THE SIGNIFICANCE OF PROPERTY TAX IN FORMING STATE BUDGET REVENUES

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Abstract. This article analyzes the economic importance of property tax in the formation of state budget revenues and the dynamics of changes in the structure of budget revenues in the following years. Also, in the following years, the property tax calculation and collection of legal entities and individuals and the reforms implemented were studied. Scientific proposals and practical recommendations aimed at increasing state budget revenues and improving the property tax calculation procedure are given.

At the present moment, the presence of an effective and understandable mechanism for taxing real estate of individuals in the Republic of Uzbekistan is one of the signs of an effective tax system of the state. The peculiarity of property owned by an individual, as an object of taxation, is that the property of a citizen of the Republic of Uzbekistan is one of the real indicators of his financial solvency, and, consequently, tax solvency: the higher the income level, the greater part of it is spent on "property improvement".

The existing tax on the property of individuals in our country was introduced in the early 90s, but the proceeds from this tax during this time sometimes did not even justify the costs of its administration.

Taxation of real estate at market value allows such a tax to become one of the main sources of income for local budgets. Under these conditions, the prospect of obtaining significant revenues to the budgets through real estate taxation is an incentive for local governments to create the necessary information base, and for public authorities - to develop methodological approaches based on common criteria and a commensurate system of indicators for evaluating various types and types of real estate. The transparency of the real estate valuation mechanism for tax purposes will also contribute to the development of the real estate market itself.

Key words: state budget, income, property tax, tax rate, calculation procedure, economic development, strategy, tax administration.

Introduction. In the world, the property tax is considered as the main element of the comprehensive tax system. According to the World Bank (2021), by the beginning of 2020, there is data that property taxes are operating in more than 130 countries around the world [1]. In the practice of most states, income from property taxes is directed to local budgets. The volume of such revenues to local budgets is different in each state, including the share of income from property tax consisted of 2.17 percent in France, 1.85 percent in Denmark, 1.8 percent in the Netherlands and Italy, 1.06 percent in Germany, 0.89 percent in Sweden. Meanwhile, in some developed countries, this tax has a significant share not only in
local budgets, but also in total state budgets. In particular, in the UK, property taxes account for about 10 percent of total budget revenues. This indicator comprises 9 percent in the USA and 8 percent in Canada. These indicators demonstrate that in world practice, particular attention is paid to the calculation and collection of property tax [2].

The issues of calculating taxes on the property of individuals are also widely studied as an object of research. However, in the conducted researches, insufficient disclosure of the issues of analyzing the features of calculating property tax and its impact on the activities of enterprises, the rational use of property tax in increasing local budget revenues, improving the mechanism for calculating property tax, generates the necessity for conducting research in this sphere.

Materials and methods. Many economic scientists have conducted research on the importance of property tax in forming local budget revenues and its theoretical foundations. Most notably, Lars P.Feld and Friedrich Schneider (2015) presume that state and local taxation sometimes provides for voluntary participation in setting rates and bases for local taxes at the local government level and provides funding for public services at the state and local levels. Salvatore Bimonte, Arsenio Stabile (2015) argue that the development, regulation, various payments and collection of property taxes are the functions of local municipalities. If these tasks are not properly implemented and systematized, there may be an imbalance between fiscal policy and urban planning policy. Economist Bird (2000) pointed out that local taxes have four characteristics: the assessment of the tax base is carried out by local authorities; collected by local authorities; income from this tax goes to the local budget; local authorities set the tax rate [3]. Additionally, Bahl (2001) noted that when choosing taxes that should be within competence of local authorities, the source should provide sufficient income for expenses, and local authorities should have a certain degree of freedom in determining the tax rate [4].

In his research, J.Urmonov (2020) puts forward a proposal for a gradual transition to real estate tax by combining property tax and land tax in order to expand the financial capabilities of local budgets, form a regular and reliable tax base, increase the efficiency of tax administration, as well as further consolidation of the total tax regime [5]. A.Islamkulov (2017) argues that the mechanism for collecting taxes on property and land paid by individuals is somewhat different from the mechanisms for collecting other types of taxes, this difference is characterized by their small complexity. We are not referring to the calculation of taxes by complexity, but to the mechanism for collecting these types of taxes [6]. U.Tulakov (2021) believes that since the property tax of individuals is a local tax, local authority will have the freedom to set this tax rate if the development of territories is relatively the same. In real conditions, these restrictions on freedom are often necessary, for example, due to the large demands of the local budget and a low base (due to the low standard of living of the population or poor administration) [7].

As part of the study the scientific and theoretical aspects of the importance of property tax in forming local budget revenues, the methodology for determining property tax, along with the analysis of the current state of the share of property tax in forming local budget revenues, a lot of theoretical literature related to the topic was studied, methods of logical thinking, scientific observation, a systematic approach
with a reference to empirical research were widely used.

**Results.** Property, on the one hand, determines the ownership of an object to certain people, and on the other hand, determines the relationship between people on the use of property. In accordance with the current legislation, forecasts of local budgets are compiled by local executive bodies. Subsequently, the forecasts are coordinated with the relevant higher state body. After that, budgets are approved by local representative authorities.

In the table below, we will analyze the execution of state budget revenues for 2015-2021, as well as the importance of direct property tax in the formation of budget revenues. According to the results of 2021, we can see that the state budget revenues for the analyzed period increased by more than 4.5 times and reached 164.6 trillion soum. Although the property tax in the structure of resource payments and property tax has a dynamic change over the years, it can be seen that by 2021 its share reached by 10.6 percent [8].

In 2020, revenues from taxes on resources and property taxes amounted to 21.3 trillion soum (or 3.6 percent to GDP), compared to revenues in 2019, it amounted to 1.6 trillion soum and 8.6 trillion soum compared to 2018. In 2020, property tax, land tax and tax revenues for the use of water resources were remained almost at the level of 2019 and amounted to 4.8 trillion soum, and compared to 2018, this amount increased by 0.6 trillion soum. Since January 1, 2019, the corporate property tax rate has been reduced from 5 percent to 2 percent, and the reduction of this rate forecasted a decrease in revenue by almost 2 times, that is, from 1.9 trillion soum up to 1 trillion soum. This year, as a result of the increase in the tax base, due to the involvement of all business entities to property tax payers (the number of taxpayers increased 6 times and amounted to 58,334) in 2019, the income from this tax amounted to 1.6 trillion soum.

### Table 1. Execution of state budget revenues for 2015-2021, bln. Soum*

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<tbody>
<tr>
<td>Revenues (without target savings) - total</td>
<td>36 493,3</td>
<td>41 043,4</td>
<td>49 681,0</td>
<td>79 099,0</td>
<td>112 165,4</td>
<td>132 938,0</td>
<td>164 680,3</td>
</tr>
<tr>
<td>1. Direct taxes</td>
<td>8 798,4</td>
<td>9 852,8</td>
<td>11 539,4</td>
<td>15 656,2</td>
<td>31 676,8</td>
<td>45 206,9</td>
<td>58 930,4</td>
</tr>
<tr>
<td>2. Indirect taxes</td>
<td>19 193,8</td>
<td>21 130,7</td>
<td>26 133,2</td>
<td>41 280,4</td>
<td>46 427,2</td>
<td>46 428,4</td>
<td>56 290,5</td>
</tr>
<tr>
<td>2.1 Value added tax</td>
<td>10 851,0</td>
<td>11 891,6</td>
<td>14 685,8</td>
<td>27 876,5</td>
<td>33 809,8</td>
<td>31 177,4</td>
<td>38 439,0</td>
</tr>
<tr>
<td>2.2 Excise tax</td>
<td>5 618,4</td>
<td>6 258,2</td>
<td>7 449,2</td>
<td>9 702,2</td>
<td>10 314,7</td>
<td>11 697,3</td>
<td>13 086,6</td>
</tr>
<tr>
<td>3. Customs duty</td>
<td>1 481,5</td>
<td>1 449,5</td>
<td>1 707,4</td>
<td>1 826,4</td>
<td>2 302,7</td>
<td>3 553,7</td>
<td>4 764,9</td>
</tr>
<tr>
<td>2.4 Tax on vehicles for the use of gasoline, diesel fuel and gas</td>
<td>1 242,9</td>
<td>1 531,3</td>
<td>1 784,5</td>
<td>1 543,9</td>
<td>0,0</td>
<td>0,0</td>
<td>0,0</td>
</tr>
<tr>
<td>2.5 Payment for the use of subscriber numbers</td>
<td>0,0</td>
<td>0,0</td>
<td>506,4</td>
<td>331,3</td>
<td>0,0</td>
<td>0,0</td>
<td>0,0</td>
</tr>
<tr>
<td>3. Resource payments and property tax</td>
<td>4 816,1</td>
<td>5 306,2</td>
<td>6 867,4</td>
<td>12 663,4</td>
<td>19 680,7</td>
<td>21 257,0</td>
<td>23 036,4</td>
</tr>
<tr>
<td>3.1 Property tax</td>
<td>1 393,0</td>
<td>1 659,2</td>
<td>2 129,7</td>
<td>2 606,1</td>
<td>2 360,2</td>
<td>1 974,3</td>
<td>2 457,3</td>
</tr>
<tr>
<td>3.2 Land tax</td>
<td>750,1</td>
<td>966,7</td>
<td>1 091,8</td>
<td>1 504,2</td>
<td>2 313,2</td>
<td>2 386,7</td>
<td>4 082,8</td>
</tr>
<tr>
<td>3.3 Mining tax</td>
<td>2 514,6</td>
<td>2 517,7</td>
<td>3 474,1</td>
<td>8 424,7</td>
<td>14 692,8</td>
<td>16 417,1</td>
<td>15 811,9</td>
</tr>
<tr>
<td>3.4 Tax for the use of water resources</td>
<td>158,4</td>
<td>162,6</td>
<td>171,8</td>
<td>128,4</td>
<td>314,5</td>
<td>478,8</td>
<td>684,4</td>
</tr>
<tr>
<td>4. High income tax</td>
<td>652,5</td>
<td>1 401,9</td>
<td>1 415,2</td>
<td>1 528,0</td>
<td>107,9</td>
<td>0,0</td>
<td>0,0</td>
</tr>
<tr>
<td>5. Other income</td>
<td>3 032,4</td>
<td>3 351,8</td>
<td>3 725,8</td>
<td>7 971,0</td>
<td>14 272,8</td>
<td>20 045,8</td>
<td>26 423,1</td>
</tr>
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*Source. https://soliq.uz is the official website of the Tax Committee of the Republic of Uzbekistan.*
Moreover, in 2019, revenues from new taxpayers (about 50 thousand enterprises) amounted to almost 629 bln. soum, or a third of the total income.

Since 2022, the current legislation, the list of taxpayers, as well as the procedure for calculating and paying property tax on legal entities have been maintained. When calculating property tax, the tax base for buildings and facilities (excluding infrastructural facilities and objects under construction) is introduced into these objects in such an amount that they cannot be lower than the minimum value set in total values per 1 square meter: in Tashkent - 2,500,000 soum; in Nukus and in the regional centers - 1,500,000 soum; in other cities and rural areas – 1,000,000 soum.

Additionally, the Jokargy Kenes (the Highest state representative authority) of the Republic of Karakalpakstan and the regional Kengashes of People’s deputies may implement a reduction ratio up to 0.5 of the established minimum value, depending on the economic development of the districts. If the cost of 1 square meter of an object is below the established minimum value, the taxpayer has the right to attract appraisers to conduct an independent assessment of the property value. Notably, the results of an independent assessment are recognized as the tax base. If the value of the evaluation results turns out to be greater than the established minimum per 1 square meter, then in this case taxpayers have the right to apply the established minimum per 1 square meter for computation of tax.

Discussion. Property tax levied on individuals. The tax rates functioning in 2021 for housing objects, as well as parking lots, which are inextricably linked to apartment buildings, are indexed by 1.1 times. This is due to the fact that the size of the cadastral value of taxable objects (tax base), established in 2018 by the state registration authorities of rights to immovable property for individuals, has been preserved. For individuals in 2022, the amount of tax calculated based on the cadastral value established in 2018 cannot exceed the amount of tax calculated for 2021 by more than 1.3 times.

The procedure for taxation of objects of taxation used for entrepreneurial activity or for renting to a legal entity or individual entrepreneur, as well as objects of entrepreneurial activity and property intended for income generation, not intended for residence, is maintained by applying property tax (1.5 percent) established for legal entities to these objects. The legislation maintains the procedure for taxation of objects on which measures of influence can be taken by establishing increased tax rates provided for legal entities. It provides for the exemption of orphans and children deprived of parental care from the property tax levied on individuals. This benefit applies to orphans and children deprived of parental care, to residential premises that are allocated by the state until they reach the age of twenty-three.

Conclusions. The socio-economic significance of the property tax follows from the content of the tax. Through property taxation, firstly, the wealth of society is regulated by property through the taxation mechanism, regardless of who it belongs to. Secondly, a certain part of the wealth is redistributed to the state budget - in accordance with the procedure established by laws, in order to finance its expenses. The state is concerned in increasing the property of legal entities and individuals. Legal entities and individuals, on the other hand, will be concerned in the inviolability of their property, in return paying taxes on their property to the state in accordance with the established procedure and at the established rates.
An analysis of international tax practice has demonstrated that of all property taxes, the property tax is the most important and is crucial in the revenues of local budgets. The single rate of property taxation is established in Germany, Belgium, Iceland and Luxembourg. A progressive tax system operates in Sweden, Finland, Norway and other countries. When collecting property tax in Sweden, the total property of the family is taken into account. It is paid only by individuals, and tax rates are progressive [9].

We believe that even in 2019 and subsequent period, the property tax will continue to occupy a leading position in local tax revenues. In developed foreign countries, the tax system was formed under the influence of various economic, political and social conditions. Tax systems differ from each other by the principle of taxation, their composition, method of collection, rates, fiscal powers of governments of different levels, tax base, tax incidence, tax benefits and other similar criteria.

In accordance with the general property taxation procedure, property is taxed into two groups: immovable and movable property. The property includes land plots on which there is a building, a facility and other permanently located structures. Based on this approach, movable property can also be divided into land-related and non-land-related wealth. Multiple ownership of property creates some conditions in the current situation, the reason is that the object of property tax is mainly focused on property. Such differentiation of the property tax object limits the possibilities of applying effective levers of tax impact on the development of production, since in most cases real estate objects can be property directly used or not used in production. From this perspective, in developed countries, property is taxed, dividing it into fixed assets involved in commercial activities and those that do not participate in commercial activities.

REFERENCES:

