

Property Taxes in the System of Taxes and Fees

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Abstract

This article is devoted to the topic Property taxes in the system of taxes and fees. The article touches on the role and concept of property taxes in the financial side of society and the impact on social processes, as well as the features of tax coverage of budget expenditures of the subjects of the Republic and municipalities.

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The substantive feature of a tax, as is known, is its payment for the purpose of financial support for the activities of the state and (or) municipalities. The Republic of Uzbekistan, according to the Constitution, is a republic consisting of the subjects of the Republic and guaranteeing local self-government. Therefore, the fulfillment of their functions by taxes and the role of taxes in solving economic and social problems facing the country can be considered both at the level of the Republic as a whole, and at the regional level, including the subjects of the Republic and municipalities, both separately and in the interrelation of their budgets .

The interconnection of the links of the budget system is realized through the mechanism of interbudgetary relations, the state of which best characterizes the level of implementation in the country's budget process of the principles of budgetary federalism, which allows, in the conditions of independence of each budget, to combine the interests of the Republic with the interests of each of its subjects and local governments.

The principle of interbudgetary relations on the division of income between the budgets of the budget system of the Republic of Kazakhstan means the legislative assignment of certain income to them. And the principle of budget independence presupposes the right of state authorities and local governments to establish taxes and fees in accordance with tax legislation, the income from which is subject to credit to the corresponding budgets of the budget system.

The distribution of taxes and fees between budgets in accordance with the budget and tax legislation of the republic occurs as follows. State taxes and fees are distributed mainly between the state budget and the budgets of the constituent entities of the Republic of Uzbekistan, with the exception of the personal income tax, which does not go to the state budget, but is completely distributed between regional and local budgets, and the state duty.

Special regime taxes are distributed between the budgets of the subjects of the Republic of Uzbekistan and the budgets of municipalities. Regional taxes and fees are assigned to the budgets of the subjects of the Republic of Uzbekistan, local taxes are assigned to the budgets of municipalities.

Despite the measures taken in recent years to strengthen the financial independence of regions and local governments, interbudgetary relations in the Republic of Uzbekistan are characterized by a high degree of concentration of taxes in the state budget, which reduces the tax autonomy of the regions. State taxes and fees, the number of which is twice the number of regional and local taxes, play a significant role in the formation of not only the federal budget, but also the budgets of territories, rather than regional and local taxes. The share of revenues from state taxes and fees received according to standards to the budgets of the subjects of the Republic of Uzbekistan and local budgets accounts for almost 80% of the tax revenues of these budgets.

Centralization of tax powers makes it possible to ensure the unity of the economic and legal space within the country, but at the same time, the autonomy of regions in the process of implementing their own financial policies is extremely limited. Substate authorities are deprived of the ability to regulate the rates and base of state taxes (with the exception of the corporate income tax, where territories are given the right to change the rate within the limits established at the state level). As for local authorities, they do not even have a guarantee that the rate established this year for transferring income tax to their budgets next year will not be reduced or even canceled when the regional budget for the corresponding year is approved.

Tax policy

The centralization of tax powers at the state level, which reduces the tax independence of the regions, is also reflected in the establishment of numerous tax benefits for regional and local taxes at the federal level, as a result of which the corresponding budgets lose enormous financial resources.

The over-centralization of tax powers to regulate regional and local taxes, the predominance of state taxes in the formation of territorial budgets make it possible to shift political and financial responsibility for balancing territorial budgets and the state of the social sphere to the federal center. It seems necessary to gradually expand the financial capabilities of the regions to implement independent economic policies aimed at stimulating the innovative activity of enterprises and modernizing their production capacities. This requires increasing regional tax revenues, increasing their sustainability, expanding the powers of regional and local authorities to establish mandatory elements of relevant taxes, reducing the powers of state bodies in this area, and creating institutional conditions that encourage local authorities to develop their own tax potential.

The decentralization of the management system of the modern economy is currently increasingly

characterized by a gradual shift of the center of gravity in the field of development management to an increasingly lower (municipal) level.

As a result, significant budget expenditures are made at the sub-state and local levels in the areas of education, healthcare, culture, agriculture, transport, roads and housing and communal services. In the current distortions in the formation and expenditure of regional and local budgets, the level of income mobilized in the territories under their jurisdiction is insufficient to financially support the tasks and functions of the subjects of the Republic of Uzbekistan and municipalities. Therefore, one of the unresolved issues of interbudgetary relations is the issue of providing the relevant authorities with financial resources to fulfill the powers assigned to them. At the same time, this problem has recently become particularly acute in the most massive link of the Russian budget system - local budgets.

The problem of increasing the number of regional taxes can be solved by completely transferring the personal income tax to the category of regional taxes. The transfer of this tax to the category of regional will allow the subjects of the Republic of Uzbekistan to establish the most important elements of the tax, and first of all, tax benefits and tax rates, which will increase the interest of the regions in attracting taxpayers living in their territories to work in the region.

The assignment of personal income tax to the regional level affects the territorial distribution of production factors. Tax mobility is often used as an argument against transferring personal income tax to the regional level in general or against using a progressive income tax at the regional level. This argument against assigning personal income tax to the regional level can be neutralized by establishing restrictions at the federal level within which regions will be able to determine their income tax rates.

One of the directions for increasing the financial independence of territories is to expand the tax powers of regional and local authorities on the most significant taxes in fiscal terms: income tax and VAT. Powers to regulate and collect income taxes can be transferred to the regional level to the extent that they improve the efficiency of public services, reduce environmental damage and do not affect the territorial distribution of resources, i.e. they are a neutral means of generating revenue at the regional level. Nevertheless, it is necessary to expand the rights of regional and local authorities in managing income taxes. The restrictions established by the Tax Code of the Republic of Uzbekistan in reducing the rate of this tax, at which it is credited to the budgets of the subjects of the Republic of Uzbekistan, enable regional authorities to provide tax benefits to taxpayers. In this regard, it seems advisable to establish the right of regional authorities to reduce the rate of deductions from income tax established by state legislation to the relevant budgets up to complete exemption from payment of this tax, provided that this tax benefit can be provided exclusively to those taxpayers who are not only registered and registered for tax purposes, but also carry out activities in the field of material production in the relevant territory. In addition, an indispensable condition for the application of this benefit must be the use by taxpayers of part of the released resources (specified by law) for investment purposes.

At the same time, the legislative bodies of the constituent entities of the Republic of Uzbekistan should be given the right to establish certain elements of taxation and tax benefits for income tax in the part credited to the regional budget. To create tax incentives for municipal authorities to attract investment, the rate of deductions from income tax to municipal budgets should be restored by correspondingly reducing the tax rate at which it is paid to regional budgets.

An incentive for the development of regions and strengthening their tax autonomy can be the shared distribution of VAT between the state and regional budgets, the established procedure for paying it in full to the state budget is a factor contributing to the subsidization of the regions. In fact, VAT paid to the state budget by regional enterprises is a tax on demand in the subject of the State. At the same time, the state center may have nothing to do with the demand itself in the region, which means that the volume of the gross regional product in the amount corresponding to the weighted average (effective) VAT rate goes annually to the federal budget. Therefore, such (100%) new transfer to the federal budget cannot be considered economically flawless.

International experience shows that VAT and its tax – sales tax, as a rule, “work” in favor of regional rather than state budgets. In the Republic of Uzbekistan, this principle is violated, which indicates that the existing interbudgetary relations are not optimal. Achieving an optimal combination of the principles of centralization and decentralization in the distribution of tax revenues and delimitation of tax powers is possible by establishing on an ongoing basis the standard for deductions to regional budgets from value added tax.

As you can see, these are the tax rates for individuals in 2024.

From January 1, property tax rates for individuals in Uzbekistan increased and the procedure for their calculation changed. This is provided for by the law on amendments to legislation in connection with the adoption of the main directions of tax and budget policy for 2024.

Rates increased by 10.7–12.2%.

At the same time, as the Tax Committee notes, for a fair distribution of the tax burden on taxable objects used for business, leased to a legal entity or individual entrepreneur, as well as non-residential objects intended for business and/or generating income, the procedure for calculating the tax base is established as follows: for legal entities. These changes will not affect residential properties of the population.

That is, starting from January 1, 2024, the tax base of non-residential properties owned by individuals cannot be lower than the absolute minimum value per 1 square meter, established in the following amounts (including for legal entities):

in Tashkent - 3 million soums;

in Nukus and regional centers - 3 million soums;

in other cities and rural areas - 1.2 million soums.

The Ministry of Economy and Finance noted that this decision was made due to the fact that large non-residential buildings (offices), including those owned by large local companies, are registered to individuals.

Taxpayers can engage independent appraisers to assess the value of real estate for tax purposes if the cost of 1 sq. m. of the object below the established minimum size. In this case, the results of the independent assessment will be recognized as the tax base.

According to the changes, to determine the tax base for property tax, individuals can use the results of real estate assessments conducted by appraisal organizations over the last 2 years.

In addition, the order of the minimum cost per 1 sq. m does not apply to facilities provided for the production and storage of agricultural products, for silkworm breeding, as well as to towers, bridges (overpasses), reservoirs (fire-fighting structures, tanks), canopies, gazebos, concrete platforms and walls (curbs).

Also, other taxes such as the Property Tax for commercial real estate for individual owners have undergone significant changes in the new year 2024.

Since 2024, non-residential real estate of individuals, which they use for business or rent out to legal entities or individual entrepreneurs, will be subject to the same procedure for calculating the tax base as for legal entities. In some cases, the amount of property tax paid by an individual has increased 20 times or more.

Law No. ZRU-891 of December 28, 2023 amended Articles 420 and 422 of the Tax Code. Now the tax base for property tax for commercial real estate of individuals is calculated in the same way as for legal entities - in accordance with the provisions of Article 412 of the Tax Code. The property tax rate for such objects of individuals has been equated to the rates of legal entities, and it is 1.5% for 2024 (for comparison, for other objects of individuals the rate is from 0.41 to 0.55%).

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