



## The Importance of Taxes in Increasing the Effective Use of Land in Uzbekistan and Factors Affecting Their Collection

Akmaljon Abdurashidovich Tursunov

Deputy Head, Department of Taxpayer Services of the Tax Committee under the Ministry of Economy and Finance  
of the Republic of Uzbekistan, Uzbekistan

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### **Abstract**

This article analyzes the importance of land tax, its role in the formation of the state budget, the impact of effective and productive use of land on the value of land tax. Also, based on the in-depth analysis of the factors affecting the level of land tax collection, the necessary proposals have been formulated.

**Keywords:** *Tax Policy; Tax Administration; Tax System; Tax Base; Proper Taxes; Land Tax; Property Tax; Local Taxes*

### **Introduction**

Land resources are considered extremely important for both the country and its people, and there are several reasons for this, including the fact that land is essential for agricultural activities, which provide food and raw materials for various industries. It plays a crucial role in ensuring food security and sustaining the economy, while for industrial and commercial purposes it contributes to economic growth and creates jobs. It serves as the basis for the development of infrastructure such as factories, offices and transport networks. The Earth also contains valuable natural resources, including minerals, oil, gas, and timber. These resources are necessary for energy production, construction industry. Furthermore, it is a valuable facility for settlement and urban expansion and plays an important role in biodiversity conservation, ecosystem protection and climate change mitigation. Forests, wetlands, and other natural habitats provide important ecological services such as carbon sequestration and water filtration.

In general, land resources are essential for many aspects of human life, including food production, economic development, environmental protection, and cultural well-being. Sustainable management and use of these resources is essential for their long-term use by future generations.

According to the Food and Agriculture Organization (FAO), land resources are unevenly distributed around the world, low-income countries have only 22 percent of the world's land resources, but they are home to 38 percent of the world's population, in middle-income countries they are 53 and 47 percent, respectively, and in high-income countries 25 and 15 percent [1].

Today, the head of our state is paying special attention to the effective use of land and prevention of its looting. For example, the President of the Republic of Uzbekistan Sh.M. Mirziyoyev said in one of his official speeches that “Each square of land is considered an invaluable wealth of the state, that is, of our people, and no one has the right to use it illegally and arbitrarily” [2].

Unfortunately, changes in the natural climate and topography, the decrease in soil fertility, the year-by-year depletion of water resources, and problems related to the demographic characteristics of the population require us to refer to this topic again and again. Due to the fact that these problems are occurring at all points of the globe, they are of equal concern to representatives of this field in our country as well as foreign scientists, and it creates the need for a deeper study of this topic and the need to effectively organize taxation that serves future economic reforms, and at the heart of this lies the issue of improving the effective use of land and we identified these needs as the object of research in our article.

### ***Literature Review***

The stage of formation of land tax has a long history and is considered to have covered many years. So, the beginning of research and research by scientists in this regard dates back to the distant past and continues to this day. In his researches, each researcher presented his own theoretical views and opinions on the regulation of the effective use of land resources by means of taxes. In particular, the economic foundations of land tax determination were further strengthened in the 18th and 19th centuries. The physiocrats pointed out that one of the unique ways to increase income is by taxing land [3]. According to their theory, land taxation led to more efficient use of land and increased productivity. Therefore, the taxation of land has brought positive social benefits. This work of the physiocrats was considered the basis for the construction of the theory of land tax for later economists.

A. Smith mentioned the necessity of taxing the land by dividing it into two parts [4], while D. Ricardo emphasizes that the land tax (rent) is the amount left over after covering the various costs of production. According to his theory, taxes on land (rent) income do not have a negative effect on the economy, because such a tax does not prevent production [5]. While Henry George in his book “Progress and Poverty” explained the land tax based on the fact that land cannot be fully distributed to all citizens when land is sold [6], Roakes attributed the specific characteristics of land that distinguish it from other products to its locational advantages, durability and immobility. According to these signs, it is emphasized that the land tax cannot be refunded after it has been collected or collected earlier, and thereby not to destroy the purpose of land use [7].

Also, among our local scientists, Gaybullaev and Orovov conducted a study conditionally dividing the revenue sources of local budgets formed through resource taxes and other payments into two groups [8], according to professor T. Malikov, in the modern concepts of the tax system, resource taxes are the main source of income for the state budget. Drastically reduce or eliminate taxes on profits or income, replace these taxes with taxes and fees on property, land and resources, or drastically reduce value-added taxes, reduce profit taxes and replace them with rent payments for the use of natural resources, focuses on the issues of high taxation of the productive sectors of the industry [9].

In addition to the above research, many studies and researches have been conducted around the world on Land Tax. In particular, the International Monetary Fund (IMF) has conducted research on land tax as a tool to stimulate economic growth, reduce inequality and improve fiscal sustainability. They have published reports and articles on the development and implementation of land taxes, as well as their impact on economic development. The World Bank is also an international organization that has conducted research on land taxation in developing countries, exploring the potential benefits of land value enhancement mechanisms, such as improvement charges or land value taxes, to finance infrastructure development and urban planning.

And the Lincoln Institute for Land Policy is a think tank that focuses on land issues, including taxation. They have conducted extensive research on property taxes, including land taxes, and published reports and books on various aspects of land tax design and implementation. It should be noted that land tax research is a multidisciplinary field that includes economics, public finance, agriculture and land administration. Therefore, research on land tax can be found in various scientific journals and publications in these disciplines.

### ***Research Methodology***

As a research methodology, analysis and synthesis and economic mathematical methods, scientific observation, theoretical analysis methods by data grouping and forecasting were widely used during the in-depth study of the tax reforms and procedures carried out in the tax system of our republic, the decisions and decrees of the President of our country.

### ***Analysis And Results***

The importance of land tax is that it generates revenue for the state, while influencing land use and promoting efficient allocation of resources. There are several main reasons why land tax is important, which we have outlined in our research in Table 1 below.

Table 1. The main reasons for the importance of land tax

No	Main reasons	Description
1	Earnings	Land tax is an important source of income for the state budget, and this income can be used to finance public services, infrastructure development, education, health and other important programs;
2	Encourage efficient use of land	A land tax can encourage landowners to make good use of their land or to sell it to whoever wants it. By taxing vacant or underutilized land at high rates, the state encourages owners to develop or sell land, leading to more efficient land use and less urban sprawl;
3	A deterrent to speculation	A land tax can discourage speculative behavior, where individuals or companies own land in order to profit from its increased value instead of using it productively. The government can discourage speculation and encourage more productive land use by imposing high taxes on undeveloped or unproductive land;
4	Fair taxation	A land tax is often considered a fair and transparent form of taxation because it is based on the value of the land rather than the owner's income or wealth. This means that individuals or companies that own valuable land will pay higher taxes, regardless of income level. This helps to distribute the tax burden equally among the landowners.

Source: Author's development

From these reasons presented in Table 1, we can conclude that land tax plays a crucial role in generating revenue for the state, influencing land use patterns, preventing speculation, fair taxation, and financing public goods and services.

From the economic nature of the land tax, it can be understood that the importance of this tax in the efficient and rational use of land is extremely important and relevant. Therefore, effective operation of the land tax in the tax system is important not only for the state treasury, but also for society and the people, and requires the representatives of this field to constantly improve this tax. Table 2 below

provides information on the amount of land tax revenues in the state budget from 2017 to 2022 in our Republic.

Table 2. The analysis of revenue dynamics of land tax in Uzbekistan over the years (in billion soums)

№	Indicators	Years					
		2017	2018	2019	2020	2021	2022
1	GDP amount	317 476,4	424 728,7	529 391,4	602 193,0	734 587,7	888 341,4
2	Amount of state budget revenues	49 681,0	79 099,0	112 165,4	132 938,0	164 680,3	202 176,4
3	Amount of taxable income	33 885,8	49 941,8	80 229,5	97 979,1	120 162,5	130 536,5
4	Amount of direct tax revenue	11 539,4	15 656,2	31 676,8	45 206,9	58 930,3	64 457,6
5	Amount of revenue from land tax	1 091,8	1 504,2	2 313,3	2 386,8	3 927,6	5 329,0
6	Share of land tax in total taxes, %	3,22	3,01	2,88	2,43	3,27	4,08

Source: Author's development based on information from the state tax committee

In the process of analyzing the data presented in Table 2, we can see that the amount of land tax revenues has increased over the last 6 years and increased 5 times, from 1,091.8 billion soums to 5,329.0 billion soums (2017–2022). This indicator was 3.22% of the total tax revenue in the state budget in 2017, 3.01% in 2018, 2.88% in 2019, and slightly decreased by 2.43% in 2020 and vice versa in 2021–2022. For 2010, these indicators made 3.27% and 4.08%, respectively, and increased significantly. We can see that the level of these indicators has fluctuated over the years. Of course, these fluctuations can be influenced by several factors and reasons. In particular, several factors can affect the ability to collect land tax. These factors vary depending on the specific context and country, but some common factors are:

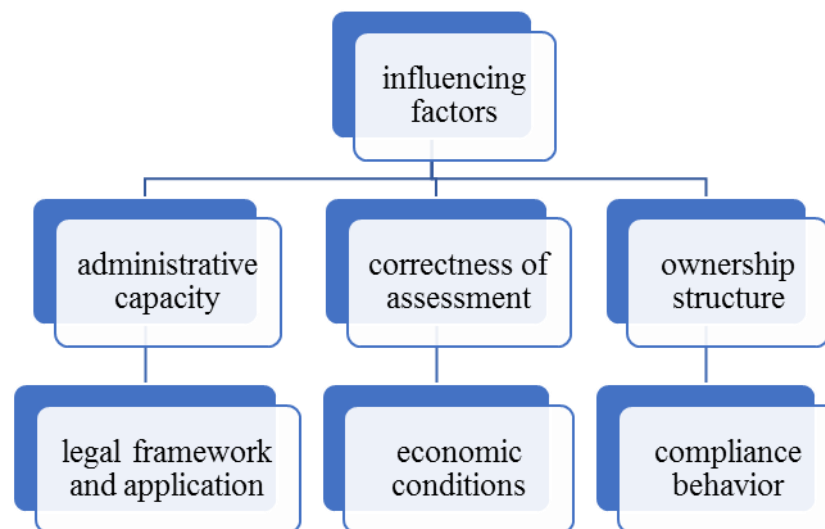


Figure 1. Factors affecting the collectability of land tax

The factors presented in the diagram in Figure 1 are regulatory levers affecting the ability to collect land tax, and the first of these levers is administrative capacity. The ability of tax administrations to effectively identify and track landowners, assess land values, and collect taxes can greatly influence the ability to collect land taxes. A well-functioning administrative system with trained tax officials, adequate resources and efficient processes is essential to ensure successful tax collection.

The second factor is compliance behavior. That is, the willingness of landowners to fulfill their tax obligations is considered the most important factor, and factors such as the fairness of the tax system, trust in the state, and enforcement measures can affect taxpayers' compliance behavior. High levels of tax evasion or avoidance are likely to significantly reduce the likelihood of land tax collection.

The form of ownership structure is a third influencing factor, and the ownership structure of land, such as private ownership, collective ownership or partnership ownership, can affect the ease of tax collection. For example, if there are multiple owners or complex ownership arrangements, it is more difficult to identify and collect taxes from each individual or entity.

The fourth factor—the accuracy of the assessment is crucial for determining the tax liability. If the land is under- or over-assessed, it can lead to under-recovery or taxpayer resistance. Ensuring a fair and transparent evaluation process is critical to maximizing engagement.

The fifth factor considered is the legal framework and enforcement mechanisms. The legal framework related to land tax, including laws and regulations related to assessment, collection and enforcement, greatly affects the collection of taxes. Effective enforcement mechanisms, such as non-compliance penalties or dispute resolution mechanisms, can help improve tax collection efficiency.

The importance of economic conditions, which is the last factor, is significant. It is natural that general economic conditions, including the state of the real estate market and the financial condition of taxpayers, will affect the ability to collect land taxes. During times of economic downturn or financial instability, taxpayers may find it difficult to pay their tax obligations, leading to lower tax collection levels.

It is important for policymakers and tax administrators to consider these factors when designing and implementing a land tax system to maximize tax collection and ensure a fair and efficient tax system.

In the world experience, in order to improve the productive use of land, some methods of using taxes are used, these methods are as follows:

1. **Zoning Incentives:** States may offer tax incentives to encourage certain land uses in designated zones. For example, they make extensive use of measures such as providing tax breaks for businesses located in designated industrial zones or residential buildings designed for affordable housing;
2. **Land Conservation Programs:** Taxes can be used to fund land conservation programs, such as purchasing development rights or creating conservation easements. These programs aim to protect valuable natural areas and promote sustainable land use practices;
3. **Tax Increment Financing (TIF):** Tax Increment Financing is a financing tool that allows states to capture increased property tax revenue generated by a development project and use it to fund infrastructure improvements or community facilities in the surrounding area. This can encourage developers to invest in underutilized or degraded areas, encouraging efficient land use;
4. **Differential taxation:** States can introduce differential tax rates based on land use. For example, they may impose higher tax rates on residential properties than on commercial or industrial properties. This can encourage a more balanced mix of land uses and prevent excessive commercialization or industrialization;

5. Land bank: The state can purchase vacant or underutilized land through taxation and hold it for future development or state use. By taxing such properties at higher rates, owners can be encouraged to sell or develop land, leading to more efficient land use;
6. Tax Increment Districts (TIDs): Tax Increment Districts are geographic areas where property tax revenues from new developments are reinvested within the county to fund infrastructure improvements, public services, or other development-related projects. Tax Increment Districts can facilitate targeted and coordinated land development in specific areas.

These are just a few examples of how taxes can be used to influence and encourage efficient land use. The specific strategies used will vary depending on the goals and priorities of each government or jurisdiction.

### ***Conclusion and Recommendations***

As a result of our above research, we conclude that taxation can be a powerful tool in managing efficient land use through incentives and disincentives to promote sustainable agriculture, and the following propositions suggest that improved land use can be achieved through taxation in several ways. We would like to explain:

1. In order to increase the effectiveness of the effective use of agricultural land, it is necessary to introduce the practice of taxation at a progressive rate. These rates can encourage landowners to use land more efficiently. This type of tax rate is based on the value of the land, not on improvements or structures. By taxing the unimproved value of land, landowners are encouraged to use their land productively rather than leave it idle or underutilized;
2. Zoning and land use regulations should be developed. Taxes can be used to enforce zoning and land use regulations that promote efficient land use. For example, agricultural zones may impose higher tax rates on land used for non-agricultural purposes, preventing the conversion of agricultural land to other uses. This helps prevent urban sprawl and preserve valuable agricultural land;
3. It is appropriate to provide tax incentives for the acquisition of new land for nature conservation practices. In doing so, the state can provide tax incentives for farmers who use sustainable and efficient land management practices. This covers the costs of including practices such as soil conservation, water management and biodiversity conservation. By offering tax breaks or credits for these practices, farmers are encouraged to invest in technologies and methods that increase the productivity and sustainability of their land;
4. In order to encourage the rational use of land and the construction of multi-storey industrial buildings, business entities shall pay the amount calculated on the tax on the property of legal entities for newly built multi-storey industrial buildings, three-storey, for 3 or 5 years, starting from the month of their commissioning. It is necessary to introduce payment for four-storey, five-storey, six-storey, seven-storey and higher buildings with the use of reducing coefficients.

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