goals set in the taxation of real estate: the allocation of residential and non-residential (commercial) space, industrial, recreational zones and separate protected areas, as well as objects intended for agriculture.

- Determination of the «experience-test» areas for determining their Cadastral (market) value depending on the purposes of use of land and other real estate objects of our country and conducting an experiment in these areas;
- Legalization of the definition of the cadastral value of a real estate object for the purposes provided for by the laws of the Republic of Uzbekistan;
- Conducting mass assessment on the basis of the basic principles of cadastral assessment, including legislative, methodological, information support and structural changes;
- Implementation of the assessment of real estate by classifiers of real estate objects and land plots.

Important areas of taxation of real estate in our country should be developed on the basis of the best international experience and national characteristics, the gradual transition to taxation of real estate on the basis of cadastral value, as well as the use of the results of State Cadastral valuation in order to establish a fair level of value in the taxation of real.

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

- Uniqueness of the methodology for determining the cadastral value;
- Constant updating of information necessary to determine the cadastral value;
- Independence and openness of the implementation of procedures for determining the cadastral value;
- Economic feasibility and control of the results of determining the cadastral value.

In the implementation of the real estate taxation system in Uzbekistan, we recommend to carry out the following tasks:

- Determination of cadastral value by methods of mass and individual assessment based on the determination of cadastral value and analysis of the process of mass assessment of land plots located in them and objects of capital construction;
- Creation of the State Institute of cadastral valuation, determination of the goals of the use of real estate objects;
- Development of a methodology that allows you to automate the processes of assessing the state cadastre;
- Creation of archival information about the results and the data used in determining the cadastral value;
- Development and testing of software and technical solutions aimed at automating the main processes in the state Cadastral assessment system;

Training of personnel, production of similar educational programs and training of specialists who determine the cadastral value and are engaged in determining Cadastral conditions.

The fact that the cadastral value of real estate is as close as possible to the market value, until today the value of the inventory calculated from the tax on real estate is several times less than that, can threaten taxpayers with a serious increase in tax obligations. Due to such a difference, the calculation of tax in cadastral value becomes the basis for the use of the practice of the tax system of foreign countries.

At the same time, the inefficiency of this tax administration can lead to negative results, that is, to the fact that the tax is of a regressive nature. In order to avoid these negative consequences, we propose to carry out step-by-step tax reforms during the transition period, which will allow you to distinguish taxpayers by Category.

To introduce real estate tax, it is necessary to develop a methodology for evaluating real estate objects (including industrial and recreational zones and objects of separate protected areas), create a single cadastre of real estate objects, as well as carry out work related to the reform of land legislation. But the problems of creating a cadastre of real estate objects, as well as the complexity of real estate valuation, can lead to a delay in the introduction of this tax.

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