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Ways to Improve the Mechanism of Property Tax on Individuals

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Abstract: The article deals with an actual topic, which discusses ways to improve the taxation of real estate of individuals. Since the latest reforms in the field of tax legislation of the Republic of Uzbekistan have also affected the taxation of real estate of individuals.

Key words: real estate, cadastral value, tax base, improve, Republic of Uzbekistan.

The practice of levying a tax on real estate of the population is not new: there is both domestic experience and the experience of foreign countries. World practice, as a rule, classifies this type of tax as local. Quantitative indicators of revenues from this tax to the municipal budget are always indicatively high, about one third of all tax revenues. The fundamental differences between the world practice and the domestic one in taxation of real estate of individuals are:

- Determining the tax base;
- Determining the participants in these legal relations, taxpayers;
- Determining the grounds for tax benefits and rates.

The state real estate cadaster, as a rule, is updated in foreign countries within the time limits: from 5 to 8 years.

There are also differences in the provision of tax incentives. They are mainly related to the categories of real estate, in the development of which the local authorities are interested, and the application of tax incentives distinguishes the procedure for taxing individuals and legal entities. The focus of the mechanism for granting benefits abroad is to ensure the principles of social equality and the fairness of the tax system, mobility, and the ability to make changes.

The reform of the tax system in the Republic of Uzbekistan took place taking into account two guiding vectors: preservation, taking into account the interests of the development of the domestic real estate market, as well as responding to changes in the socio-economic environment.

The adopted Law of the Republic of Uzbekistan, dated December 29, 2021, No. O'RQ-741 "On introducing changes and additions to the tax code of the republic of Uzbekistan" radically changed the structure of the tax on property of individuals, introducing taxation based on the cadastral value of real estate. These changes make the tax fairer and bring property taxation in Uzbekistan closer to the practice of developed countries, and also allow us to count on an increase in the collection of this tax, as a result of which it can become the main source of income for local budgets.

In our opinion, the definition of ways to improve the tax on real estate of individuals should go in parallel with the study of international experience in improving the mechanism of taxation of real estate of individuals. The studies carried out in this area were based on the experience of improving the legal mechanism of taxation in countries such as the USA, Canada, Great Britain, France, Germany, Denmark, Lithuania, Finland, India and other countries. The conclusions of the research work of Sergeev A.A. are of interest. They found out a number of general recommendations regarding the reform of property taxation:

- To solve the problems of budget development, it is necessary to increase the income of local budgets.
- The property tax should be the main source of local budgets' own revenues, as is the case in many OECD countries.
- The real estate tax reform process, among other recommendations that are already largely followed in Uzbekistan, requires ensuring the quality of cadasters and taking care of the perceived fairness of taxation.
- The local legislature should be able to independently set the property tax rate, albeit within the limits set by the higher authority.

Today, research on the development of the real estate taxation system is not aimed at determining the features of the legal regulation of this institution in other countries, but at determining its own legal regulation mechanism that would meet the objectives of the development of the domestic economy and the interests of society.

Features of development (social, economic, political, etc.) of the Republic of Uzbekistan make their own adjustments to the definition of the legal regime of real estate of individuals.

The first way to improve the legal regulation of the taxation of real estate of individuals in Uzbekistan is to consider the possibilities of changing the tax rate, the consequences of its increase or decrease. Based on the objectives of increasing the revenues of local budgets, the need to increase the tax rate on the property of individuals is determined. However, this decision also has side effects: the pursuit of increasing revenues to local budgets only by raising the tax rate can lead to a decrease in the value of real estate due to the effect of property tax capitalization. An ordinary citizen will lose interest and the opportunity to acquire ownership of real estate. A sharp increase in personal property tax can lead to a large drop in housing prices by an amount proportional to the net present value of tax payments. Foreign studies on the issue of determining the economic effect of a change in this tax amount indicate a possible sharp depreciation of real estate.

"The latest estimates of the magnitude of this effect, carried out by foreign economists, suggest that with an increase in tax rates from zero (the tax based on the inventory value is so small that it can be considered equal to zero) to X percent of the market value of real estate, there will be a relative decrease in the market price of this property by about $10 \cdot X$ percent". If this is true for the housing market of Uzbekistan, then the fall in real estate prices will not exceed the allowable 5% when the property tax rate is increased to a level of no more than 0.5%.

In 2021, a comparative assessment was carried out using data examples from any other subject of the Republic of Uzbekistan, and similar conclusions were made for most subjects of the Republic of Uzbekistan. The second direction of research in the field of improving the mechanism of taxation of real estate of individuals is the study of the opportunities that open up the right of local authorities to differentiate the property tax rate depending on the cadastral value. Today, the choice of the tax rate from a certain range proposed by the state is correct. In this case, the choice will not lead to extremes, where different rates within the municipality will lead to unequal and unfair taxation.

The third direction of improving the mechanism of taxation of real estate of individuals is to determine the grounds for granting benefits. Options for improvement - determining the list of categories of citizens who fall under the right to a real estate tax exemption.

The second is to proceed from the features of the object of taxation. The studied international experience in granting real estate tax benefits led to the conclusion that the provision of such benefits 1) does not allow solving the problems of real estate tax and 2) is not an option to reduce the tax burden on citizens of the country. The researchers made assumptions that in order to achieve a social effect, it is necessary not to reduce, provide benefits to certain categories of citizens in terms of the tax burden, but to provide them with a full-fledged social benefit.

So, Sergeeva A.A. concluded that "When choosing the optimal mechanism for benefits, options are preferable that allow you to count on high tax collections while maintaining tax fairness (including fairness from the point of view of poor taxpayers so that the tax burden is adequate to their income) and not causing big problems with tax administration".

The fourth way to improve the mechanism of taxation of real estate of individuals is to determine the legal responsibility of municipal authorities for development, the creation of an environment necessary not only to increase the purchasing power of the population of the municipality, but also the conditions for stimulating investment in real estate. The role of the region and the municipality should not be limited to the "collection" of tax revenues.

The fifth area of work to improve the taxation of real estate is the improvement of the cadastral valuation mechanism aimed at:

- 1) reduction of tax disputes on issues of determining the amount of tax;
- 2) improving the efficiency of tax control;
- 3) improving the mechanism for forecasting tax revenues to the budget.

Thus, the study identified the most important areas for improving the taxation of real estate of individuals, which are not only of economic importance for the development of municipalities, social and legal - to protect the interests of taxpayers, but in general for the development of the entire tax system of the state.

Undoubtedly, in practice, the fulfillment of these conditions will require significant efforts from the tax authorities, but in the future it will give a tangible result in working with unscrupulous taxpayers.

The application of liability measures should lead to a reduction in the number of tax evaders. Undoubtedly, the best option for the tax authorities and for the state as a whole is the absence of such illegal transactions, but such a result is difficult to achieve. It may be more realistic to withdraw the hidden incomes of citizens from the shadow turnover, which, ultimately, will entail an increase in tax payments for personal income tax.

To achieve this result, it seems fair to increase the size of the penalty for allowing similar violations by citizens. In accordance with the current tax legislation of the Republic of Uzbekistan, non-payment or

incomplete payment of tax amounts as a result of understatement of the tax base entails a fine of 20% of the unpaid tax amount. If the above acts are committed intentionally, then they entail the collection of a fine in the amount of 40% of the unpaid tax amount.

When establishing the facts of leasing property without concluding agreements between its participants, no mitigating circumstances should be taken into account. Indeed, in this case, a citizen commits a tax offense, realizing its nature and consequences. Therefore, for this type of violation, the amount of the penalty should be set based on the maximum value - 40%.

In conclusion, let us pay attention to a number of measures related to the increase in the social orientation of taxation. It is necessary to create favorable legislative and regulatory conditions for its implementation, an effective system of tax benefits, fully or partially exempt low-income, socially unprotected citizens from paying taxes, providing for the right of family taxation.

It is possible to fairly distribute tax liabilities only by applying a progressive taxation scale, as is customary abroad. The fundamental condition for establishing the scale of taxation should be the involvement of solvent persons in the payment of tax, which implies exemption from tax on incomes exceeding the subsistence level. The advantage of this procedure for establishing the taxation scale is the automatic accounting of inflationary the growth of incomes in the scale of taxation, compliance with the established ratio when taxing the incomes of various segments of the population.

A progressive tax is a rather flexible policy tool, since it provides for the possibility of indexing income thresholds for each tax stage.

As a result of the introduction of this tax, one should also expect a decrease in social tension in the country due to a decrease in the level of income differentiation among the population of the Republic of Uzbekistan.

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