

## **ANALYSIS OF THE MECHANISM OF TAXATION OF REAL ESTATE OBJECTS IN DETERMINING CADASTRAL VALUES FOR TAXATION PURPOSES**

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### **Abstract**

In this article, the issues of effective use of the improvement of the mechanisms for determining cadastral values for the purpose of taxation in our republic in recent years, as well as the implementation of measures to determine cadastral values by tax authorities using tax administration instruments and eliminate violations, timely disclosure of tax evasion schemes, tax scientific-practical conclusions and suggestions for further optimization of the administration, elimination of contradictions in legal documents have been developed.

**Keywords:** budget policy, crisis, budget, tax administration, business entities, tax report, tax revenue, tax benefits, tax, tax rate, preferences, local tax, market value of property, real estate, cadastral value, personal card, tax elements .

### **Introduction**

To ensure land tax administration in the world today, transition to digital platforms of tax practice, invest in improving the skills of tax officials, educate the population about the importance of paying land tax and its benefits to society, reform its legal framework, and more. Scientific research on the establishment of cooperation with international organizations such as the World Bank and the International Monetary Fund has become an urgent task.

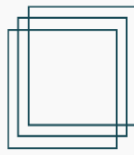
### **2. Review of Literature**

From Russian scientists Лукова Л.Н., Букина И.С. [1]. There are two main systems of forming the value of taxation objects in foreign countries:

- first, a fixed value defined in the normative legal documents of various branches of state power;

- second, the value determined in the public valuation of real estate (cadastral value).

As a result of the studies conducted by the economist Pardaev[2]., in order to regulate the differences between the value of private property (houses) in the cadastral documents and the market price, as well as to clarify the forecast indicators of property tax revenues, the tax on the property of private persons is based on the inventory value of the property, based on the established standards. he emphasized the determination of a minimum amount and the improvement of the tax calculation method based on this normative value. In his dissertation, G. Safarov [3]. proposed the introduction of



a mechanism for calculating and collecting land tax collected from non-agricultural enterprises from the cadastral value of the land they use, and developed scientific proposals for further improvement of this tax collection mechanism. Ситдикова Л. П. [4]. According to him, the separation of a single tax on land plots and a tax on buildings and structures has shown its effectiveness for the taxation system during the transition from a planned economy to a market economy in a number of countries, such as the Czech Republic, Slovakia, Romania, and Estonia. [5]. Drozhina I.A. from Russian scientists. proposed to introduce real estate tax by combining property tax of legal entities, property tax from individuals and land tax. [6]. Mikhina E.V. in his views, he analyzed the impact of the introduction of real estate tax on the local budget revenue base and made appropriate recommendations [7]. We believe that the views of the above-mentioned scientists do not take into account the low-income segment of the population. Loginova T.A. in his scientific views, he noted the need to take into account the social stratum of the population when introducing real estate and putting it into practice [8].

### **3. Research Methodology**

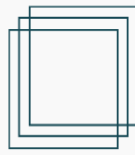
In this article, comparative analysis and induction and deduction evaluation methods were used. Using the comparative method, foreign experience data on improving the mechanisms of determining cadastral values and their analysis were carried out and scientific conclusions were given.

### **4. Analysis and Discussion of Results**

Determining the cadastral value of apartments in multi-apartment buildings and single-family houses in Uzbekistan is provided for in the Regulation on the procedure for calculating the cadastral value of real estate objects and housing stock owned by individuals. Also, according to the Regulation on the procedure for calculating the cadastral value of non-immovable real estate objects owned by private individuals for the purpose of taxation, the procedure for calculating the cadastral value of non-immovable real estate objects owned by individuals is established.

The calculated cadastral value of non-residential real estate objects is used only for calculating the property tax of individuals. On the other hand, these account books did not take into account the costs of connecting the object to engineering communications, the income from the sale, resale, rental of the real estate object, the rate of profit, and the taxes to be paid. Therefore, the "conditional" cadastral value of real estate used as a tax base was much lower than the market value from the beginning.

According to the obtained preliminary data, the difference between the actual and proposed cadastral value of apartments is the average for the district 5.3 times, compared to 4.2 times for detached houses.



Also, according to the current methodology, 1 m<sup>2</sup> of an apartment located in Darkhan and TTZ districts has almost the same price (1.2–1.3 million soums), but when using a comparative approach, the value of 1 m<sup>2</sup> is correspondingly. It was 9.1 million soums and 5.4 million soums.

Creation of a new and fair system of taxation of real estate objects, implementation of the cadastral value as a taxable base by bringing it as close as possible to the market value is one of the urgent and important tasks of today. In this case, it is not planned to provide an increase in tax revenues during the transition to the new cadastral value, that is, the total increase in income will be equalized by the amount of the tax rate through a fair redistribution of taxes. Therefore, in order to collect taxes on real estate objects, to clarify their list, to simplify the registration procedure, the information on the creation, transfer, limitation, cancellation of rights to real estate objects should be regulated by law.

According to the data of the state registration body (Cadastre Agency), the area of land plots is the basis of land tax levied on individuals, and the cadastral value of taxation objects is the basis of property tax levied on individuals<sup>1</sup>.

The tax base for agricultural land given to individuals, as well as for farming, is the normative value of land plots, determined in accordance with legislation, after deducting non-taxable agricultural land plots. In this case, the normative value of land plots is determined on average for irrigated or non-irrigated lands of the respective district or city.

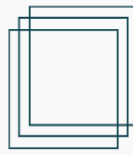
According to the studies, it was found out that 1948.8 thousand of 875.3 thousand inhabitants of the Republic have several objects.

**Table 1. About the property tax charged to individuals with 2 or more residential facilities across the republic information <sup>2</sup> in billion soums**

№	Name of the area	Number of citizens	object number	Cadastral value	property area (hectares)	Calculated property tax amount	
						2022 year	2023 year
	Republic total	875 372	1 944 888	117 488,8	20 755,0	278,6	306,4
1	QR	33 697	75 151	2 929,1	1 044,4	8,2	9,0
2	Andijan	82 997	181 993	8 329,4	1 813,5	20,9	23,0
3	Bukhara	67 973	142 053	8 025,1	1 476,0	17,5	19,3
4	Jizzakh	27 741	55 685	2 821,9	730,8	7,0	7,7
5	Kashkadarya	86 327	178 817	8 345,1	1 747,2	19,3	21,3
6	Navoi	33 443	71 223	3 687,9	805,7	8,4	9,2
7	Namangan	47 317	99 905	4 835,2	840,3	12,0	13,2
8	Samarkand	96 433	211 774	13 460,2	3 358,6	34,3	37,8
9	Surkhandarya	60 364	127 979	5 127,0	1 124,5	12,0	13,2
10	Syr Darya	23 024	50 131	2 310,6	426,8	5,0	5,5
11	Tashkent v	88 265	196 942	12 178,6	1 743,2	27,9	30,7
12	Ferghana	96 185	218 876	10 809,4	2 005,8	24,6	27
13	Khorezm	32 571	74 406	3 554,5	1 226,3	9,8	10,8
14	Tashkent sh	99 035	259 953	31 074,7	2 411,8	71,6	78,7

<sup>1</sup> Ўзбекистон Республикаси Солиқ кодексининг 435-моддаси

<sup>2</sup> Prepared by the author based on information from the Tax Committee



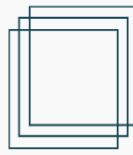
According to the table, the cadastral value of 1,944,888 objects is 117,488.8 billion soums, and the property area is 20,755 hectares. The estimated property tax was 278.6 billion soums in 2022, and 306.4 billion soums in 2023. On average, the cadastral value of one object is 60.5 million soums. Since this value is much lower than the market value, it is appropriate to calculate a 3-fold tax on individuals who own 2 or more residential properties before moving to the market value. The reason is that individuals owning 2 or more residential properties may have property beyond their own needs and can earn income from this property. Now, let's look at the analysis of tax rates for real estate objects by individuals for the property tax of individuals in Uzbekistan over the past ten years. In addition, we analyze the dynamics of changes in tax rates in Uzbekistan from 2013 to the present (Table 2). From the data of Table 2, we can see that from 2013 to 2018, the tax rate on the property of individuals increased from the inventory value of the property. Since 2018, it has been introduced to calculate the property not from the inventory value, but from the cadastral value. In this case, since the cadastral value is high compared to the inventory value, the tax rate is reduced to almost 10 times, and the basic tax rate is set at 0.2 percent.

**Table 2. Information on property tax rates for individuals <sup>3</sup>**

Objects of taxation	Tax rates, percentages and sums										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1. Houses, apartments, country yard buildings, other buildings, buildings and structures, in value (percentage):											
Up to 200 sq.m	1,04	1,2	1,3	1,5	1,7		0,2	0,2	0,23	0,25	0,28
2. As a percentage of the value of houses and apartments with the following total area in cities :											
a) More than 200 sq.m and up to 500 sq.m	1,25	1,4	1,6	1,8	2,1		0,25	0,25	0,3	0,33	0,37
b) more than 500 sq.m	1,55	1,8	2,2	2,5	2,9		0,35	0,35	0,4	0,44	0,49
3. The total area located in other settlements is as follows (in percent) of the value of houses and apartments, farmyard buildings:											
More than 200 sq.m	1,25	1,4	1,6	1,8	2,1		0,25	0,25	0,3	0,33	0,37
4. Conditional value of assets not appraised by the bodies assessing the assets of individuals (in thousand soums):											
a) for the city of Tashkent and the regional center	18480	20328				210000					
b) for other cities and rural areas	8030	8833				90000					

It was noted that starting from January 1, 2021, tax rates for all types of taxes will be determined by the Tax Code. Starting from this year, car accommodation directly related to multi-apartment buildings was included in the property tax of individuals. Such an object is 0.23 percent in 2021 compared to the tax base 0.25% in 2022 and 0.28% in 2023. It should be noted that the amount of tax calculated for individuals cannot be increased by more than 30 percent compared to the amount of tax calculated a year ago. This standard has a clarifying feature due to the fact that in practice, cadastral documents are drawn up with cadastral value for parking spaces

<sup>3</sup> Prepared by the author based on information from the Tax Committee

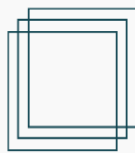


located on the underground floor of multi-apartment buildings. Over the past years, that is, since 2011, the property tax of individuals on newly built houses that have not been registered in the prescribed manner with the state registration bodies of real estate rights has been levied based on the amount of twice the conditional value of the property. In 2018, in order to avoid a sharp increase in the tax burden, the amount of tax determined on the basis of the cadastral value of the property of individuals in 2018. From 2019, from 1.2 times the amount of tax calculated in 2017 Until 2023, it is envisaged that the amount of tax calculated for the previous year will not exceed more than 30 percent. It should be noted that starting from 2018, in order to calculate the tax on the property of individuals, the cadastral value of the property is calculated based on the cadastral documents, but It was determined that it will not be less than 42 million soums. Data on the use of land plots without documents or in a larger volume than indicated in the documents confirming the right to the land plot are provided by the cadastral offices and tax is calculated at the increased rate (Table 3).

**Table 3. Undocumented and overoccupied land objects of individuals across the Republic Analytical information on the 3 fold tax amount calculated in 2020-2022<sup>4</sup>. (in million soums)**

№	Name of the area	Undocumented and overoccupied land areas in 2020-2021					Undocumented and overoccupied land areas in 2020-2021		
		number of plots of land	number of plots of land		from that		number of plots of land	number of plots of land	from that
					3 times the tax amount				
			2020 year	2020 year	2020 year	2020 year			
	<i>Republic total</i>	2 561 924	750 439	979 053	163 980,6	214 173,7	2 302 175	717 759,4	164 526,0
1	Korakolpogiston R	60 787	21 982,6	28 560,7	7 892,7	10 217,9	58 844	25 831,1	9 264,8
2	Andijan region	224 154	53 417,2	61 721,6	7 083,5	8 101,2	193 532	37 387,4	4 721,9
3	Bukhara region	279 337	70 948,2	83 516,9	8 495,0	9 920,0	191 033	57 103,7	6 699,4
4	Jizzakh region	883	367,4	401,3	199,7	217,6	913	327,3	96,0
5	Kashkadarya region	491 989	140 383,7	209 638,9	31 225,2	46 354,9	498 367	144 273,0	30 811,3
6	Navoi region	23 078	3 610,3	4 432,9	1 330,8	1 627,5	5 340	1 003,1	307,9
7	Namangan region	292 062	84 175,1	102 358,3	14 986,6	18 084,2	276 315	65 212,1	11 047,7
8	Samarkand region	474 811	141 205,9	174 753,3	39 598,3	48 797,2	448 887	160 869,0	49 094,4
9	Surkhandarya vil.	299 164	124 819,0	163 257,3	16 189,9	20 964,2	307 055	101 407,8	12 138,8
10	Syrdarya region	30 501	12 166,3	16 134,0	2 877,5	3 800,4	25 774	7 997,7	1 873,5
11	Tashkent region	96 827	27 359,7	41 413,1	7 820,4	11 781,9	77 109	29 806,8	9 845,2
12	Fergana region	154 107	38 000,2	48 182,3	14 800,9	18 702,3	98 426	36 053,7	13 771,8
13	Khorezm region	127 349	32 003,2	42 722,9	11 480,1	15 288,9	88 558	30 336,8	11 811,0
14	Tashkent city	6 875	1650,3	1 959,1	213,2	315,6	32 022	20 149,9	3 042,3

<sup>4</sup> Prepared by the author based on information from the Tax Committee



From the information in the table, we can see that in 2020-2021, 378.0 billion soums of tax was calculated on excess and undocumented land from a total of 2.5 million plots of land. organized and calculated tax amount was 164.5 billion soums.

It can be seen that in 2022, the documented land increased by almost 200,000. It is important to note that in Tashkent city in 2022, compared to previous years, we can see that the number of undocumented land plots has increased by 25,147. Studies show that it is known from the cadastral offices of Tashkent city that the land used in excess and without documents has not reached the tax authorities in full. Within the framework of dissertation research, our scientific analysis and theoretical observations show that there are problems with the practice of taxing land that is used excessively and without documentation.

### **Conclusions and Suggestions**

In order to introduce a system of tax calculation of property by legal entities close to the market value, in determining the tax base of legal entities depending on the location of the property object, 1 sq. It is necessary to determine the minimum property values per meter. Based on the experience of developed countries, introduction of real estate tax by combining property and land taxes. As a result, the tax calculation mechanism is simplified, the principle of fairness and transparency is ensured.

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