

Property Tax System: A Tax Mechanism for Legal Entities and Individuals

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Abstract: This article analyzes the property tax system in the Republic of Uzbekistan and tax mechanisms applicable to legal entities and individuals. This type of tax is an important source of state budget revenues, and in 2023 its share was about 8-10%. Tax rates for legal entities are set at an average of 1.5-2%, and for individuals - from 0.1% to 1.5%. The article covers issues of determining the tax base based on cadastral value, improving the system of benefits and tax administration. As a result, the effectiveness of the property tax system depends on the digitalization and accurate valuation system.

Keywords: Property Tax, Tax Mechanism, Legal Entities and Individuals, Tax Rates, Cadastral Value, State Budget, Tax Administration

Introduction

In a market economy, the stability of the state financial system is determined, first of all, by the effectiveness of tax policy. In the structure of the tax system, a special place is occupied by the property tax, which performs not only a fiscal function, but also acts as an important economic tool that stimulates the rational use of economic resources. In particular, the mechanism of taxation of property owned by legal entities and individuals plays an important role in the stable formation of state budget revenues[1].

In recent years, large-scale reforms have been carried out in the Republic of Uzbekistan to modernize the tax system and bring it into line with international standards. In particular, the introduction of the Tax Code in a new edition in 2019 contributed to the radical improvement of the property tax system. Within the framework of these reforms, a cadastral value-based approach to determining the tax base has been widely implemented, which has ensured a convergence with market mechanisms in property valuation. As a result, the transparency of the taxation process has increased, and equal conditions have been created for taxpayers[2].

According to statistics, property tax revenues in Uzbekistan have had a steady growth trend in recent years. In particular, during 2022-2023, this type of tax amounted to an average of 8-10 percent of state budget revenues, which indicates its high fiscal significance. The property tax rate for legal entities is usually set in the range of 1.5-2 percent, while progressive rates (from 0.1 to 1.5 percent) are applied for individuals. Such a differentiated approach, along with ensuring the principles of social justice, serves to balance the tax burden on property owners[4].

Another important aspect of the property tax system is its function of economic regulation. This tax creates an opportunity to attract unused or inefficiently used assets into economic

circulation, develop the real estate market, and improve the investment climate. At the same time, support for certain social strata will be provided through a system of tax benefits and preferences.

Currently, the development of the digital economy has a significant impact on tax administration. In particular, the integration of electronic tax systems, automated calculations, and cadastral databases has significantly simplified the process of calculating and collecting property tax. This contributes to reducing the human factor, reducing corruption risks, and ensuring the completeness of tax revenues[5].

From this point of view, a deep study of the property tax system and the analysis of its mechanisms for legal entities and individuals are of current scientific and practical importance. The main goal of this research is a comprehensive analysis of the current property tax system in Uzbekistan, assessment of its effectiveness, and development of scientifically based proposals and recommendations for its further improvement.

Literature Review

A. V. Vakhobov's work "Taxes and Taxation" is considered one of the fundamental sources that deeply illuminates the theoretical foundations of the tax system. In this work, the author systematically analyzes the economic essence, functions, principles of tax policy, and mechanisms of taxation of taxes. In particular, the property tax is considered as an important element of the general tax system, with special attention paid to its fiscal and regulatory functions. According to Vakhobov's approach, taxes are not only a means of forming state budget revenues, but also an effective tool for managing economic processes. These theoretical views serve as an important methodological basis for a deep understanding of the property tax system and its practical improvement[6].

B. Poyonov's scientific article "Improving the Procedure for Taxation of Property Tax" analyzes the practical aspects and existing problems of this type of tax. The author substantiates, especially in the context of Uzbekistan, the problems associated with the accuracy of the cadastral value when calculating property tax, shortcomings in the formation of the tax base, and tax administration. According to the study, complete and accurate accounting of property objects and their assessment close to the real market value is one of the main factors in increasing tax revenues. At the same time, the author notes that it is possible to increase the efficiency of the tax system by digitalizing it, integrating databases, and strengthening tax control[7].

Research Methodology

In this study, comprehensive scientific approaches were used to study the property tax system in the Republic of Uzbekistan. In particular, when forming the theoretical basis of the research, the method of analyzing scientific literature was used, and existing views on the tax system and the economic essence of property tax were summarized.

In the process of empirical analysis, based on official data from the State Statistics Committee and the State Tax Committee, property tax revenues were studied for 2020-2024. With the help of statistical methods, the dynamics and trends of their growth were determined, and the fiscal significance of the tax was assessed.

Also, the tax mechanisms applicable to legal entities and individuals were compared using the comparative analysis method. Based on a systematic approach, the tax base, rates, and administrative elements were analyzed in their interrelationship. As a result, the applied methodology made it possible to draw scientific conclusions on the assessment and improvement of the property tax system.

Result and Discussion

The property tax system in the Republic of Uzbekistan has a stable development trend in recent years, and its share in state budget revenues has significantly increased. In particular, as a result of tax reforms after 2019, the improvement of property valuation and taxation mechanisms served to increase the fiscal efficiency of this type of tax[8].

Table 1. Dynamics of property tax revenues

Yil	Mol-mulk solig'i tushumlari (trln so'm)
2020	9.5
2021	11.2
2022	13.8
2023	15.6
2024	17.4

As can be seen from the table data, property tax revenues increased from 9.5 trillion soums in 2020 to 17.4 trillion soums in 2024, that is, an increase of almost 1.8 times. This growth is explained by the expansion of the tax base, the renewal of cadastral values, and the digitalization of tax administration[9].

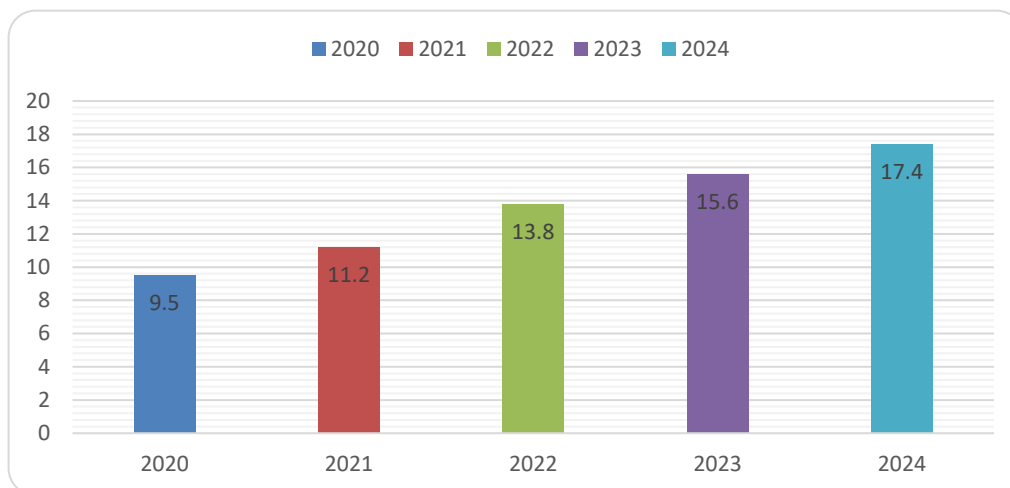


Figure 1. Dynamics of property tax revenues

The diagram shows the consistent growth of property tax revenues over the years. The annual growth rate is stable, accelerating especially in 2022-2024. This indicates that the reforms in the tax system have begun to yield practical results[10].

The diagram shows the growth rates of property tax revenues for 2019-2024. As can be seen from the diagram, a consistent increase in tax revenues has been observed since 2020. In particular, in 2022, the highest growth rate was recorded - about 23%, during which reforms in the tax system and the improvement of the cadastral valuation system played an important role.

After this, the growth rate decreased to 13% in 2023, and in 2024 it stabilized slightly, forming around 11-12%. This situation indicates the transition of the system from the initial stage of rapid growth to the stage of sustainable development[Diagram 1][11].

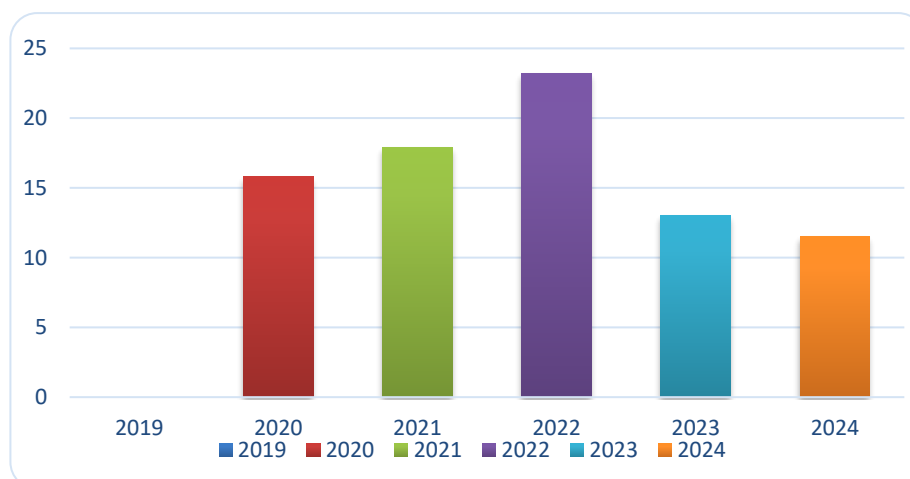


Figure 2. Annual growth rate of property tax revenues (%)

The effectiveness of the property tax system depends on several key factors. Firstly, the mechanism for determining the tax base is of great importance. The introduction of a system of taxation based on cadastral value in Uzbekistan made it possible to assess the real value of the property. As a result, the existing discrepancies in valuations have been reduced, and a fair distribution of the tax burden has been achieved[12].

Secondly, the differentiated determination of tax rates applied to legal entities and individuals ensures the social orientation of the system. For legal entities, relatively high rates (1.5-2%) are established, while the application of progressive rates for individuals allows for the implementation of tax policy, taking into account the standard of living of the population. This strengthens the principles of social justice[13].

Thirdly, digitalization processes play an important role. The increase in tax revenues is directly influenced by the strengthening of mechanisms for accounting for property objects, automation of tax calculations, and control through electronic tax systems. At the same time, the reduction of the human factor reduced the risk of corruption and increased the transparency of the system[14].

In particular, the incompleteness or lack of updating of cadastral information in some regions hinders the proper formation of the tax base. In addition, there are cases of concealment or incorrect valuation of property by individual taxpayers. This negatively affects the formation of tax revenues in full. Another important aspect is the effectiveness of tax benefits. Although the benefits provided to certain categories of individuals and enterprises in the current system are important from the point of view of social protection, their excessive application can lead to a decrease in budget revenues. Therefore, it is necessary to optimize benefits and provide them based on specific criteria[15].

Conclusion

In the Republic of Uzbekistan, the property tax system is increasingly taking shape as one of the key fiscal instruments of the economy. This type of tax plays an important role in ensuring the stable formation of state budget revenues, and in recent years its share and significance have grown considerably. In particular, the increase in property tax revenues from 9.5 trillion soums to 17.4 trillion soums during 2020–2024 confirms the growing efficiency of this tax.

The effectiveness of the property tax system primarily depends on the accurate determination of the tax base, the precision of the cadastral valuation system, and the level of development of tax administration. The introduction of a taxation mechanism based on cadastral value has enhanced transparency in the taxation process and contributes to a fair distribution of the tax burden. At the same time, the application of differentiated tax rates for legal entities and individuals ensures the socially oriented nature of the system.

Furthermore, digitalization processes are playing a crucial role in further improving the property tax system. The introduction of electronic tax systems, automated calculations, and the integration of databases have increased the completeness of tax revenues while reducing errors associated with the human factor. This, in turn, enhances the effectiveness of state financial control.

However, existing problems should not be overlooked. In particular, the incompleteness of cadastral data in certain regions, the failure to fully account for all property objects, and the inefficient application of tax incentives negatively affect the overall efficiency of the system. Therefore, it is essential to continue implementing systematic reforms in this area.

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