

## Improving the Practice of Calculating the Property Tax Base for Individuals

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**Abstract:** This article explores the reforms aimed at improving the practice of calculating property tax for individuals, analyzes the scientific views of leading economists on the issue, and evaluates data based on statistical sources.

**Key words:** tax, individual, property, real estate, local tax, property tax, land tax, real estate tax, cadastral value, market value, tax rate.



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In the context of transitioning to a market economy, increasing budget revenues is both an essential and complex process. The economic development of regions, restoration of infrastructure, social protection of low-income families, and ultimately, citizen satisfaction are all closely tied to resolving local budgetary financial issues appropriately.

Significant reforms are being implemented to improve the practice of calculating the property tax base for individuals by expanding the powers of various government bodies responsible for collecting taxes and fees. In particular, under the initiative of President Sh.M.Mirziyoyev, a new system has been introduced to decentralize the tax system to the neighborhood (mahalla) level, and tax officials have been added to the "Mahalla Seven" team—an important step in this direction. As a result of this new system, additional tax revenues from land and property taxes of individuals were collected into the budget in 2023, exceeding forecasts. Notably, revenues from these taxes increased by 1.5 times in 2023 compared to 2022.

Today, implementing modern methods for improving the calculation of the property tax base for individuals has become a pressing issue to enhance the efficiency of property use.

Numerous scholars have conducted theoretical, methodological, and practical research on improving the methods and addressing issues in calculating the property tax base for individuals. For example:

Yu. Shmelyova and R. Margulis (2012) pointed out that taxing residential real estate owned by individuals can raise various issues and emphasized that defining the taxable base and tax rates is central when introducing a unified real estate tax.

T. Loginova (2018) emphasized the importance of considering social strata when introducing and applying real estate taxes.

Ye. V. Mikhina (2005) considered modern property and land taxes an integral part of the national tax system and analyzed the impact of real estate tax on local budget revenue bases, offering relevant recommendations.

Among Uzbek scholars, I. Niyazmetov (2008) proposed limiting the property tax object to real estate only, merging it with land tax, and transitioning to a unified real estate tax applied equally to legal entities and individuals.

Based on these views, appropriate conclusions and recommendations have been developed to improve the practice of calculating the property tax base.

Improving this practice remains a complex and important issue under the current market economy. Challenges in calculating the property tax on real estate owned by individuals include:

- Lack of an effective mechanism to identify unregistered real estate;
- Absence of a transparent, technological, and objective valuation system for each property;
- Incomplete integration between the tax system and the cadastral agency's databases;
- Low legal literacy among property owners regarding the documentation of unauthorized constructions;
- High service fees for creating cadastral documentation for properties.

By addressing these issues, the share of property tax in local budget revenues can be increased. Local budget revenues are expected to decline relative to expenditures, with recent years showing a significant gap driven by rising expenditures.

**Table 1: The Role of Local Taxes in State Budget Revenues of the Republic of Uzbekistan (2019–2023), %**

No	Indicators	years				
		2019	2020	2021	2022	2023
1	Total (excluding target state funds)	100 %	100 %	100 %	100 %	100 %
2	Local taxes	42.2 %	26.8 %	25.3 %	25.7 %	26.1 %
3	Property tax	6.7 %	7.1 %	7.6 %	7.7 %	7.8 %

As shown, the share of local taxes decreased sharply from 42.2% in 2019 to 26.8% in 2020, possibly due to reduced economic activity during the pandemic, tax relief, or a shrinking tax base. In 2021–2023, this share stabilized around 25–26%, indicating relatively stable local budget revenues, albeit not yet at the 2019 level.

The share of property tax grew gradually from 6.7% in 2019 to 7.8% in 2023, likely due to reforms in modernizing the tax system, improving valuation mechanisms, and increasing activity in the real estate market.

### Conclusion:

A fair and accurate tax base must be formed for properties owned by individuals. This will ensure the stability of the tax system, growth in state budget revenues, and public satisfaction.

### Recommendations:

- Introduce an automated valuation platform that reflects real market prices, replacing notional values with real and fair property tax bases. This includes launching an online valuation service, allowing taxpayers to pay taxes proportionate to actual property values.
- Implement regional tax rates based on existing tax rate frameworks. This will reflect the large market value differences between urban and rural properties. For example, applying the same

rate to a property worth 5 million UZS/m<sup>2</sup> in central Tashkent and one worth 0.5 million UZS/m<sup>2</sup> in a village is unjust. A coefficient system should be introduced by region (e.g., I – capital, II – regional centers, III – district centers, IV – rural).

- Enhance the mechanism for granting tax exemptions to vulnerable social groups, based not on general rules but on income and social status (e.g., pensioners, disabled persons, orphans).
- Increase the responsibility and accountability of valuation organizations to prevent unprofessional valuations. A monitoring system should be established to detect artificially inflated or reduced property values. Valuation activities should be licensed and entered into a national registry.
- Strengthen public oversight of property tax assessments to promote legal awareness and transparency. Citizens should be able to track tax calculations online via [my.soliq.uz](http://my.soliq.uz), with clear access to the basis, rate, and formula used in the tax calculation.

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