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WAYS TO ENHANCE THE MECHANISM OF CALCULATING AND PAYING LAND TAX IN THE REPUBLIC OF UZBEKISTAN

Abstract: This article explores approaches to the improvement of objects of taxation of land tax in Uzbekistan and the establishment of tax rates. The analysis of tax revenues on land tax in the Republic of Uzbekistan, the general trends in land taxation of legal and persons and individuals. The problems of taxation of land in the Republic of Uzbekistan are identified and methods for determining the tax base taking into account international experience. Land tax rates, which are levied on the legal entities and population for the use of land areas located in the rural areas.

Key words: tax, taxation, land tax, legal entities, tax rates, local budget, tax rates for legal and individuals.

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Introduction

Nowadays, issues, related to the situation around the tax system and collection in Uzbekistan, its functional realization, are primary both for the state and for the majority of organizations and citizens of the country. The necessity of the tax collection for the benefit of the country is always perceived very painful, so the most important task of the country is the creation of effective tax policy both on the state and on the local levels. Today, the majority of municipal budgets do not have independent, from the economic point of view, budget, thus they cannot fully execute their power.

In the times of economic falls, substantial difficulties come up for local authorities, whose profits are formed as the result of own tax and non-tax revenues, and gratuitous income – grants and subsidies. Own income of local authorities are formed from the local taxes and collections, other own income, and shares from state taxes.

On the territory of the Republic of Uzbekistan, the following taxes are established: value-added tax, excise tax, income tax, individual income tax, subsoil

use tax, water use tax, property tax, land tax, social tax.

On the territory of the Republic of Uzbekistan, levies can be established. The order of introduction, calculation and payment of fees is determined by Tax code and other legislative acts. Moreover, code regulates the order of calculation and payment of motor transportation fee, while the order of calculation and levy of the state fee is established by state fee legislation. [1]

Taxes have a decisive role in shaping incomes of any budget, both state and local. Payments, which transfer part of the funds owned by legal entities and individuals to the state, are called taxes.

They are part of the country's national income and are involved at all levels of the budget system, which consists of mandatory payments by legal entities and individuals to the state on time and in a predetermined amount in accordance with the law.

Taxes create a financial foundation for the realization of the functions and duties of the country. Government cannot function without taxes, because they are one of the main elements of attracting

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revenues to the budget within the realities of the market economy and dominance of private property.

Taxes are the objective necessity for any country in making decisions and ensuring their compliance. This objective necessity defines its gist. The opinions of scientists around the world, including scientists from our country, in determining taxes have something in common and concrete. Therefore, taxes are the necessity for the existence of the government and are payments, which do not give their payers an individual equal right and which are required to be levied at the rates, established for the financing state and local authorities, and for the execution of state functions. [2]

Since January 1, 2020, in the practice of taxation of legal entities and individuals, the following order of land taxation has been established: [1]

On the property tax on legal entities:

The tax rate is maintained at 2%, the tax rate for the objects, whose construction is not completed during the regulatory period, is set at 4%. In this case, measures can be taken by setting higher tax rates in the legislation on empty buildings, unused manufacturing areas, non-residential buildings, as well as unfinished objects, and property tax benefits do not apply to them. Instead of previously granted benefits, a decreased tax rate of 0.2% is applied for the following immovable objects:

- public railways, trunk pipelines, communication and power lines, and constructions, which are significant technological part of these objects;

- real estate and unfinished objects, which are on conservation by the decision of the Cabinet of Ministers of the Republic of Uzbekistan.

Fully depreciated buildings are subject to property tax at least once every three years based on revalued (market) value.

Property tax exemption is applied in the way of reduction of the tax base to the average annual residual value of the property on the balance sheet of agricultural enterprises used for production and storage of agricultural products.

Non-residents of the Republic of Uzbekistan, who do not act in the Republic of Uzbekistan through a permanent embassy, pay a tax once a year no later than February 15 of the year following the reporting period.

On the property tax on individuals:

The tax rates are at the same level as in 2019. In this case, when calculating the property tax of individuals in 2020, the amount of tax on the cadastral

value should not exceed 30% of the amount of the tax assessed for 2019.

The deadline for the tax authority to notify the taxpayer on the payment must be no later than March 1.

The period for tax payment is set twice a year in equal installments from April 15 to October 15.

On the land tax on legal entities:

Tax rates on the non-agricultural land for 2020, and tax rates on the land for agricultural enterprises, growing fruits and vegetables, are established by the Law of the Republic of Uzbekistan dated December 9, 2019, No. ZRU "On the state budget of the Republic of Uzbekistan for 2020".

The tax rate on agricultural land is established at 0.95% of the regulatory value of agricultural land.

For the lands, occupied by the unfinished objects, the tax is paid at a double tax rate, unless the law does not consider other cases.

Empty buildings, unused production facilities, non-residential buildings, and the areas, occupied by the unfinished objects, may be sanctioned by establishing higher tax rates in the legislation, and tax benefits do not apply to them.

In some cases mentioned by the government, a coefficient of 0.1 is applied to the land tax rate.

Coefficient of 0.1 to the tax rates is introduced instead of benefits, which were previously granted, and is applied to the lands, which are provided to the legal entities in a prescribed order.

If the quality of agricultural land improves (when the quality indicator increases), the tax is paid by the legal entities on the basis of the new quality indicator from the beginning of the year following the year of land valuation, without recounting at the end of agricultural activities.

On the land tax on individuals:

The order of calculating and paying the land tax by individuals is maintained. The deadline for the tax authority to notify the taxpayer on the payment must be no later than March 1. The period for tax payment is set twice a year in equal installments from April 15 to October 15.

The land tax rates, which are the part of the local taxes, are annually established by the Law of the Republic of Uzbekistan by considering the classification by zones, quality, productivity, and other indicators of the land on which the region, city and district are located. [3]

The following tables provide examples of land tax rates, which are levied on the legal entities for the use of land areas located in the rural areas, and the land tax rates, which are levied on the population for the use of land areas located in the rural areas.

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Table 1. Land tax rates, which are levied on the legal entities for the use of land areas located in the rural areas

№	Republic, region	Land tax rates for 1 ha, in UZS:				
		For the lands provided to the legal entities, by zones			For the lands occupied by mines and quarries, by zones	
		Irrigated		Non-irrigated	Irrigated	Non-irrigated
		in populated areas	in non-populated areas			
1.	Republic of Karakalpakstan					
	Northern zone	8 176 434	7 591 397	370 655	2 144 278	72 759
	Central zone	9 082 271	8 440 061	458 695	2 385 234	114 553
	Southern zone	10 091 373	9 380 246	504 663	2 637 127	137 599
2.	Andijan region	10 320 788	9 598 416	516 207	2 947 294	149 254
3.	Bukhara region	9 976 618	9 369 072	504 642	2 637 418	137 649
4.	Jizzakh region	9 288 551	8 783 966	470 306	1 926 539	91 748
5.	Qashqadaryo region	9 288 551	8 783 966	470 306	1 857 649	91 748
6.	Navoiy region	9 632 677	9 116 490	481 548	2 293 504	114 566
7.	Namangan region	9 472 022	9 059 204	458 695	2 798 141	137 649
8.	Samarqand region	10 894 006	9 999 657	550 456	3 486 134	171 906
9.	Surxondaryo region	11 926 180	10 779 485	596 372	4 518 106	229 388
10.	Sirdarya region	9 288 551	8 852 932	470 306	1 949 369	103 326
11.	Tashkent region	10 894 006	9 976 618	550 456	3 451 876	171 906
12.	Fergana region	9 976 618	9 334 447	504 642	2 591 547	125 979
13.	Xorazm region	10 091 373	9 380 309	504 642	2 648 887	137 649

Table 2. Land tax rates, which are levied on the population for the use of land areas located in the rural areas

№	Republic, region	Land tax rate for 0.01 ha, in UZS			
		Agricultural lands			Lands dedicated for the public gardening
		Irrigated areas		Non-irrigated areas	
		In populated areas	In non-populated areas		
1.	Republic of Karakalpakstan				
	Northern zone	4 792,1	2 402,4	479,3	2 534,3
	Central zone	7 674,1	3 839,2	777,2	-
	Southern zone	8 525,2	4 261,6	855,6	3 135,2
2.	Andijan region	9 009,9	4 501,4	893,6	3 492,1
3.	Bukhara region	8 513,5	4 254,4	789,5	3 119,7
4.	Jizzakh region	7 979,2	3 990,8	573,4	2 242,0
5.	Qashqadaryo region	7 979,2	3 990,8	565,9	2 196,5
6.	Navoiy region	8 282,3	4 139,3	683,8	2 717,2
7.	Namangan region	8 625,9	4 314,1	855,6	3 309,8
8.	Samarqand region	9 098,3	4 550,0	1 054,6	4 114,9
9.	Surxondaryo region	9 809,5	4 906,6	1 378,5	5 358,0
10.	Sirdarya region	8 045,2	4 023,6	595,2	2 300,7
11.	Tashkent region	9 076,5	4 538,9	1 047,4	4 088,3

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12.	Fergana region	8 487,7	4 244,3	782,0	3 064,3
13.	Xorazm region	8 525,2	4 261,6	806,6	3 135,2

The land fund of the Republic of Uzbekistan in accordance with the main purpose of the lands is divided into the following categories: [4]

lands of agriculture – lands dedicated to the needs of agriculture. Agricultural lands are subdivided into irrigated and non-irrigated (rain-fed) lands, arable lands, lands occupied by hayfields, pastures, perennial fruit plantations and vineyards;

lands of populated areas (cities, villages and rural areas) – lands located within the territories of cities, villages and rural areas;

lands of industry, transport, communication, defense and other purposes – lands provided for the use by the legal entities for mentioned purposes;

lands of environment, wellness and recreational purposes – lands occupied by the protected natural areas, which have primary ecological, scientific, cultural, aesthetic, recreational and sanitary-health significance;

lands of historical-cultural purposes – lands occupied by the objects of tangible cultural heritage;

lands of the forest fund – lands that are covered by the forest and lands that are not covered by the forest, but provided for the needs of forestry;

lands of the water fund – lands occupied by the water objects, water constructions and allotment zones along the banks of water objects;

land of stock.

Record of information on state registration of the rights of ownership, use, lease and tenure of the land, and easements and other restrictions on these rights,

record of information on the quantity of the lands, record on the quality of the lands (soil appraisal) and land valuation are the components of the state land cadaster. [5]

Currently, land tax is one of the main sources of revenue for the local budgets. Moreover, its amount impacts the personal disposable revenue of almost every citizen of Uzbekistan. Unfortunately, at the moment, income from the land tax is extremely small.

The data provided in the picture show a corresponding trend in the republic and around the world.

During the period from 1995 to 2018, the proportion of property tax in total revenues of the budget has increased from 2.2% to 3.3%, and the proportion of the land tax has decreased from 3.0% to 1.9%.

We can say that this situation was impacted by other factors too, including the industrialization of the republic.

Firstly, as the private entrepreneurship and business develop in our country, their property tends to increase, but the area of the land remains almost constant.

The second reason is the application of the progressive rates to reduce the scale of benefits, depending on the area of residential premises located on property tax rates for individuals, in order to encourage the expenditures of individuals on the construction of the elite residential premises for the development of the entrepreneurship.



Pic.1. The change of the proportion of property and land taxes in total state budget revenues of Uzbekistan in 1995-2018, in % [5]

The size of the land tax does not depend on the financial results of taxpayer's activities, but depends only on the cadastral valuation, which is influenced only by objective factors (size and location of the land, fertility, type of the land).

It is worth to mention current difficulties with the collection of land tax, and as the improvement and to solve a number of problems, to propose the measures presented in Table 1.

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Table 3. Problems of the land tax and ways to solve them [6]

Problems	Solutions
Land tax does not have a regulatory role, barely influences the level and nature of land use, does not encourage the application of the most effective methods of agriculture.	Through tax regulation, it is necessary to create facilities, under which it will be impossible to have unused lands or it will be unprofitable to use them. The adoption of such measures for the rational use of the land areas will provide the basis to increase the responsibility of the owners of unused land areas for the rational and targeted use of these objects and to involve enterprises in the economic activities and creation of new jobs.
In practice, taxpayers quite often do not submit tax reports to the tax authorities at the place of registration by the dates established by law on taxes and fees.	In order to strengthen the responsibility of taxpayers, it is necessary to make amendments to the legislation to increase the size of penalties for those taxpayers who do not submit tax reports in established periods.
In most cases, the land is not used for its targeted purpose.	Local authorities need to conduct activities aimed at the issue of completeness of accounting for the tax objects on land tax.
Results of the cadastral valuation of the land do not correspond to the current economic situation. There is a significant difference between the market and the cadastral value of the land.	The land valuation must be done by third-party specialized valuation companies with a great reputation and wide practice of valuation, which are not interested in undervaluation of the cadastral value of the land.
Differentiation of the land tax does not fully reflect the differences in location and fertility of the land areas even within the same district or region.	Stocktaking and monitoring of land areas

Let us analyze the table and dwell on some important problems of the land tax. In order to increase the productivity of the work with the land tax, it is necessary to analyze the data about the land-users and to tighten the responsibility measures on the submitting the relevant information by the state cadastral authorities to the tax authorities.

Moreover, it is possible to propose carrying out activities in every municipality aimed at the cooperation of tax authorities with the municipal authorities on the issue of the completeness of accounting on taxation of land tax. Indeed, the successful solution of the issue of increasing the collectability of land tax and replenishment of the local budgets largely depends on how close is the interaction between tax and municipal authorities.

Development of the land relationships is a process that is associated with the objective changes of productive forces and production relationships in the society. Thus, the emergence of new forms of land taxation is quite logical.

Many regions of the country have developed relevant targeted programs aimed at increasing the collection of land tax and rent, increasing the productivity of local land control, in which all problems are grouped in three main directions: increasing the collectability of the land tax, optimizing

the collection of other income for the use of land areas, increasing the effectiveness of the land control.

Programs, which were developed in different regions of the country to increase the collectability of the land tax, imply making a unified electronic base of all land areas to analyze data about the users of the land, which are available at the local authorities. The task of the tax authorities is to increase the productivity of administration, which can be achieved by the integration of new technological solutions and improvement of the analytical work.

CONCLUSION

The problem of the reliability of the information in the databases of the tax authorities is proposed to be solved with the interaction of the tax bodies not only with state cadastral bodies, but also with the local executive bodies.

In addition, it is proposed to take measures to tighten the control by the tax bodies over the inappropriate use of the land areas and application of the liability measures for illegal use of the land area.

The proposed directions for the improvement of the land tax can encourage the increase of the size of the tax base for the land tax, income from the land tax to the local budgets and, as a consequence, strengthen own revenue base of the municipalities, increase in the level of their fiscal autonomy.

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