

## ИССЛЕДОВАНИЯ РЕГИОНАЛЬНОЙ ЭКОНОМИКИ REGIONAL ECONOMICS STUDIES

### The main directions of reforming property taxes (on the example of the Republic of Uzbekistan)

### Основные направления реформирования имущественных налогов (на примере Республики Узбекистан)

DOI: 10.34130/2070-4992-2021-1-1-58

УДК 366.22

**И. М. Ниязметов**, Институт бюджетно-налоговых исследований при Министерстве финансов Республики Узбекистан (Ташкент, Республика Узбекистан)

**С. А. Воронин**, Институт бюджетно-налоговых исследований при Министерстве финансов Республики Узбекистан; Ташкентский филиал РЭУ им. Г.В. Плеханова (Ташкент, Республика Узбекистан)

**Б. У. Корабоев**, Институт бюджетно-налоговых исследований при Министерстве финансов Республики Узбекистан (Ташкент, Республика Узбекистан)

**Д. С. Угай**, Институт бюджетно-налоговых исследований при Министерстве финансов Республики Узбекистан (Ташкент, Республика Узбекистан)

**I. M. Niyazmetov**, Institute for Fiscal Research under the Ministry of Finance of the Republic of Uzbekistan (Tashkent, Republic of Uzbekistan)

**S. A. Voronin**, Institute for Fiscal Research under the Ministry of Finance of the Republic of Uzbekistan; Tashkent Branch of Plekhanov Russian University of Economics (Tashkent, Republic of Uzbekistan)

**B. U. Koraboev**, Institute for Fiscal Research under the Ministry of Finance of the Republic of Uzbekistan (Tashkent, Republic of Uzbekistan)

**D. S. Ugay**, Institute for Fiscal Research under the Ministry of Finance of the Republic of Uzbekistan (Tashkent, Republic of Uzbekistan)

В статье рассмотрен международный и отечественный опыт функционирования земельного налога в увязке с налогом на имущество, выявлены фундаментальные проблемы этой сферы. В частности, обоснована неэффективность действующих механизмов имущественного налогообложения в экономике Узбекистана. Доказана сложность и высокая затратность налогового администрирования при низком фискальном значении имущественных налогов, взимаемых с физических лиц. На основании изучения научной литературы и сравнительного анализа международной практики имущественного налогообложения сформулированы предложения по внедрению в республике налога на недвижимость, имеющего стандартные и специальные вычеты для юридических и физических лиц.

Цель исследования — разработка предложений и рекомендаций по улучшению использования земельного налога в увязке с налогом на имущество в Республике Узбекистан на основе изучения отечественного и зарубежного опыта.

Методы и методология проведения работы: сравнительный анализ и синтез, обобщение данных, систематизация факторов, логический метод, экспертный метод, метод наблюдения и др.

*Несмотря на то что налоги на землю и имущество играют важную роль в доходах местных бюджетов, общее фискальное значение в Узбекистане их очень низкое. С точки зрения затрат времени, рабочей силы и других ресурсов эти налоги более дороги, чем другие налоги. В связи с этим необходимо унифицировать механизм действия налога на имущество и земельный налог.*

*Разработан механизм обложения недвижимого имущества и земельных ресурсов для юридических и физических лиц на основе единой методологии. Если в развитых странах в основном обсуждается проблема сбора налогов на недвижимость с точки зрения справедливости, то в странах с переходной экономикой — все еще изучаются проблемы введения налогов на недвижимость. Несмотря на то что налог на недвижимость имеет сложности при администрировании, существует настоятельная потребность в этом виде налога в налоговой системе любого государства.*

*Для повышения фискальной значимости налога для имущественных налогов следует перейти на использование налога на недвижимость, который будет состоять из двух частей — земельного налога и налога на имущество. Целесообразно поэтапно перейти на систему оценки земли и имущества по рыночной стоимости. В целях обеспечения социальной справедливости в налогообложении необходимо следовать принципу установления ставок налога на недвижимость на основе прогрессивного механизма по мере роста стоимости имущества. В целях поддержки малообеспеченных слоев населения целесообразно включить в налоговый механизм элемент «необлагаемой стоимости» недвижимости. При введении налога на недвижимость необходимо пересмотреть существующую систему льгот. В частности, рекомендуется устанавливать дополнительный вычет (кроме стандартного вычета, предусмотренного для всех) только для пожилых людей и других лиц, признанных государством нуждающимися в социальной защите, а для юридических лиц — оставлять льготы в виде освобождения от налогов на социальную недвижимость.*

*Результаты исследования будут использованы при подготовке предложений в Налоговый кодекс Республики Узбекистан в части совершенствования земельного налога и налога на имущество.*

*Отдельные рекомендации по совершенствованию земельного налога и налога на имущество требуют апробирования на практике, а также проведения сравнительных расчетов (действующего и предлагаемого режимов налогообложения). Кроме того, из-за низких доходов фермерских хозяйств и значительной части населения отдельные предлагаемые положения авторов должны использоваться поэтапно в зависимости от роста их доходов.*

*В дальнейшем будут проводиться исследования по следующим направлениям — разработка методических подходов определения кадастровой стоимости земельных ресурсов; дифференциация ставок земельного налога в зависимости от региона; оптимизация налоговых льгот по земельному налогу с учетом социального фактора.*

*Если оценить общую мобилизацию, связанную с расчетом и сбором этих налогов, можно сказать, что с точки зрения затрат времени, рабочей силы и других физических ресурсов земельный налог и налог на имущество в Узбекистане более дороги, чем другие налоги. В целях формирования надежной налоговой базы местных бюджетов необходимо в ближайшей перспективе унифицировать действие налога на имущество и земельного налога. Если в развитых странах в основном обсуждается проблема сбора налогов на недвижимость с точки зрения справедливости, то в странах с переходной экономикой все еще изучаются проблемы целесообразности введения налога на недвижимость. Для того чтобы не поставить малообеспеченных в затруднительное положение, облагая налогом на землю и имущество, необходимо ввести механизм дополнительного вычета из налогооблагаемой базы и пересмотреть существующую систему льгот. В частности, рекомендуется устанавливать дополнительный вычет (кроме стандартного вычета, предусмотренного для всех) только для пожилых людей и других лиц, признанных государством нуждающимися в социальной защите, а для юридических лиц — оставлять льготы в виде освобождения от налогов на социальную недвижимость.*

**Ключевые слова:** налогообложение, недвижимость, земельный налог, налог на имущество, налоговые ставки, налоговые льготы, социальные вычеты.

*The article examines the international and domestic experience of the functioning of the land tax in conjunction with the property tax, identifies the fundamental problems of this area. In particular, the inefficiency of the existing mechanisms of property taxation in the economy of Uzbekistan has been substantiated. The complexity and high cost of tax administration with a low fiscal value of property taxes levied on individuals has been proven. Based on the study of scientific literature and a comparative analysis of the international practice of property taxation, proposals were formulated for the implementation of the real estate tax in the republic, which has standard and special deductions for legal entities and individuals.*

*The purpose of the study is to develop proposals and recommendations for improving the use of land tax in conjunction with property tax in the Republic of Uzbekistan based on the study of domestic and foreign experience.*

*Methods and methodology of work: comparative analysis and synthesis, data generalization, systematization of factors, logical method, expert method, observation method, etc.*

*Even though taxes on land and property play an important role in local budget revenues, their overall fiscal importance in Uzbekistan is very low. In terms of time, labor, and other resources, these taxes are more expensive than other taxes. In this regard, it is necessary to unify the mechanism of action of property tax and land tax.*

*A mechanism for taxing real estate and land resources for legal entities and individuals has been developed based on a unified methodology. If in developed countries the problem of collecting taxes on real estate is mainly discussed from the point of view of equity, then in countries with economies in transition, the problem of introducing taxes on real estate is still being studied. Although the real estate tax has difficulties in administration, there is an urgent need for this type of tax in the tax system of any state.*

*To increase the fiscal significance of the tax on property taxes, it is necessary to switch to the use of real estate tax, which will consist of two parts — land tax and property tax. It is advisable to gradually switch to a system for assessing land and property at market value. To ensure social justice in taxation, it is necessary to follow the principle of setting property tax rates based on a progressive mechanism as the value of property rises. To support the poor, it is advisable to include in the tax mechanism an element of “non-taxable value” of real estate. When introducing real estate tax, it is necessary to revise the existing system of benefits. In particular, it is recommended to establish an additional deduction (in addition to the standard deduction provided for everyone) only for elderly people and other persons recognized by the state in need of social protection, and for legal entities — to leave benefits in the form of exemption from taxes on social real estate.*

*The results of the study will be used in the preparation of proposals in the Tax Code of the Republic of Uzbekistan in terms of improving the land tax and property tax.*

*Separate recommendations for improving the land tax and property tax require practical testing, as well as comparative calculations (current and proposed tax regimes). Besides, due to the low incomes of farms and a significant part of the population, some of the proposed provisions of the authors should be used in stages, depending on the growth of their income.*

*In the future, research will be carried out in the following area — development of methodological approaches for determining the cadastral value of land resources; differentiation of land tax rates depending on the region; optimization of tax incentives for land tax, taking into account the social factor.*

*If we assess the overall mobilization associated with the calculation and collection of these taxes, we can say that in terms of time, labor, and other physical resources, land, and property taxes in Uzbekistan are more expensive than other taxes; to form a reliable tax base for local budgets, it is necessary to unify the effect of property tax and land tax in the near future; if in developed countries the problem of collecting taxes on real estate is mainly discussed from the point of view of fairness, in countries with economies in transition, the problem of the feasibility of introducing taxes on real estate is still being studied; In order not to put low-income people in a difficult position by taxing land and property, it is necessary to introduce an additional deduction mechanism from the taxable base and revise the existing system of benefits. In particular, it is recommended to establish an additional deduction (in addition to the standard deduction provided for everyone) only for elderly people and other persons recognized by the state in need of social protection, and for legal entities — to leave benefits in the form of exemption from taxes on social real estate.*

**Keywords:** *taxation, real estate, land tax, property tax, tax rate, tax incentives, social deductions.*

## Introduction

In most countries, tax revenues are formed from national (central) and local (provincial, municipal) taxes. At the same time, property taxes play the main role in the formation of local budgets. Although land and property taxes play an important role in the revenues of local budgets in Uzbekistan as well, their overall fiscal importance, namely their share in total tax revenues, is quite insignificant.

It can be said that property and land taxes levied on individuals are particularly inefficient. If we evaluate the level of administration (accounting and notification of taxpayers, calculation and collection) of these taxes in terms of time, labour and other physical resources, then these taxes, compared to other taxes, cost the state much more than other types of taxes. At the same time, a dynamic increase in the financial capacity of local budgets remains a relevant issue.

In addition, the current system of property taxes in Uzbekistan is not fully capable of ensuring social equity in taxation.

The mechanisms of these taxes are not based on the principles of a market economy, and the exemptions envisaged for these taxes in some cases create opportunities to circumvent their payment.

Analysis of international property taxation practices shows that property tax, as the main property tax, has a decisive impact on local budget revenues.

A study of the property tax mechanism in a number of countries has shown that the administration of this tax is relatively efficient and that it is based on social equity.

Based on the above, it is relevant to study the possibility of introducing a property tax through unification of property tax and land tax mechanisms based on comparative analysis of international practices in order to strengthen the capacity of local budgets, form their regular and reliable tax base, and improve the efficiency of administration of property taxes.

*The novelty of the research* lies in the fact that, based on the analysis of foreign experience, the authors propose to gradually put into practice the new mechanism of real estate taxation on the basis of its cadastral value with a focus on the market value of property, to introduce the mechanism of standard deduction from the taxable base and social deduction when using the tax exemption<sup>1</sup>.

### **Theory, research methodology and discussion of the methodological foundations of property taxation**

Studying the problems of functioning of property tax and finding ways to improve its efficiency is important for the growth of revenues to the State budget of the Republic of Uzbekistan, where the use of property taxes is still at a low level.

*During the research of methodological bases of property taxation, the authors used such methods* as comparative analysis and synthesis, generalization of data, systematization of factors, logical method, expert method, method of observation and others. A number of financial and economic analysis methods were used as a methodological basis. In particular, methods of economic, logical and scientific abstraction, monographic research, study in dynamics, grouping of data, as well as statistical methods were used.

The problems of property taxation have been studied by many foreign and domestic authors. At the same time, the results of their research are ambiguous. Let us consider important statements of economists that relate to the appropriateness of property taxation in the sphere of taxation.

Theoretical views on property tax can be divided into several groups based on their substance.

Some authors have expressed their opinion on the objective necessity of real estate taxation and the socio-economic nature of these taxes, while others have suggested improvements in the taxation mechanism(s).

In particular, Bahl (2009) points out that, unlike other objects of taxation, the actual existence of property is much more difficult to conceal. Consequently, property is not only an indicator of solvency, but also a potential source of income. In this case, a fair taxation of property encourages its efficient use [1].

Property tax has little negative impact on the functioning of the market mechanism. Thus, Andrlík and Formanová (2014) have pointed out in their work that the existence of property taxes forces the taxpayer to work more in order to have the necessary funds to pay their tax obligations. This is a kind of 'coercion' of the taxpayer to manage assets more efficiently [2].

McCluskey and Plimmer (2011) point out that property tax should be progressive and the main tax burden should be borne by wealthy citizens and high-income earners. In the use of land, economic rents that are equitable are important. Income in the form of land rents should be withdrawn for the purpose of targeted distribution and thereby achieving social justice [3].

According to Keane et al. (2012), one of the most significant problems with the use of property tax is the low income of taxpayers and the relatively high value of property. This problem could potentially be alleviated. For this purpose, the researcher proposes to introduce an income exemption limit below which the real estate tax is not payable [4].

If the amount of property tax exceeds a certain percentage of income, this tax can be reduced or waived due to family circumstances, age or disability of the taxpayer (OECD, 2010) [5].

According to Garnier et al. (2013), another relevant problem related to the operation of the property tax is the justification of its real value. In many EU countries, the taxable value of property is outdated and only some governments have announced a reassessment of the cadastral value [6].

Bahl and Martinez-Vasquez (2007) note that revaluation is associated with very high administrative costs. They are particularly high and cause concern during the introduction of a real estate tax based on "real" value [7].

---

<sup>1</sup> Note: Selected proposals of the authors were used in the Decree of the President of the Republic of Uzbekistan «On Further Improvement of Resource Taxes and Property Tax» No. UP-6121 dated 03.12.2020. Available at: <https://lex.uz/docs/5138329> (Accessed: 20.12.2020). (In Russian).

Thus, a large number of academic researchers in non-CIS countries point to the predominance of positive characteristics from the introduction of a property tax. However, they also point out difficulties, e.g. low incomes of taxpayers, understated property values and high costs of its administration.

It is worthwhile to consider the study of current property taxation issues in the CIS countries. After 1991, these problems, in particular the feasibility of introducing a property tax, have been considered in the works of many specialists in this field.

For example, Russian economist Mishustin (2010) in his study argues that ignoring and underestimating in market conditions the most important economic factors — land and property, in terms of their value assessment and tax capacity leads to a significant reduction in the economic and financial potential of the Russian economy, its undercapitalisation, separation of capital and property institutions. He has developed principles and substantiated the methodology for introducing a unified tax on real estate of individuals as a more progressive form of property taxation. His research notes that failure to take into account institutional factors leads to distortion of objective results of property appraisal, reduction of the fiscal potential of this type of tax and deterioration of its administration. Mishustin believes that the introduction of a single property tax instead of two compulsory payments (property tax and land tax) is expedient [8].

The work of Aliev et al. (2012) discusses the main problems hindering the introduction of a single property tax in the Russian Federation. Despite the fact that corporate property tax takes place in practice, but residential property owned by legal entities is not considered as an object of taxation. They propose that this property should be subject to real estate tax. The authors consider the following positive sides from introduction of the property tax: reduction of the number of property taxes, increase in efficiency of tax administration of local budgets, increase in incomes and expansion of transparency of expenses of local budgets, etc. [9].

According to Aliev (2012), the bill on the introduction of a single tax on real estate in Russia is annually postponed for the following reasons: insufficient filling of the state real estate cadastre with information on real estate, difficulties in real estate valuation, significant increase in the tax burden on flat owners and other reasons. It is necessary to work consistently to reform the existing property taxes and to prepare for the introduction of a real estate tax [9].

According to Nabiulina (2011), it is necessary to switch over to a single tax on real estate gradually, over the course of several years, when people themselves begin to register their property as a single object. The registration of property is made for different objects, and therefore, if we take separately the title deeds for land and title deeds for the building and force individuals to re-register it all in a separate document, it will be a complicated process [10].

A similar point of view is held by Shmelev and Margulis (2012), who point out that taxing residential real estate owned by legal entities and individuals with a single tax would cause many difficulties in determining the tax base and tax rate as such [11].

According to Aliev et al. (2012), in order to combine into a single tax the residential real estate of both individuals and legal entities, the tax burden of legal entities would have to be significantly lowered at the expense of an increase in the tax burden of individuals. However, this would contradict the social and regulatory functions of the tax. The mechanism for determining the tax base based on balance sheet data is best for legal entities and totally unacceptable for individuals. In this connection, the authors propose to combine two taxes into a single tax: tax on property of physical persons and land tax. It was suggested that a separate tax should be imposed on the property (both residential and non-residential) owned by legal bodies [9].

Gorsky and Berezin (2012) also point out the need for a cautious and gradual introduction of a single property tax into economic practice [12].

In a collective work led by Osennyaya (2017), the authors attempted to implement real estate taxation by a single tax, which was undertaken in Russia from 1997 to 2003 in the cities of Veliky Novgorod and Tver. The government established a unified real estate tax for legal entities and individuals instead of land tax, corporate property tax, and individual property tax. A unified list of taxable objects was approved, their market-assessed value was determined, and a single tax rate for individuals and legal entities was introduced. However, this experiment failed and the submitted draft law on the subject was not approved by the Parliament of the country (increasing tax burden on taxpayers, complexity of calculation, etc.). Real estate tax is appropriate only for owners of real estate who own land and buildings on it [13].

The reform of taxation of immovable property of individuals is also considered in the works of Klokov (2018). The author highlights the positive side of the reform (according to the results of 2016-2017, there is an increase in budget revenues from property tax) and the negative side (mass contestation of the results of cadastral valuation of real estate). Despite the growth of revenues to local budgets in the country, the problem

with the collection of this tax became more acute — there was a sharp decline in the share of received amounts to the assessed tax. In the first two years of reform (2015-2016), the gap increased by 20 percentage points, which cannot but raise serious concerns for the future [14].

In his study, Bogachev (2017) concludes that property tax abroad is characterised not only by the rates and amounts credited, but also by the manner in which the value of the property is determined. At the same time, the researcher identifies the main features of taxation in these countries [15].

The problems of improving the taxation of individuals' property based on the state cadastral valuation are considered in Lapshina's dissertation study (2018). The researcher noted that since 2016 a number of regions of the Russian Federation have made the transition to calculating tax on individuals based on cadastral valuation. However, due to the insufficient development of the taxation mechanism, there has been a significant increase in the tax burden on the population compared to the previous year. This indicates the need to improve the theoretical, methodological, and practical mechanisms in order to achieve a balance of interests of the state, municipalities and population in this area [16].

In the works of researcher Vorozhbit (2016), concerning this problem, proposals for the formation of a balanced system of taxation of individuals on the basis of cadastral valuation were developed, taking into account the maximum replenishment of local budgets and the formation of trust and responsibility on the part of taxpayers (households) [17].

The general trend in property taxation is that countries where taxation of movable property has taken place are gradually abandoning this practice because its negative impact on investment is recognised. Among the reviewed countries over the past 20 years, the transition to taxation of real estate only took place in France, Latvia, Lithuania and China, as well as many states in the US are also gradually moving away from taxation of both inventory and movable property in general (Korytin, 2019) [18].

Changes in tax legislation in the Russian Federation have led to a transition from the taxation of fixed assets of enterprises to the taxation of immovable property only. A Russian researcher (Korytin, 2019) in his work notes that "...since in the scientific literature tax on movable property of organizations is considered as a tax on capital and tax on profit of organizations is also a tax on capital, the end of taxation of movable property is not a benefit, but a transition to a more progressive tax system with elimination of elements of double taxation [19].

A number of proposals of Russian economists have already been implemented in practice. Thus, from January 1, 2020 the following innovations came into force in the Russian Federation<sup>1</sup>:

- The cadastral value of immovable property is no longer the main means for calculating tax. Article 378.2 of the Russian Tax Code stipulates the conditions under which the existence of ownership or rights of economic management is sufficient for an organisation to calculate the tax.

- The list of objects subject to tax at the established cadastral value was expanded. This includes business and shopping centres, non-residential premises and other real estate listed in Chapter 32 of the Tax Code of the Russian Federation.

- The declarative nature of land tax exemptions was introduced. They are granted upon submission of an application to which the applicant attaches supporting documents.

In 2021, the State Tax Service of the Russian Federation continues to work towards simplifying documentation on property and other taxes in the following areas

- The possibility of submitting all documents to a single tax authority;
- Abolition of declarations and introduction of notifications of the accrued amount;
- An expanded format for filing documents electronically and obtaining taxpayer data.

Overall, a review of the literature shows that while a fairer mechanism for this tax is being discussed in developed countries, in transition economies the feasibility of introducing a property tax is still being studied. However, the common thread is that there is a need for this type of property tax in the tax systems of many states, although the tax has a rather complex administration (in the Russian Federation, these challenges are already being addressed on a phased basis).

### **Analysis of international real estate taxation practices**

Real estate is taxed in 130 countries around the world. In most countries this tax goes to local budgets and its share is between 1 to 3% of tax revenues at all levels (in France — 2.17%; in Denmark — 1.85%; the Netherlands and Italy — 1.8%; Germany — 1.06%; Sweden — 0.89%). At the same time, the share of property

<sup>1</sup> Property tax in 2021 for legal entities. *Kleo*. Available at: <https://www.kleo.ru/items/career/nalog-na-imushestvo-2021.shtml> (Accessed: 25.12.2020). (In Russian).

tax in the UK is 10% of the state budget, in the US 9% and in Canada 8%. In these countries, property taxes have a significant impact on the local budgets. In particular, the share of such taxes in local budgets of municipalities in Canada reaches 40%, in the UK — up to 30, in France — up to 20% (Bogachev, 2017) [15].

There is no country in the world today that does not have a property tax. Consequently, this instrument plays a huge role in terms of shaping fiscal policy, and the return from this tax is not always equal to the collection (Korytin, 2018) [18].

In almost all of the countries studied, land, buildings and structures are subject to property tax. The tax base is mainly the market value of real estate (USA, Canada, Switzerland, Turkey, Korea, Georgia, Kazakhstan), assessed value (Austria, Germany), annual rental value (France, Singapore), cadastral or inventory value (Belgium, Spain, Azerbaijan). Some countries use a fixed form of taxation for real estate taxation (Israel, Kazakhstan, and Azerbaijan).

Although the tax rates associated with ownership of real estate are mostly progressive (Australia, USA, Germany, Austria, Spain, Korea, Singapore, Georgia, etc.), their proportional (Canada, Belgium, Switzerland, Turkey), fixed (Azerbaijan, Israel) and mixed (France, Kazakhstan) forms are also widespread.

The taxation mechanism may involve two (Canada, Switzerland, France, Turkey, Korea, Singapore, Kazakhstan, Azerbaijan) or more (Austria, Australia, Belgium, Germany, Spain, Georgia) elements. A two-element taxation mechanism usually involves a predetermined tax base and a flat tax rate. In a multi-element taxation system, the tax base is recalculated, i.e. processed on an ongoing basis. And there is more than one tax rate to be applied (municipal and general tax rates or various other coefficients).

If we look at the mechanism of real estate taxation on the example of individual states, the tax rate is basically a complex progressive form. In Australia, for example, there are different taxation procedures by region. The value of real estate is determined annually to determine the tax base. For example, in the New South Wales region, the value for tax purposes for 2020 is determined as follows<sup>1</sup>:

- 0% of the property value up to A\$734,000;
- for value between \$734,000 and \$4,488,000 — 1.6% + AU\$100;
- for values above \$4,488,000 — 2% + A\$60164;

In Germany, the tax base is the specially assessed value, and taxation is carried out in 2 stages. The first stage uses deductible indices to calculate the tax base. A coefficient of 0.26 applies to houses of up to €38,346.89 and a coefficient of 0.35 applies to houses of higher value. For other properties, a proportional coefficient is applied, which is determined individually (between 0.26 and 1) depending on the nature of the object of taxation. The amount obtained in the second stage of the tax calculation is multiplied by the municipal tax rate. This rate is proportional and varies from region to region (from 390% to 810%)<sup>2</sup>.

In France, the property tax base is determined on the rental value of the property and is calculated at a proportional rate of 37.94%. However, additional rates are provided for high value goods. There is a separate tax on the owner's primary residence (additional 0.2% for properties with a rent of over €4573) and a separate tax on other properties in the name (additional 1.2% for properties between €4573 and €7652, 1.7% for properties with a rent of over €7622)<sup>3</sup>.

The tax base in the Republic of Korea is set at 50-90 per cent of the market value of the property and 40-80 per cent of the value of the dwelling. The tax rate is progressive and is calculated as follows<sup>4</sup>:

- Up to 600 million won (US\$540,541) — 0.5 per cent;
- From 600 million to 1.2 billion won (\$1,081,081) — 0.75 per cent
- 1.2 billion to 5 billion won (USD 4,504,505) — 1.0%
- 5 billion to 9.4 billion won (USD 8,468,469) — 1.5%

<sup>1</sup> Land tax. *Revenue NSW*. Available at: <https://www.revenue.nsw.gov.au/taxes-duties-levies-royalties/land-tax> (Accessed: 27.12.2020).

<sup>2</sup> Информационный портал Mcmakler о тенденциях и специфике рынка недвижимого имущества в Германии. Available at: <https://www.mcmakler.de/ratgeber/immobilienkauf/grundsteuer> (Accessed: 29.12.2020); German real property tax reform — simple, socially equitable and compatible with the constitution / Federal Ministry of Finance (Germany). Available at: <https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Taxation/Articles/german-property-tax-reform.html> (Accessed: 29.12.2020).

<sup>3</sup> German real property tax reform — simple, socially equitable and compatible with the constitution / Federal Ministry of Finance (Germany). Available at: <https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Taxation/Articles/german-property-tax-reform.html> (Accessed: 23.12.2020).

<sup>4</sup> Информационный портал Министерства государственного управления и безопасности, Управления местных финансов и экономики, Управления местной налоговой политики Кореи (Property tax guide. *Government 24*). Available at: <https://www.gov.kr/portal/service/serviceInfo/PTR000051721> (Accessed: 25.12.2020).

Over 9.4 billion won (\$8,468,469) — 2 per cent.

The mechanism for property taxation varies not only by country but also by territory. Since property taxes are local taxes in almost all countries, their mechanism varies in response to local budgets, capacity, infrastructure, established customs and traditions of each region, and many other factors. However, a common similarity between countries is that there is a system of deductions and other types of exemptions in property taxation.

Table 1

**Status of application (availability) of property tax exemptions  
in foreign countries<sup>1</sup>**

№	Countries	General benefits		Specific benefits	
		at the tax rate	on the tax basis	social	others
1	Australia	+	+	+	+
2	USA	+		+	+
3	Canada				+
4	Austria	+	+	+	+
5	Belgium			+	+
6	Switzerland		+	+	+
7	Germany		+	+	+
8	France	+	+		+
9	Spain	+	+		+
10	Turkey			+	+
11	Israel			+	+
12	Korea	+	+	+	+
14	Singapore	+			+
15	Kazakhstan	+		+	+
16	Azerbaijan				+
17	Georgia	+	+		+

Source: compiled by the authors based on data from foreign sources.

Based on the analysis of the international practice of exemptions applied in the real estate taxation mechanism, they can be divided into two groups: general (standard) and individual exemptions (Table 1).

The table shows that all 17 countries studied have property tax exemptions. Of these, 11 countries (65%) have a standard relief system. Standard (general) exemptions are available to all property owners without exception and without additional action. This type of exemption can include progressive tax rates or an automatic reduction of the tax base from a set value, or valuation of the property at a lower level than its original value. For example, a specially defined value for automatic deduction from the tax base in Australia (A\$734,000 for 2020)<sup>2</sup>, a factor of 0.5 that reduces the tax base massively in France<sup>3</sup>, progressive indices are used to calculate the tax base in Austria<sup>4</sup> and Germany<sup>5</sup>, and up to the first S\$8,000 in Singapore<sup>6</sup>.

<sup>1</sup> Информационный портал Global Property Guide о мировых тенденциях и изменениях рынка недвижимости. Available at: <https://www.globalpropertyguide.com> (Accessed: 02.01.2021).

<sup>2</sup> Land tax. *Revenue NSW*. Available at: <https://www.revenue.nsw.gov.au/taxes-duties-levies-royalties/land-tax> (Accessed: 27.12.2020).

<sup>3</sup> Local Property Taxes in France. *French Property*. Available at: <https://www.french-property.com/guides/france/finance-taxation/taxation/local-property-taxes> (Accessed: 30.12.2020).

<sup>4</sup> Информационный портал налогового управления Австралии (*Australian Government. Australian Taxation Office*). Available at: <https://www.ato.gov.au/general/capital-gains-tax/your-home-and-other-real-estate/your-main-residence/> (Accessed: 30.12.2020); Grundsteuer — Höhe, Berechnung und Befreiung — Österreich 2021. *Finanz.at*. Available at: <https://www.finanz.at/steuern/grundsteuer/> (Accessed: 31.12.2020).

<sup>5</sup> Информационный портал Mcmakler о тенденциях и специфике рынка недвижимого имущества в Германии. Available at: <https://www.mcmakler.de/ratgeber/immobilienkauf/grundsteuer> (Accessed: 29.12.2020); German real property tax reform — simple, socially equitable and compatible with the constitution. *Federal Ministry of Finance*. Available at: <https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Taxation/Articles/german-property-tax-reform.html> (Accessed: 29.12.2020).

<sup>6</sup> Информационный портал консалтинговой службы Guide Me Singapore Hawksford по бизнесу, корпоративным финансам и налоговым консультациям в Сингапуре. Available at: <https://www.guidemesingapore.com/in-the-news/2020/guide-to-property-tax-in-singapore> (Accessed: 29.12.2020).

Individual exemptions are granted only to certain individuals depending on their social status. In most countries, the main criterion for granting such benefits is the income or marital status of the taxpayer. There are many other factors that can be used as a basis for these benefits. For example, countries such as Australia, Switzerland, France, Israel and Georgia<sup>1</sup>, have the possibility to apply for benefits depending on the income level of the taxpayer. In the USA, Australia and Belgium<sup>2</sup> privileges are available for repair, replacement or participation in commercial activities within the residence. Benefits available to certain social groups are available in almost all countries. For example, different states in the US have age-related benefits for homeowners<sup>3</sup>. In Alaska, for example, homeowners over 65 do not pay the first \$150,000 of the tax base, while in New Hampshire the deductible amount increases with the age of the owner to \$192,000, over 75 to \$224,000, and over 80 to \$280,000. In Colorado, the tax for disabled and war veterans will be reduced by 50% of the original property value of \$200,000.

In France, people with disabilities are fully exempt from property tax. Owners between the ages of 65 and 75 are entitled to a tax deduction of at least €100, and owners over 75 are entitled to a tax deduction for their second property<sup>4</sup>.

In Turkey, disabled persons, retired military personnel or their widows, pensioners and close relatives of a deceased pensioner (if they have no breadwinner), unemployed persons and housewives can be exempted from paying tax if the living area in Turkey does not exceed 200 square metres<sup>5</sup>.

Recipients of state benefits in Israel or their close relatives, members of the military and security forces, and people affected by war are entitled to benefits ranging from 25% to 100% of the prescribed municipal tax payment<sup>6</sup>.

There are also age-related benefits for owners in South Korea. In particular, owners aged 60 to 64 can get a tax exemption of 10%, owners aged 65 to 69 get 20%, and owners aged 70 and over get 30%. There are also exemptions for tenure of residential property, which are 20% for 5 to 10 years and 40% for more than 10 years<sup>7</sup>.

In most of the countries surveyed, tax relief is also available for social property. In particular, in Australia, land used for primary production (agriculture), boarding houses, community organisations, day care centres, nursing homes and specifically (targeted) affordable housing is exempt from property tax<sup>8</sup>.

In the US, there are exemptions for facilities with renewable energy systems, housing owned by those in the voluntary firefighting system, and houses that are renovated or built to provide for elderly relatives<sup>9</sup>.

In France, there is a 2-year tax exemption provided that the use of newly constructed or renovated buildings starts within 90 days. Energy efficient properties are fully or partially (50%) tax exempt for 5 years. Proprietors are also exempt from tax for the problematic period associated with the letting of the property (if there is no possibility of letting the property for more than 3 months)<sup>10</sup>.

Property tax exemption is available for socially important properties in almost all of the countries surveyed.

<sup>1</sup> Tax Code of Georgia. *Legislative Herald of Georgia*. Available at: <https://matsne.gov.ge/en/document/download/1043717/122/ru/pdf> (Accessed: 24.12.2020). (In Russian).

<sup>2</sup> Информационный портал Фламандского Правительства. Available at: <https://www.vlaanderen.be/onroerende-voorheffing/verminderingen-onroerende-voorheffing#verminderingen-voor-eigenaars> (Accessed: 26.12.2020).

<sup>3</sup> Информационный портал Налогового управления США (Government Sites. *Internal Revenue Service*). Available at: <https://www.irs.gov/tax-professionals/government-sites> (Accessed: 01.01.2021).

<sup>4</sup> Информационный портал French property о тенденциях специфике рынка недвижимости во Франции (Local Property Taxes in France. *French Property*). Available at: <https://www.french-property.com/guides/france/finance-taxation/taxation/local-property-taxes> (Accessed: 30.12.2020).

<sup>5</sup> Информационный портал консалтинговой службы Guide Me Singapore Hawksford по бизнесу, корпоративным финансам и налоговым консультациям в Сингапуре (Property tax in Singapore. *Guide me Singapore*). Available at: <https://www.guidemesingapore.com/in-the-news/2020/guide-to-property-tax-in-singapore> (Accessed: 29.12.2020).

<sup>6</sup> Информационный портал Муниципалитета Иерусалима (Tariffs and payments. The Jerusalem Municipality). Available at: <https://www.jerusalem.muni.il/ru/residents/arnona/ratesandpayments/> (Accessed: 05.01.2021). (In Russian).

<sup>7</sup> Информационный портал Министерства государственного управления и безопасности, Управления местных финансов и экономики, Управления местной налоговой политики Кореи (Property tax guide. *Government 24*). Available at: <https://www.gov.kr/portal/service/serviceInfo/PTR000051721> (Accessed: 25.12.2020).

<sup>8</sup> Land tax. *Revenue NSW*. Available at: <https://www.revenue.nsw.gov.au/taxes-duties-levies-royalties/land-tax> (Accessed: 27.12.2020).

<sup>9</sup> Информационный портал Налогового управления США (Government Sites. *Internal Revenue Service*). Available at: <https://www.irs.gov/tax-professionals/government-sites> (Accessed: 01.01.2021).

<sup>10</sup> Информационный портал French property о тенденциях специфике рынка недвижимости во Франции (Local Property Taxes in France. *French Property*). Available at: <https://www.french-property.com/guides/france/finance-taxation/taxation/local-property-taxes> (Accessed: 30.12.2020).

### Research results, discussion and experience in Uzbekistan

The results of the study indicate that the functioning of the real estate market in Uzbekistan to date has been limited both geographically and in terms of transaction volume. Although the residential real estate market is more active compared to the non-residential market. One of the obstacles to the growth of activity in this segment is the lack of land ownership, becoming a negative factor affecting the regulatory protection of incoming investments. At the current stage it is also worth paying attention to the strengthening of institutional changes. "Market maturity" is primarily related to transparency and efficiency, which depends directly on the flow of information.

"Transparency" is a fundamental aspect in the context of the real estate market as well as an indicator of the functioning of a free market economy. In the context of Uzbekistan, the real estate market can be characterised as "immature" due to a lack of transparency and the absence of systematic procedures for registering and analysing transactions in this segment.

Regarding the regulation of property taxes in the Republic of Uzbekistan, it may be noted that its basis is derived from the 1991 Law on Taxes on Enterprises, Associations and Organisations. This law was the first to introduce a property tax, in particular a personal property tax (the Personal Property Tax Law of 1993), a land tax for legal entities (corporate land tax) and an individual land tax were established. The property tax regime has been revised again with the introduction of the new version of the Tax Code (2020).

Under the current regulations, different property taxes are classified according to the forms of ownership of individuals and legal entities. In addition, there is a classification of use by purpose as agricultural and non-agricultural land, residential and non-residential real estate. The rates vary depending on the purpose.

Legislation currently provides for four types of property tax:

- Corporate property tax (CIT);
- Individuals' property tax (IPT);
- Land Tax (LNT) for legal entities;
- Land tax for physical persons.

Land tax, which is essentially a specific form of property tax, operates separately with its own rates exceeding 300 types, which causes additional time and administrative costs associated with calculating the tax. This is because land tax is number one in terms of rate differentiation. This is due to the fact that land tax in Uzbekistan is calculated at fixed rates (in sums). This mechanism results in differentiation of rates depending on the location of the land plot (territorial affiliation), its use in agriculture, irrigated or non-irrigated land, quality and other criteria (Table 2).

Table 2

Criteria for differentiation of land tax rates in Uzbekistan

<i>Basic criteria for differentiating tax rates</i>			
<i>№</i>	<i>Types of tax rates by categories of land plots</i>	<i>Main criteria for differentiation</i>	<i>Secondary differentiation criteria and other indicators</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1	Rates of land tax for use of land plots in towns and settlements	from legal entities	1) by large cities; 2) by other small towns; 3) by settlements and rural localities, which are district centres
		from citizens for land provided for individual housing construction	
2	Rates of land tax levied on legal entities for using land plots, located in rural areas	for lands allocated to legal entities, by zones	Irrigated land: 1) in settlements 2) outside settlements Rainfed and pastureland
		for land located under mines and quarries, by zones	Irrigated Rainfed and pastureland
3	Rates of land tax levied on citizens for use of land plots, located in rural areas	lands provided for dekhkan farming	Irrigated land: 1) in settlements 2) outside settlements Rainfed lands
		lands provided for collective gardening and horticulture	

1	2	3	4
4	Rates of land tax levied on agricultural enterprises	-	1) irrigated land 2) non-irrigated land
<b>Additional criteria for differentiation</b>			
1	Coefficients depending on the location of the land plot	Within a radius of 20 km from Tashkent city — 1.30	
2	Coefficients used in calculating land tax levied on dekhan farms depending on land quality	Within a radius of 15 km from the oblast centres — 1.20	
3	Coefficients applied to the rates of land tax for the use of land plots in cities and settlements	Within 10 km from district centres — 1.15	
4	Coefficients applied to the basic rates for calculating the land tax charged from natural persons for the use of land plots in excess of the established norm in towns and settlements	Within 5 km from other cities — 1.10	
5	Coefficients applied to the rates for land plots occupied by construction in progress	for soils up to 40 points — 0.75	
6	Correction coefficients to the basic rates of land tax levied on fruit and vegetable agricultural enterprises	1.0 for soils appraised at 41 to 70	

Table 2 shows that in Uzbekistan there are different land tax rates for legal entities and individuals, divided into 4 different categories, the total number of which was 336 in 2020. In addition, 21 coefficients are applied to different categories of land plots when determining the final amount of land tax. Such differentiation of land tax rates was developed in the first years of independence of the republic, from which they are changed (increased) annually only through indexation. In an inflationary economy, there is no choice but to reindex the annual land tax rate in sums (Table 3).

Table 3

## Annual indexation of land tax rates in Uzbekistan

Indicator	Years											The average value	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
Growth rate of tax rates compared to last year	1,15	1,20	1,20	1,15	1,20	1,15	1,15	1,15	1,15	1,15	1,20	1,15	1,17

Source: Authors' calculations.

Table 3 shows that the average annual increase in fixed land tax rates over the last decade has been about 1.17 times.

In our opinion, the existing methodology for determining land tax rates is very outdated and does not meet the requirements of modern economics and local budgets. This is because it does not take into account such factors as the real market value of land plots and the level of profitability.

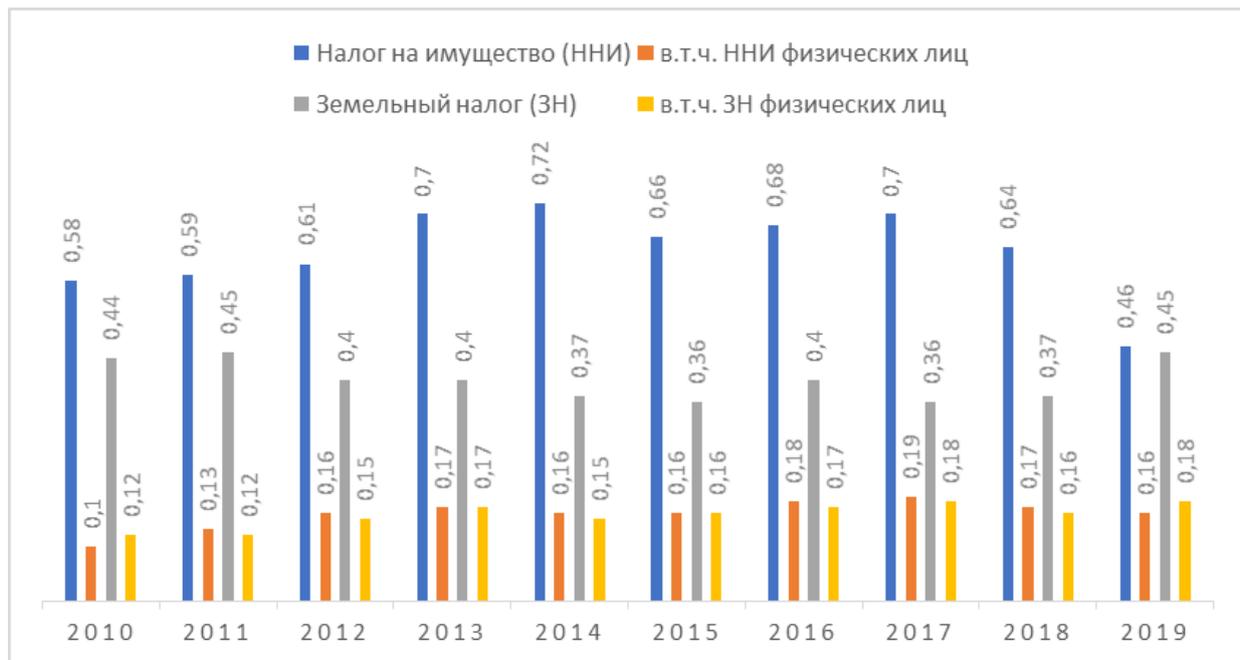
Another problem of land tax and personal property tax can be mentioned. Currently, many property owners illegally expand their holdings without paying for additional public resources. This applies to both personal

property tax (extension of rooms, verandas, balconies by moving walls beyond the standard location) and land tax (construction on public land of fences, fences, dowels and taking over pavement areas). As a rule, owners do not pay taxes for additional areas (land). This also applies to some homestead fenced plots (vegetable gardens, orchards, cowsheds, etc.) adjacent to multi-family dwellings. There are also the construction of garages, storage rooms and parking spaces, for which the owners do not pay any fees and cause inconvenience to other residents.

It is clear from the above that the mechanisms for calculating land tax in Uzbekistan need to be improved, taking into account the experience of foreign countries.

*Opportunities for introducing a property tax in the Republic of Uzbekistan.*

A comparative analysis of domestic and international real estate taxation practices has shown that there are still problems in the real estate taxation mechanism in Uzbekistan that need to be resolved. For example, the low fiscal significance of property taxes, the lack of practice of property taxation based on its market value, the lack of a concept and norm of tax-free value, and the existence of exemptions that do not fully ensure social equity (Figure 1). It is known that one of the characteristics of an effective tax system is its low value. A tax system should operate at minimal cost. Tax processes should not cause excessive consumption of resources and unpleasantness for the state and taxpayers. However, some existing taxes in Uzbekistan are expensive for the state. These taxes include primarily property and land taxes. This is due to the fact that the fiscal value of these taxes in the state budget revenues is very low, while the administrative costs associated with their calculation and collection are much higher.



**Figure 1. Dynamics of low-fiscal taxes to GDP in Uzbekistan, % of GDP <sup>1</sup>**

The data in Figure 1 show that the ratio of MNI and land tax to GDP in Uzbekistan is not significant. Specifically, the share of MET was 0.5-0.7 percent of GDP in 2010-2019. As for the land tax, we see that this figure is lower at 0.4-0.5 percent. Based on the analysis of practices and observations, property and land taxes levied on individuals can be assessed as the most inefficient taxes in Uzbekistan. This is because, despite rate and base increases in recent years, the ratio of these taxes to GDP is less than 0.2 per cent and their share in total budget revenues is less than one per cent. Taken together, these taxes account for less than 2% of state budget revenues, but more than 20% of tax officials are mobilised to collect them.<sup>2</sup>

If we estimate the cost of administration associated with calculating these taxes, recording and notifying taxpayers, and collecting assessed taxes, we see that these taxes are more expensive than other taxes in terms of

<sup>1</sup>Calculated on the basis of data from the Ministry of Finance of the Republic of Uzbekistan, the State Statistics Committee and the State Tax Committee.

<sup>2</sup>Data of the State Tax Committee of the Republic of Uzbekistan.

time, labor and other resources. Specifically, in 2019, revenues from MNI and land tax on individuals amounted to SUM 1,710.1 billion, with SUM 142.5 billion spent on wages and maintenance of staff involved in their administration. Thus, the cost of these taxes amounted to 8.3% of revenue.

Consequently, it cannot be said at present that these taxes are effective. However, property and land taxes cannot be abandoned simply because of their low fiscal significance. This is because these taxes, as real taxes, serve to ensure the principle of vertical equity of taxation in society. In addition, property and resource taxes are financial instruments that promote the proper use of capital in the economy and the efficient use of property and resources. Consequently, their effectiveness and fiscal relevance need to be improved through better property taxation mechanisms.

In particular, the objectives of improving the effectiveness of property tax for individuals can theoretically be justified as follows:

- Fiscal objective, i.e., to increase revenues to local budgets by increasing the fiscal importance of property tax and thereby enhancing their fiscal capacity;

- Economic purpose. Property owned by individuals is largely unproductive (idle) and cannot be a direct resource for the economy. Unless they are used for commercial purposes, such properties accumulate only as dead capital or luxury. Thus, the state encourages them to use the property more efficiently by imposing higher taxes on them;

- Social purpose. By differentiating MET rates, i.e., by imposing a higher tax on more expensive property, the state seeks to smooth out to some extent the unequal distribution of wealth in society.

In Uzbekistan, the property tax mechanism needs to be modified to meet all three objectives.

Based on the above, in order to increase the financial capacity of local budgets in Uzbekistan, improve the efficiency of tax administration and simplify the mechanism of property taxes, proposals have been developed for a gradual transition to a property tax that combines the existing property and land taxes.

To this end, we will first focus on the elements that need to be changed in the MNT mechanism. As mentioned above, the basis for the calculation of the severance tax for legal entities is the average annual residual value of immovable property and for natural persons the cadastral value of immovable property. In the countries studied, the elements of property taxation may differ depending on the nature of the object (residential or non-residential, land or building) rather than on the status of the subject (legal entity or individual).

In our opinion, the basis of the property taxation mechanism should be the same for legal entities and natural persons. In order to maximally unify the property taxation system it is necessary to abandon the procedure established separately for legal and natural persons, which is **the first important element** of the property taxation reform. It is precisely this mechanism that leads to business entities inventing various "games" to reduce the burden of property taxes. Therefore, the cadastral value of real estate should also be established as the basis for CIT for legal entities. In this case, the transfer of the accounting value of the received fixed asset (immovable property) to expenses through depreciation charges should be done only for the purpose of calculating income tax.

**The second issue** related to reforming the basis for calculating the severance tax is to equate the cadastral value of real estate with its real market value. Calculating the tax based on the market value of real estate allows the true objectives (fiscal, economic, social) of this tax to be fully achieved.

**A third important element** for improving the property tax mechanism is the tax rates. Unification of the personal and corporate tax bases automatically requires equal application of tax rates, while determination of the tax base based on the market value requires revision of the rates.

In foreign practice, in order to ensure social justice in taxation, property tax rates are determined based on a progressive mechanism as the market (cadastral) value of property increases. In addition, most countries have established value limits that apply a zero rate or are not taxed when taxing real estate.

Based on foreign experience, the introduction of progressive property tax rates in Uzbekistan, as well as the establishment of a tax-free value limit, would contribute to ensuring vertical social justice in taxation. The introduction of a "non-taxable value" element into the real estate taxation mechanism would automatically exempt citizens and small businesses that do not have significant property potential from property tax.

A study of the real estate market has shown that the average market price of the cheapest dwelling in Uzbekistan is currently about \$10,000 (approximately 104.0 million soums at the current exchange rate of the Central Bank of Uzbekistan). Based on this, part of the market value of the real estate in the amount of the initial 100.0 million soums, regardless of whether the property belongs to a legal entity or an individual, should not be taxed. At the same time, the rest of the real estate value should *be taxed at a progressive rate*.

**The next important element to analyse** is tax incentives.

According to the experience of the foreign countries studied, the system of property tax exemptions is predominantly social in nature. Such exemptions can be divided into two groups:

- benefits for social facilities;
- benefits granted according to the social status of citizens.

The first group of exemptions is for legal persons, because social objects are on the balance sheet of companies and organisations.

The second group includes benefits granted to the elderly, disabled and other citizens in need of social protection. Although the current tax legislation of Uzbekistan also provides for such benefits, as mentioned earlier, they cannot ensure social justice in property taxation.

Therefore, all existing tax exemptions granted to individuals should be abolished and replaced with a 100 million soum deduction (in addition to the standard deduction for all) for the elderly over 60 and other persons recognised by the state as being in need of social protection (US, France, Republic of Korea). This approach to the application of benefits ensures a uniform value of benefits for those in need of social protection, as opposed to the existing 60-square-metre benefit and benefits provided to holders of "social status". In addition, it would be more efficient to implement the benefits provided to homeowners completely disconnected from the public grid — through an income taxation mechanism.

### Conclusion

On the basis of the study of methodological problems of property taxation and the study of international and domestic experience of applying land tax in conjunction with property tax, the authors have substantiated the following conclusions and recommendations:

1. Although property and land taxes in the Republic of Uzbekistan play an important role in local budget revenues, the overall fiscal importance of these taxes remains very low. In particular, the administration of property and land taxes by individuals cannot be said to be efficient today. If the overall mobilisation associated with the calculation and collection of these taxes is assessed, it can be said that in terms of time, labour and other physical resources, these taxes are more expensive than other taxes.

2. The analysis of international tax practice showed that the property tax is the most important of the property taxes and plays a crucial role in the revenues of local budgets. Hence, in order to form a regular and reliable tax base for local budgets in Uzbekistan, improve the efficiency of tax administration, increase the level of social justice, and reduce tax evasion, it is necessary to unify property tax and land tax action in the near future (the taxation of real estate and land resources for legal and physical persons should be the same).

3. A review of the academic literature shows that while in developed countries the issue of property tax collection is mainly discussed from a fairness perspective, in transition economies the feasibility of introducing property taxes is still being explored. However, the common denominator in this respect is that while property tax is a complex administration, there is an urgent need for this type of property tax in the tax system of any state.

4. In order to increase the fiscal significance of property taxes, the average annual residual value method for legal entities and the normative valuation method for individuals should be abandoned in determining the property tax base for buildings, structures and the land on which they are located. It is necessary to switch to a system of property valuation at market value. The real estate should be revalued every 3 years because of fluctuations in the market value of the property.

5. For taxation purposes, each district and city should permanently set up special groups to assess the value of real estate. It is recommended that the working group should include specialists from the local government, finance department, tax inspection, cadastre, technical inventory and independent (private) valuers.

6. The fact that the property tax base consists of property values close to the market value requires a review of these tax rates as well. Based on international experience, to ensure social equity in taxation, it is necessary to follow the principle of setting property tax rates on a progressive basis as property values increase.

7. In order not to put the poor at a disadvantage by imposing a property tax, an element of "non-taxable value" should be included in the mechanism of this tax. Establishing such an arrangement would automatically exempt some citizens and small businesses who own property of insignificant value from property tax. This would ensure vertical social justice in taxation.

8. When introducing a property tax, the existing system of exemptions should be reconsidered. In particular, it is recommended to establish an additional deduction (apart from the standard deduction provided for all) only

for the elderly and other persons recognised by the state as being in need of social protection, and for legal entities to leave benefits in the form of exemption from social property taxes.

### Acknowledgements

The authors express their gratitude to the Ministry of Finance of the Republic of Uzbekistan and the State Tax Committee of the Republic of Uzbekistan for providing data on certain aspects of property taxation.

### Список литературы

1. Bahl R. Property Tax Reform in Developing and Transition Countries // *USAID* 2009. URL: [http://pdf.usaid.gov/pdf\\_docs/PNADW480.pdf](http://pdf.usaid.gov/pdf_docs/PNADW480.pdf) (дата обращения: 01.01.2021).
2. Andrlík B., Formanová L. Importance Of The Recurrent Tax On Immovable Property In The Tax Systems Of Eu Countries, *ActaUniv // Agric. Silvic. Mendelianae Brun.* 2014. 62, 1213-1220. DOI: <https://doi.org/10.11118/actaun>
3. McCluskey W. J., Plimmer F. The Creation of Fiscal Space for the Property Tax: The Case of Central and Eastern Europe // *International Journal of Strategic Property Management*, 2011. 15 (2), pp. 123—138.
4. Keane C. and et. al. Property Tax in Ireland: *Key Choices*. Dublin: The Economic and Social Research Institute. 2012.
5. OECD, Tax Policy Reform and Economic Growth. OECD Tax Policy Study, 20. OECD Publishing. 2010
6. Garnier G. and et. al. A wind of change? // *Reforms of Tax Systems since the launch of Europe 2020*. Taxation paper. 2014. No 49, EC. URL: [http://ec.europa.eu/taxation\\_customs/resources/documents/taxation/gen\\_info/economic\\_analysis/tax\\_papers/taxation\\_paper\\_49.pdf](http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_49.pdf) (дата обращения: 03.01.2021).
7. Bahl R. and Martinez-Vasquez J. The Property Tax in Developing Countries // *Current Practice and Prospects*. Working Paper. Lincoln Institute of Land Policy. 2007. URL: [http://www.lincolnst.edu/pubs/1256\\_The-Property-Tax-In-Developing-Countries](http://www.lincolnst.edu/pubs/1256_The-Property-Tax-In-Developing-Countries) (дата обращения: 29.12.2020).
8. Мишустин М. В. Стратегия формирования имущественного налогообложения в России : дис. ... д-ра экон. наук, 2010. URL: <http://famous-scientists.ru/list/3956> (дата обращения: 27.12.2020).
9. Алиев Б. Х. и др. О проблемах и перспективах введения налога на недвижимость в Российской Федерации // *Финансы и кредит*. 2012. № 34 (514). С. 19. URL: <https://cyberleninka.ru/article/n/o-problemah-i-perspektivah-vvedeniya-naloga-na-nedvizhimost-v-rossiyskoy-federatsii> (дата обращения: 25.12.2020).
10. Набиуллина Э. Выступление на заседании Государственного совета РФ 26.12.2011 года. URL: <http://www.rg.ru/2011/12/27/nalog.html>. (27.12.2011); Алиев Б. Х. и др. О проблемах и перспективах введения налога на недвижимость в Российской Федерации // *Финансы и кредит*. 2012. № 34 (514). С. 20.
11. Шмелев Ю. Д., Маргулис Р. И. О новой концепции налога на недвижимость физических лиц и механизм ее реализации // *Финансы*. 2012. № 1. С. 39—43.
12. Горский И. В., Березин М. Ю. Налог на недвижимость: за и против // *Финансы*. 2012. № 2. С. 37—39.
13. Осенняя А. В. и др. Переход к единому налогообложению недвижимости в России (часть 1) // *Вестник АГУ*. 2017. Вып. 3 (205). С. 98—100.
14. Клоков Е. А. Реформа налогообложения недвижимого имущества физических лиц: от ожиданий к первым результатам (часть II) // *Научный вестник Омской академии МВД России*. 2018. № 3 (70). С. 66—75.
15. Богачев С. В. Налог на недвижимость // *Имущественные отношения в Российской Федерации*, 2017. № 4 (187). С. 68—69. URL: <https://cyberleninka.ru/article/n/nalog-na-nedvizhimost-zarubezhnyu-opyt> (дата обращения: 25.12.2020).
16. Лапшина А. С. Совершенствование налогообложения имущества физических лиц на основе государственной кадастровой оценки объектов жилой недвижимости : автореф. дис. ... канд. экон. наук, 2018. URL: <https://www.dissercat.com/content/sovershenstvovanie-nalogooblozheniya-imushchestva-fizicheskikh-lits-na-osnove-gosudarstvenno> (дата обращения: 29.12.2020).
17. Ворожбит О. Ю., Уксуменко А. А. Реализация принципа справедливого налогообложения в налоге на имущество физических лиц // *Налоги и налогообложение*. 2016. № 2 (140). С. 158—169.
18. Коротин А. В. Международная практика налогообложения имущества организаций // *Налоговая политика и практика*. 2018. № 7 (187). С. 73—74.
19. Коротин А. В., Малинина Т. А. Международный опыт налогообложения движимого имущества организаций // *Научно-исследовательский финансовый институт. Финансовый журнал*. 2019. № 2 (48). С. 35.

### References

1. Bahl R., 2009. Property Tax Reform in Developing and Transition Countries. *USAID*. Available at: [http://pdf.usaid.gov/pdf\\_docs/PNADW480.pdf](http://pdf.usaid.gov/pdf_docs/PNADW480.pdf) (Accessed: 01.01.2021).
2. Andrlík B., Formanová L., 2014. Importance Of The Recurrent Tax On Immovable Property In The Tax Systems Of Eu Countries, *ActaUniv. Agric. Silvic. Mendelianae Brun.* 62, 1213—1220, DOI: <https://doi.org/10.11118/actaun>
3. McCluskey W.J. and Plimmer F. The Creation of Fiscal Space for the Property Tax: The Case of Central and Eastern Europe. *International Journal of Strategic Property Management*, 2011, 15 (2), pp. 123—138.

4. Keane C. and et. al. *Property Tax in Ireland: Key Choices*. Dublin: The Economic and Social Research Institute, 2012.
5. OECD, Tax Policy Reform and Economic Growth. *OECD Tax Policy Study*, 20. OECD Publishing, 2010.
6. Garnier G. and et. al. A wind of change? *Reforms of Tax Systems since the launch of Europe 2020*. Taxation paper, 2014, no. 49, EC. Available at: [http://ec.europa.eu/taxation\\_customs/resources/documents/taxation/gen\\_info/economic\\_analysis/tax\\_papers/taxation\\_paper\\_49.pdf](http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_49.pdf) (Accessed: 03.01.2021).
7. Bahl R., Martinez-Vasquez J. The Property Tax in Developing Countries. *Current Practice and Prospects*. Working Paper. Lincoln Institute of Land Policy, 2007. Available at: [http://www.lincolninst.edu/pubs/1256\\_The-Property-Tax-In-Developing-Countries](http://www.lincolninst.edu/pubs/1256_The-Property-Tax-In-Developing-Countries) (Accessed: 29.12.2020).
8. Mishustin M.V. *Strategiya formirovaniya imushchestvennogo nalogooblozheniya v Rossii* [Strategy for the formation of property taxation in Russia. Dissertation for the application. academic degree doc. economic sciences], 2010. Available at: <http://famous-scientists.ru/list/3956> (Accessed: 27.12.2020). (In Russian).
9. Aliev B. Kh. et al. On the problems and prospects of introducing real estate tax in the Russian Federation. *Finance and Credit*, 2012, no. 34 (514), pp. 19. Available at: <https://cyberleninka.ru/article/n/o-problemah-i-perspektivah-vvedeniya-naloga-na-nedvizhimost-v-rossiyskoy-federatsii> (Accessed: 25.12.2020). (In Russian).
10. Nabiullina E. *Speech at the meeting of the State Council of the Russian Federation on 26.12.2011*. Available at: <http://www.rg.ru/2011/12/27/nalog.html>. (Accessed: 27.12.2011). (In Russian); Aliev B. Kh. et al. On the problems and prospects of introducing real estate tax in the Russian Federation. *Finance and Credit*, 2012, no. 34 (514), pp. 20.
11. Shmelev Yu. D., Margulis R.I. On the new concept of the tax on real estate of individuals and the mechanism of its implementation. *Finance*, 2012, no. 1, pp. 39—43 (In Russian).
12. Gorskiy I. V. Real estate tax: pros and cons. *Journal: Finance*, 2012, no. 2, pp. 37—39 (In Russian).
13. Osennaya A. V. et al. Transition to unified taxation of real estate in Russia (part 1). *Bulletin of ASU*, 2017, Issue 3 (205), pp. 99—100 (In Russian).
14. Klovov E. A. Reform of taxation of real estate of individuals: from expectations to first results (part II). *Scientific Bulletin of the Omsk Academy of the Ministry of Internal Affairs of Russia*, 2018, no. 3 (70), pp. 66—75. (In Russian).
15. Bogachev S. V. Real estate tax. *Journal: Property relations in the Russian Federation*, 2017, no. 4 (187), pp. 68—69. Available at: <https://cyberleninka.ru/article/n/nalog-na-nedvizhimost-zarubezhnyy-opyt> (Accessed: 25.12.2020). (In Russian).
16. Lapshina A. S. *Sovershenstvovanie nalogooblozheniya imushchestva fizicheskikh lic na osnove gosudarstvennoj kadastrvoy ocenki ob»ektov zhiloy nedvizhimosti : avtoref. dis. ... kand. ekon. nauk* [Improving the taxation of property of individuals based on the state cadastral valuation of residential real estate. Abstract for the competition account. step. Ph.D], 2018. Available at: <https://www.dissercat.com/content/sovershenstvovanie-nalogooblozheniya-imushchestva-fizicheskikh-lic-na-osnove-gosudarstvenno> (Accessed: 29.12.2020). (In Russian).
17. Vorozhbit O. Yu., Uksumenko A. A. Implementation of the principle of fair taxation in the tax on property of individuals. *Taxes and Taxation*, 2016, no. 2 (140), pp. 158—169. (In Russian).
18. Korytin A. V. International practice of property tax of organizations. *Tax policy and practice*, 2018, no. 7 (187), pp. 73—74. (In Russian).
19. Korytin A. V., Malinina T. A. International experience of taxation of movable property of organizations. *Scientific Research Financial Institute. Financial journal*, 2019, no. 2 (48), pp. 35. (In Russian).

---

**Для цитирования:** Ниязметов И. М., Воронин С. А., Корабоев Б. У., Угай Д. С. Основные направления реформирования имущественных налогов (на примере Республики Узбекистан) // Корпоративное управление и инновационное развитие экономики Севера: Вестник Научно-исследовательского центра корпоративного права, управления и венчурного инвестирования Сыктывкарского государственного университета. 2021. Т. 1. Вып. 1. С. 58—73. DOI: 10.34130/2070-4992-2021-1-1-58.

**For citation:** Niyazmetov I. M., Voronin S. A., Koraboev B. U., Ugay D. S. The main directions of reforming property taxes (on the example of the Republic of Uzbekistan) // Corporate Governance and Innovative Economic Development of the North: Bulletin of the Research Center of Corporate Law, Management and Venture Investment of Syktyvkar State University. 2021. Vol. 1, issue 1. P. 58—73. DOI: 10.34130/2070-4992-2021-1-1-58.