

DIRECTIONS FOR IMPROVING PROPERTY TAXATION

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Abstract. Today's main issues are relations development of entrepreneurship, ownership of means of production, ensuring the entity of the private property, calculation of property tax and transfer them to the budget. This type of tax always requires modern research and reforms. This article analyzes the essence of property tax, its calculation procedure, the organization's importance, and its specific features. Moreover, the current situation regarding property tax collection of legal entities and individuals, the opinions of our country and foreign scientists were analyzed and recommendations on property tax collection were formulated.

Furthermore, in this article was done a deep analysis of the current taxation system of Uzbekistan and it compared with the world's leading country taxation systems and made conclusions according to the current research.

In addition, the article examines approaches to the formation of the value of real estate taxation objects of legal entities and individuals in foreign countries and the establishment of tax rates. The analysis of real estate tax receipts in developed countries has been carried out, and general trends in property taxation of legal entities and individuals have been identified. The main provisions on which modern real estate taxation systems of legal entities and individuals are based and formulated. The current problems of taxation of real estate in

the Republic of Uzbekistan are identified and ways of determining the tax base are proposed, taking into account the world's best experience. Proposals have been developed for the application of tax rates and the implementation of the principle of fairness.

Keywords: property, real estate, property tax, tax system, legal entity, individual, tax incentive, assessment.

Introduction. Currently, the conducted reforms are directly related to the development of entrepreneurship, ownership of the means of production. The process of transition from the state ownership to private ownership in the field of the proper use of the means of production, ownership and disposal of them is still proceeding. Consequently, it is noteworthy that the President of the Republic of Uzbekistan emphasizes that ensuring the rights of entrepreneurs, especially the inviolability of private property is the main task of state bodies at all levels [1]. In this regard, the main emphasis in improving the collection of property tax should serve to further develop attitudes towards property, as well as to stimulate its efficient use.

Even if we consider property taxation at the international level, it is also has a crucial importance. According to the Organization for Economic Cooperation and Development (OECD), in 2020, the contribution of property tax to GDP was 4.2

percent in Canada, 4 percent in South Korea, 4 percent in France, 3.9 percent in the UK, 3.8 percent in Luxembourg, 3.5 percent in Belgium, 3.1 percent in Greece, 3 percent in the USA, 2.9 percent in Israel [2]. Nevertheless, a number of impressive measures are being taken on using tax funds to achieve effective use of property by owners, to increase the share of property tax revenues in local budget revenues. Deepening market relations requires sustainable development of the production and services sectors and increasing their competitiveness, as well as continuous improvement of the valuation of property in the field of production and services.

In many researches aimed at improving the mechanisms for calculating and collecting property taxes in the world practice, with the introduction of property tax by unifying these taxes, simplification of the mechanisms for calculating and collecting taxes as an additional source of local budget revenue was achieved. But the lack of in-depth analysis of such issues as the specifics of calculating land and property taxes in these researches, the ways of efficient use of property tax in increasing local budget revenues and the impact of taxes on the financial activities of taxpayers requires the need for the research the given issues.

Materials and methods. Economic entities make extensive use of property that is a product of labor at carrying out their activities. Regardless of the economic formations as a whole, tools and objects of labor are widely used to produce the product necessary for society. Ultimately, the work equipment is called labor managers who are directly involved in the production of products, as well as those properties that are not directly involved in this development, but serve its organization for a long time, creating certain conditions for this. They include

buildings, equipment, vehicles, housing works, etc.

M.Kiazolu noted that economists and experts recognize property tax as a type of tax that brings a stable income and which is difficult to avoid [3]. The property tax in each state consists of two main parts, namely the tax base and the tax rate [4-5].

In the research of foreign scientist Agnesa Jashari, it is pointed out that the property tax affects the behavior of the government and society, recognizing that it has a reducing effect on the incomes of the population, by means it negatively affects their consumer behavior, forcing them to try to avoid the property tax [6].

Among the economic scientists, I. Niyazmetov noted that one of the main peculiarities of the property of legal entities is that they serve for a long time in the production process, moreover it keeps their original physical appearance [7]. They gradually become out of date, even if they take a long time to create the conditions necessary for the production process, and, as far as possible, transfer the outdated part in the form of depreciation deduction to the cost of the manufactured product. Namely, enterprises use them correctly and efficiently in the process of using these goods, trying to ensure the production of as many and high-quality products as possible, increasing the level of profitability of each amount spent on each production.

Additionally, according to the current legislation, all enterprises are obliged to pay taxes to the budget for their property. The amount of these taxes may vary proportionally depending on the value of the property, that is, as the value of the property increases, the amount of taxes also increases. Such a tax policy draws the attention of enterprises to the rejection of excess fixed and working capital, leaving only the most necessary property for the productive use.

The envisaged purpose of introducing property tax into the country's tax system is, firstly, to stimulate the interest of enterprises in selling excess and unused property at carrying out economic activities, and secondly, to stimulate the effective use of property on the balance sheet of enterprises. Because the renewal of obsolete and worn-out fixed assets of enterprises it will reduce the prices of manufactured goods and produce competitive goods by the means of new, advanced technologies and equipment.

I. Niyazmetov in his research, based on the experience of a number of foreign countries, emphasizes the necessity to combine property tax with land tax and transfer to property tax, which operates in the identical order for legal entities and individuals [8]. Researcher F. Fayziev supporting this opinion, also recognizes the need to simplify calculations by introducing a property tax [9].

O.Meiliev believes that the property tax, on the one hand, provides the budget with financial resources, and on the other hand, its stimulating role is to reduce the misuse of existing property and property stratification [10]. In fact, the property tax performs its fiscal functions both from a financial point of view as an incentive and control, and from the point of view of supplementing local budgets.

Statistical tables and analytical comparisons, logical and comparative analysis, logical and comparative analysis, grouping methods and scientific works of foreign and domestic scientists on this topic were widely used in this research.

Results. The mechanism of taxation of the property of enterprises is a set of elements relating to the taxation of the property of legal entities that are directly involved in the organization of taxation. This complex consists of: object of taxation; object; unit of taxation; tax rate; taxable base; tax benefits; tax payment periods and other elements.

Forcing an economic entity to pay taxes on all property on its balance sheet encourages it to dispose of unnecessary buildings, structures, machinery and equipment. This, in turn, makes it possible to form a market for production facilities, reduce the cost of production and produce competitive products. In addition, the property tax is an important means of eliminating the imbalance in the distribution of income and property. The share of corporate property tax in the structure of state budget revenues does not have a high share. It can be noted that in 2016-2020 there were fundamental changes in the tax revenues of legal entities and individuals paying property tax (see Table 1).

Table 1

Comparative indicators of tax revenues of property tax payers in 2016-2020¹

№	Years	Paid by legal entities			Paid by individuals		
		Tax revenue	Compared to last year	Change, in %	Tax revenue	Compared to last year	Change, in %
1	2016	915,8	-	-	445,1	-	-

¹ The table was prepared by the author based on the information of the State Tax Committee of the Republic of Uzbekistan.

2	2017	1 072,8	157,0	117,1	575,6	130,5	129,3
3	2018	1 897,8	343,6	122,1	708,3	132,8	123,1
4	2019	1 553,7	-344,1	81,9	752,4	44,1	106,2
5	2020	1 974,1	420,4	127,0	742,1	-10,3	98,6

The above data in the Table 1 illustrate property tax revenue in 2016-2020. Only in 2020, tax revenues were slightly reduced due to benefits due to the coronavirus pandemic. But it should be recognized that as a result of the tax reforms carried out in our country in subsequent years, the number of legal entities and individuals paying property taxes has increased dramatically.

A distinctive feature of property taxes is demonstrated in the scale of development of market relations. Based on logic, voluntary income, which was not previously included in the source of payment, is eventually formed in the form of a specific property (an elite house, a large plot of land, etc.), whereas, thanks to a developed economy the government increases the tax burden on individuals with high incomes.

Property taxes are also called "sanitary" taxes, that is they are levied regardless of how efficiently movable and immovable property is used.

The use of high property tax rates by the government leads to the fact that owners are divided in cautious relations with due to private objects and create the need to expect inefficiently used equipment, transport and land plots. In this context, property tax in Uzbekistan is declared by the taxpayer regardless of whether the property is used or not. Property taxes are the main source of income for regional budgets, and this is evidence that local authorities pay great attention to them.

Currently, the tax system of our independent republic is aimed at providing the state budget with funds and stimulating

the activities of enterprises at the expense of taxes. This direction requires a consistent solution to the general problems of taxation and the improvement of taxes in the aggregate. However, in our republic, the share of property taxes in the formation of budget revenues is not so large. Because, firstly, this tax is far from perfect, it is not given as much attention as it should be. Secondly, property tax is one of the areas that underperform in the tax system, which, depending on its payers, is divided into property tax, which is levied on legal entities and individuals. In addition, enterprises and citizens are not limited in the types and amounts of property they can own. In a free market economy, strictly unlimited cases conducted by enterprises engaged in entrepreneurial activity, changes occurring in property relations, allows the acquisition of all property at their disposal without quantitative restrictions, which increases the importance of regulation due to taxes on income and material goods.

However, over the years of independence, a number of works have been carried out to assess the value of property in the field of production and services, but current problems due to this issue are still remained. In particular, due to issues of the process of assessing the value of property in the field of production and services, the main attention should be paid to the elements regulating valuation activities. As the main elements of property valuation in the field of production and service in our country, it is worth to highlight the following:

- organizational and legal basis of property asset valuation;
- activity of appraisers of property and subjects of the assessed property;
- database of the entity conducting the property valuation;
- the activities of organizations that license property valuation organizations and issue qualification certificates to property appraisers, etc.

Researcher K. Berry also argues that the fairness and correctness of property taxation depends on the quality of property

valuation by local appraisers. He notes that even in the United States of America, less expensive objects are valued at a higher price, and there is also the opposite case [11].

Within the framework of tax administration, the mechanism of tax collection from legal entities is constantly being improved. However, the analysis shows that there are some problems in this area that still need to be solved. For example, at setting the property tax rate paid by legal entities, the peculiarities of the ownership structure are not taken into account.

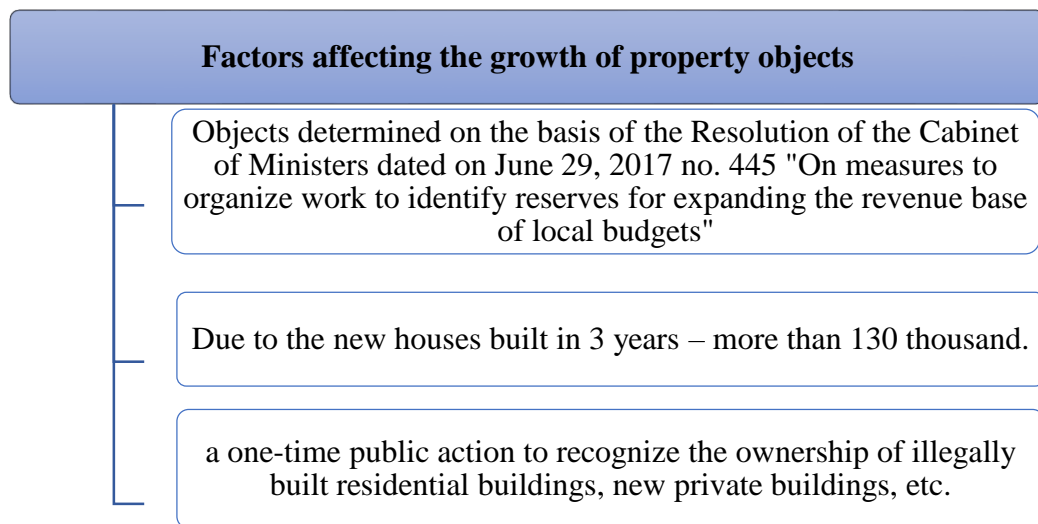


Figure 1. Factors affecting the growth of property objects *
* author's development

At setting increased property tax rates paid by individuals, the impose taxes for housing and apartments located in cities is taken into account, regardless of the number of people living there. However, only a family of two or a family of 20-30 people can live in one house with an area of more than 500 square meters. It is important to consider this case is also for legal entities.

One of the main directions of improving the taxation of property of enterprises is due to avoidance of double taxation. It is referred to value added tax and property tax. The cost of fixed assets with the amount of value added tax at the time of

acquisition of fixed assets is included in the balance sheet as the initial cost. However, for fixed assets subject to property tax, the amount of value added tax remains within this value at the time of determining the average annual value. At calculating the average annual cost of fixed assets for property tax, the amount of value added tax should be deducted from its composition.

Another of the main directions of improving the taxation of property of enterprises is the system of tax benefits and their improvement.

As it is known, there are targeted and similar tax benefits, such as tax deductions,

which are provided to taxpayers on the basis of the law, reducing the amount of taxes, facilitating the conditions for paying taxes or fully or partially exempting individuals or payers from paying taxes, reducing the tax rate, the taxable minimum of the taxable object, excluding elements. Depending on the incentive and the intended application of tax benefits, they can be divided into: full exemption of individual enterprises and organizations from paying taxes; provision of tax benefits for newly established enterprises; temporary exemption from taxes; reduction of the tax base; partial exemption from taxes; provision of benefits for foreign partners; provision of benefits for the export of raw materials, etc. [12].

The tax rate for non-residential buildings, the construction of which is not completed on time, is set at 3 percent. Furthermore, due to empty buildings, unused production areas, buildings not aimed for living, as well as unfinished objects, the legislation [13] may apply measures of influence provided for by legal entities by establishing increased tax rates.

To solve the above problems, in our opinion, it is necessary to implement the following proposals:

- at setting the property tax rate paid by legal entities, it is necessary to achieve the establishment of rates allowing to increase the efficiency of the use of property assets (machinery and equipment) and accelerate their renewal;

- at determining the increased property tax rates that legal entities pay as individuals, it is necessary to proceed not from the total area of the house, but from the amount due to each of the people living in it.

- in order to strengthen support for entities with low profitability, taking into account the increase in the tax burden on the property of legal entities, it is necessary to increase the size of the preferential zone

assigned to them in proportion to the increase in the tax burden (in the order applicable to individuals).

Discussion. The introduction of these proposals into the tax practice of the Republic of Uzbekistan will improve the efficiency of the use of property, reestablish social justice and dramatically increase the revenue from this type of tax to the budget.

In our opinion, the formation of environment and a sufficient level of infrastructure is crucial for the effective establishment of property valuation in all areas of the country's economy. To do this, it is desirable that the following micro-macroeconomic problems find their positive solution:

- at developing a business in the field of production and service, an environment of free competition should be created. Definitely, competition is considered one of the main mechanisms of the market and occupies a special place in the development of all sectors of the economy. It should be recognized that the production and services sector in the country has created an organizational and legal basis for property valuation, and the examples for property and business valuation used in international practice have been adopted taking into account the specifics of the national economy. However, despite this, the demand for property valuation in the field of production and services remains at a low level;

- it is necessary to adequately ensure the strength of the purchasing power of the national currency. It is known that any relations that take place between market participants are carried out in the form of value, that is, money. Two exchange rates of the national currency against foreign currencies, that is, the official exchange rate of the Central Bank and the exchange rate on the black-market currency, are considered

factors that have a strong negative impact on the valuation of property. The consequence of this is that the results of the valuation of the property of enterprises in the sphere of production and services cannot reflect the real valuation on the property market and other goods. Because the exchange rate of the national currency due to foreign currencies, that is, the price, fluctuates significantly;

- issues related to changes in the social, economic and political situation in the country. The changes taking place in the social, economic and political life of the country in the service sector do not remain without influence on the process of evaluating an enterprise for ownership. From our point of view, it is necessary to develop and put into practice a policy of long-term socio-economic strategic development of the country. This has a positive effect on the valuation of property and assets.

Conclusion and suggestions. We believe that without a complete solution (taking into account) the problems expressed above, it is impossible to ensure timely and fixed tax revenue to the budget, as well as, consequently, to ensure timely fulfillment in full of tasks that serve the interests of our people. We believe that this should be fully accepted by every taxpayer, legal entity and individual living in Uzbekistan.

In order to ensure a positive solution to the above issues, the following recommendations have been developed:

- it is worth to carry out an inventory of regulatory documents adopted by the relevant committee and ministries for property valuation, and organize their unified electronic system. Meanwhile, it is necessary to concentrate the existing legislative framework in the process of property valuation with the best practices of international practice, to organize the

evaluation process based on national property valuation templates;

- organizations assessing the value of property should improve the level of knowledge of their employees at various seminars, conferences and upgrade training course;

- at property valuation it is necessary to increase the transparency and quality of organizations' reports, keep the results of the assessment secret and not disclose them. Also, the assessment, which is carried out in the form of an "Order", should cancel the preparation of conclusions.

- property valuation organizations should determine the directions of their types of services and fully specialize in this;

- it is advisable for property valuation organizations to periodically maintain rating indicators of rating companies, create their own websites, constantly update information, types of services and other necessary information covering their activities;

- in order to provide property appraisers with information about the assessed object and other similar objects, it is advisable to organize an electronic register of information on the acquisition and sale of real estate, other various levels of ownership for all concerned entities.

In conclusion, it is worth to note that there are a number of urgent issues in the country that need to be resolved in the process of assessing property not only in the service sector, but also in other industries. The main thing is that there are a number of options for solving these problems and solutions, as well as their gradual introduction into practice has a positive effect on increasing demand for property valuation and improving the quality of services.

Consequently, having formed a system of rational valuation of property, it will be possible to determine the value of the property in demand and create the possibility

of taxation. Currently, this system is not used in small enterprises. Its creation

brings positive results in the future, serves to increase the tax base.

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