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IMPROVING TAXATION OF NATURAL RESOURCES AND PROPERTY FOR LOCAL BUDGET REVENUES

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Abstract

The article critically examines the theoretical aspects, types, importance of taxation of natural resources and property, and its actual status in budget revenues, and the author's opinions on their elimination are presented.

Keywords: *Local budget, natural resource and property taxation, land tax, land use tax, water resource use tax, property tax*

Introduction

Rapid development of the national economy and ensuring high growth rates, creating a favorable investment climate and business environment for entrepreneurs, reducing their tax burden, simplifying taxation, improving the tax mechanism and tax administration are among the pressing issues.

In accordance with the Decree of the President of the Republic of Uzbekistan dated January 28, 2022, "On the Development Strategy of New Uzbekistan for 2022–2026" No. PF-60, the approved Development Strategy of New Uzbekistan for 2022–2026, under the condition of "Accelerated Development of the National Economy and Ensuring High Growth Rates", tasks such as reducing the state budget deficit and ensuring it does not exceed 3% of GDP from 2023, reducing the tax burden on business entities to 25% of GDP by 2026 from 27.5%, creating conditions for organizing business activities and forming permanent income sources, increasing the share of the private sector in GDP to 80% and its share in exports to 60% are set (Decree of the President of the Republic of Uzbekistan dated January 28, 2022).

In implementing economic reforms, the state uses all economic methods, namely monetary and credit, tax, customs duty, tariff, and price formation in some areas. In this context, it is important to study the impact of taxes as an important financial lever on economic processes. From this point of view, it is an urgent issue to study the significance of the tax mechanism in regulating the economy.

In economic literature, in recent years, great attention has been paid to studying the vital impact of taxes on various aspects of the economy, as well as analyzing their use in financial management. Economists use the term "tax mechanism" when studying this issue, but there is no clear consensus on its interpretation in the works of scientists and practitioners. The issue of the essence of the tax mechanism remains debatable in economic literature.

Currently, the priority areas of tax policy are considered to be increasing budget revenues, expanding the local budget revenue base by improving tax administration, and unifying taxes.

Literature review and methods

Currently, the priority areas of tax policy are considered to be increasing budget revenues, expanding the local budget revenue base by improving tax administration, and unifying taxes.

While property and land taxes do not constitute the main part of the state budget, they play a significant role in its formation. The land and property tax system has existed for a long time, and economic experts have expressed various views on it. Here are the opinions of some economists in this regard:

Professor A. Juraev believes that improving the distribution of taxes among the components of the budget system is of great practical importance in terms of forming the revenue base of the state budget. This is because assigning major and stable revenue sources to local budgets may negatively impact the formation of their revenue base. Conversely, the formation of local budgets mainly from revenues that regulate local budgets (general state taxes) can lead to indifference in local financial bodies and a decrease in the effectiveness of tax collection (Juraev A. S., 2005).

In his scientific work dedicated to the problems of ensuring the stability of the tax system through the improvement of tax mechanisms, scientist I. Niyazmetov formulated the following conclusions:

– One of the gaps in the tax system is related to property taxes. While property taxes play an important role in local budget revenues in international practice, in Uzbekistan, the fiscal significance of such taxes is very low. The administration of these taxes is also very ineffective. In particular, the stark difference between the property tax mechanism for legal entities and individuals has rendered this tax ineffective;

– To improve the property tax mechanism, it is necessary to introduce a real estate tax applicable equally to both legal entities and individuals, while determining the value of property based on market mechanisms, introducing progressive rates of this tax to ensure the flexibility of the real estate tax mechanism and vertical social justice, and defining the amount of "non-taxable value" (Niyazmetov I. M., 2018).

These suggestions can potentially increase the tax base of local budget revenues.

Discussion and results

The Decree of the President of the Republic of Uzbekistan dated December 13, 2017, "On Additional Measures to Enhance the Financial Independence of Local State Authorities, Strengthen the Responsibility of Tax and Finance Authorities for Ensuring the Completeness of Revenues to Local Budgets" No. PF-5283, defined specific measures aimed at:

– Firstly, fundamentally strengthening the revenue base of local budgets by allocating specific types of taxes and other mandatory payments to them;

– Secondly, phasing out subsidies to regional, city, and district budgets, gradually reducing their dependence on allocations from higher budgets, thereby increasing the freedom and responsibility of local state authorities in solving social and economic development issues of the regions;

– Thirdly, systematically identifying additional reserves to increase local budget revenues;

– Fourthly, ensuring transparency in the formation of local budgets and control over its implementation, widely involving deputies and public oversight;

– Fifthly, strengthening the revenue base of local budgets and ensuring timely and targeted financing of approved expenditure parameters, further developing and maintaining social facilities and infrastructure at an appropriate level, enhancing the responsibility of local state authorities, financial and tax authorities.

Table. *Analysis of Taxes in State Budget Revenues for 2021–2023. (in millions of Uzbek soums)*

Indicators	2021 year		2022 year		2023 year	
	sum	% of total revenue	sum	% of total revenue	sum	% of total revenue
State budget revenues	164 798.0		202 043.0		231 721.0	
Direct Taxes	58 930.0	35.8	64 447.0	31.9	73 104.0	31.5
Indirect Taxes	56 290.0	34.2	71 390.0	35.3	83 326.0	36.0
Resource Payments and Property Tax	23 036.0	14.0	23 913.0	11.8	28 079.0	12.1
Other revenues and non-tax revenues	26 542.0	16.1	42 293.0	20.9	47 212.0	20.4

Compiled by the author based on data from the State Tax Committee of the Republic of Uzbekistan.

Analyzing the data in Table 1, we see that in 2021, state budget revenues amounted to 164 798.0 million soums, with resource payments and property taxes, which are calculated as local budget revenues, generating 23 036.0 million soums.

In 2022, state budget revenues amounted to 202 043.0 million soums, with resource payments and property taxes generating 23 913,0 billion soums.

In 2023, state budget revenues are expected to reach 231 721.0 million soums, with resource payments and property taxes generating 28 079.0 million soums. It is evident that revenues from resource payments and property taxes have been increasing year after year.

Russian economist V. Panksov, in his research, addresses the problems in the taxation system of natural resources and highlights ways to solve them. He believes that the importance of resource taxes in budget revenues should be increased. This process should be considered as a strategic direction for reforming taxes on the use of natural resources. The tax system for the use of natural resources should be viewed as a significant source for generating state budget revenues, while simultaneously serving as a financial tool for regulating the use of natural resources by the state (Panksov V. G., 2018).

The reforms implemented in our country to simplify the tax system have ultimately led to its complexity. The research into the reasons for the instability of the tax system reveals the existence of gaps in the unified tax mechanisms. Efforts to eliminate these gaps have resulted not only in an increase in the number of tax regimes but also in excessive differentiation of tax rates, as well as the establishment of various scientifically unfounded basic standards for determining tax bases (Niyazmetov I. M., 2018).

The concept of improving Uzbekistan's tax policy emphasizes the need for consistent reduction of the tax burden, simplification of the taxation system, and improvement of tax administration.

A number of changes have been made in recent years regarding the definition of the object of property tax levied on legal entities. Intangible assets have been excluded from the object of taxation, among other changes. Nevertheless, some controversial issues remain in the property tax mechanism. For example, the current tax legislation stipulates the payment of double the tax rate for equipment that has not been installed on time. In our opinion, no business entity would be interested in purchasing equipment and leaving it uninstalled, without using it for production. Therefore, uninstalled equipment should be excluded from the object of property tax levied on legal entities. This change would reduce the tax burden on business entities and leave them with additional funds.

Based on the current tax legislation, property tax levied on individuals is calculated by tax authorities based on the cadastral value of real estate objects belonging to individuals, which is provided by cadastral authorities.

Conclusion and propositions

The low share of property tax in state budget revenues compared to other taxes does not diminish its significance. This is because measures are being developed to optimize property tax and land tax and introduce them as "real estate tax." This can be found in numerous scientific research papers, but the goal is tied to the outcome of the expected changes through tax optimization. That is, it needs to be studied from the perspective of its impact on the national budget and individuals. Of course, as the market economy continues to develop, budget tax reforms between the state and society will also continue to improve.

Based on the above, we propose the following:

– Digitize real estate valuation;

– This will improve efficiency and accuracy in determining real estate values;

– Include excess areas in databases;

The databases of agencies responsible for registering real estate rights should include information about excess areas. This will ensure that all properties are properly accounted for when calculating taxes. Exclude uninstalled equipment from the property tax base for legal entities. As mentioned earlier, no business entity would benefit from purchasing equipment without installing and using it for production. Improve the cadastral valuation system for individuals' residential and non-residential properties: The cadastral value of real estate significantly differs from its market value. To ensure fairness, the cadastral valuation system should be improved to better reflect market prices.

Increase the tax rate for individuals owning two or more properties: This would encourage equitable distribution of wealth and ensure a fairer contribution to the tax system.

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