



## Article

# Improving The Practice of Taxation of Real Estate Owned by Individuals in Uzbekistan

Akmal Amonovich Bozorov

1. DSc, Professor, University of Public Safety of the Republic of Uzbekistan, Tashkent, Uzbekistan
- \* Correspondence: [akmaljon.amonovich@mail.ru](mailto:akmaljon.amonovich@mail.ru)

**Abstract:** This study examines the ongoing reforms in real estate taxation in Uzbekistan, focusing on the taxation of land and property owned by individuals. While taxation policies have evolved, gaps remain in ensuring fairness, efficiency, and alignment with market values. Using a mixed-method approach, this research analyzes statistical data, evaluates taxation methodologies, and reviews international best practices. Findings reveal inconsistencies in property valuation, administrative inefficiencies, and a need for improved tax collection mechanisms. The study concludes that integrating a market-based valuation system and unifying property-related taxes can enhance fiscal sustainability and economic equity. The results offer policy recommendations for optimizing Uzbekistan's real estate tax system.

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

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## 1. Introduction

The processes of economic and social development in society, the complexity of mutual economic relations, as well as the issues of effective formation and implementation of the state budget are in the spotlight in many areas. Real estate is an important economic resource for every individual, and its use and legal taxation of this resource serve to further strengthen the country's economy. At the same time, practices in taxation of real estate require further development and improvement.

Effective management of real estate taxes serves to ensure economic well-being for the entire society. Therefore, it is important to introduce modern methods and research to improve taxation practices, change the attitude of individuals to real estate, and expand the economic policy of the state.

Economic development processes in Uzbekistan require raising the standard of living of the population and increasing the resources of the state budget. It is important to introduce new forms and mechanisms of the tax system in the country, including improving the practice of taxation of real estate of individuals.

Real estate taxes occupy a significant place in the tax policy of Uzbekistan and play an important role in ensuring the financial needs of the state. At the same time, the attitude of individuals to real estate and the practices of its taxation affect the efficiency and equitable development of the national economy. Legislation and practices in this area require constant updating and improvement, as the country's economy and the financial activities of the population are becoming more complex every day.

At the same time, the issues of uncertainty and imbalances in the real estate tax system, tax problems, and the burden of tax on individuals are considered to be extremely urgent. In this regard, research on this topic can make a significant contribution to the development of the tax sector in Uzbekistan. [1], [2]

The issue of improving the practice of real estate taxation in Uzbekistan is of strategic importance, aimed at ensuring economic justice in society, protecting the rights of taxpayers, and strengthening the sources of the state budget. Although the state has developed new laws and regulatory legal acts, it is more urgent to conduct research on their effective implementation, eliminate problems in the practice of taxation of real estate of individuals, and adapt the system to modern requirements.

### **Literature review**

Currently, the issue of increasing budget revenues, expanding the base of local budget revenues by improving tax administration, and unifying taxes is considered one of the urgent directions of tax policy.

In order to increase local budget revenues and simplify taxation, a number of scientists have conducted scientific research on the introduction of a real estate tax. In particular,

Yu.D.Shmeleva and R.I.Margulis noted that taxation of residential real estate owned by individuals can cause many problems, and that determining its taxable base and setting the tax rate are the main issues when introducing a single real estate tax [3].

Also, economists I.V.Gorsky and M.Yu.Bereozin noted that the introduction of a single real estate tax should be carried out with caution and on the basis of careful calculations [4].

Russian scientists I.A. Drozhina also emphasized in her research that the use of real estate tax, combining property tax and land tax levied on individuals, is positive in all respects [5].

According to L.N. Lykova and I.S. Bukina, the following two main criteria are taken into account in the formation of the value of taxable objects abroad on real estate of individuals [6]:

1. Determination on the basis of regulatory and legal acts of government agencies with various powers;
2. Traditional method of assessing the value of real estate objects, i.e. Determination in the cadastral order.

The first approach to determining the value of real estate takes into account market fluctuations, but is characterized by the observation of cases of artificial price reduction.

The second approach is recognized as one of the most common methods in world practice.

According to the results of the research of O.V. Batura, S.A. Shavrov and E.A. Ryzhkovskaya, the formation and application of real estate tax in countries of the world is carried out on the basis of one of the 3 existing approaches to determining the circle of its payers. In most countries where real estate tax is applied to individuals, the obligation to pay the tax falls on the owner of real estate. In some cases, persons who rent or use real estate are also recognized as payers of the tax. For example, in France, there are two approaches to real estate: on the one hand, the owner of real estate is the taxpayer, and on the other hand, the user or tenant of real estate is the taxpayer [7].

According to the scientific research of S.V. Bogachev, different methods are used to determine the tax base for assessing real estate in different countries of the world. One of them is tied to the amount of annual rent (France, some regions of Australia, Belgium); the other is also determined by the estimated market value of the object (Denmark, Japan, USA, Australia, Switzerland); in some cases, the tax base is determined as part of the market (rent) value of real estate and is taxed (Sweden) [9].

According to the research of L.G. Grigoryeva, in international practice, the following approaches are used to determine the tax base for real estate:

1. Taxation based on the market value of land plots or land improvements;
2. Determination of the tax base based on the amount of annual rent;
3. Determination of the value by zoning, taking into account the development indicators of the infrastructure of the regions;
4. Determination of the tax base using statistical models;
5. Taxation of real estate objects based on their physical indicators [8].

According to Russian economists M.A.Dementyeva, A.V.Zakharova and E.A.Kirova, the determination of real estate tax rates is directly related to legislative acts and economic activity. In foreign practice of taxation of real estate of individuals, tax rates can be of two types: fixed or variable. The fixed real estate tax rate represents a certain fixed percentage of the taxable value. Variable rates depend on various factors: they are determined depending on the value of real estate (Philippines), the service life (Sweden), and the location of the object (Great Britain) [10].

Professors B.Kh. Aliyev and H.M. Musayeva emphasized the need for a gradual transition over several years to a single real estate tax, combining property and land taxes, when citizens begin to register their property as a single tax object. The authors noted that the following problems should be solved when introducing a real estate tax [11]:

1. Determination of the tax object and tax base at market prices;
2. Introduction of a state real estate cadastre;
3. Organization of real estate accounting and cadastral activities;
4. Incomplete formation of information on real estate;
5. Determination of its value when taxing real estate and applying the tax rate;
6. Taking into account financial costs for revaluation of real estate;
7. Citizens are not ready to pay real estate tax and may become tax debtors as a result of the increased tax burden;
8. The country's cadastral system is not ready and there are not enough real estate appraisers, as well as their lack of high professional qualifications;
9. Problems such as the lack of regulatory legal acts on the valuation of real estate at market value by cadastral authorities and the lack of a unified methodology for valuation are indicated.

In addition, Professor B.Kh. Aliyev recognized that the introduction of real estate tax has several positive aspects:

1. As a result of reducing the number of property taxes, taxation is simplified and unified;
2. The costs of collecting local taxes are reduced and tax collection increases;
3. The tax base of local budget revenues is expanded and the efficiency of tax administration increases;
4. Local budget revenues are increased and transparency of expenditures is ensured;
5. The purchase of real estate by wealthy people and the decrease in demand for real estate lead to a decrease in housing prices. At the same time, B.Kh. Aliyev emphasized the need to introduce into the legislation the issue of liability (administrative and criminal) for property owners who fail to register real estate within the established deadlines and evade paying taxes, in order to increase the tax culture and responsibility of taxpayers [12].

We believe that the views of the above-mentioned scientists do not sufficiently take into account the socially disadvantaged strata of the population. In this regard, T.A. Loginova noted in her scientific views that the social strata of the population should be taken into account when introducing and implementing a real estate tax [13].

Ye.V. Mikhin in her views analyzed the impact of the introduction of a real estate tax on the local budget revenue base and made relevant recommendations [14].

According to the research conducted by economists E.B. Dyakova, D.V. Basangova, and O.N. Ermochenko, there are two main approaches to tax theory on real estate taxation [15]:

1. A schedule system (different taxes are levied on different objects);
2. A global system (a single tax is levied on different objects).

In a scientific research work conducted by Uzbek scientists I.M. Niyazmetov, he proposed a gradual transition to a real estate tax that would apply to legal entities and individuals in the same manner, leaving only real estate objects as the object of property tax, combining it with land tax [16].

Economist I.M. Niyazmetov proposed a gradual transition to a real estate tax by combining property and land taxes in order to expand the financial capabilities of local budgets in Uzbekistan, form their regular and reliable tax base, increase the efficiency of tax administration, and further simplify the generally established tax regime [17].

According to scientific research conducted by Professors S.K. Khudoykulov and U.T. Tulakov, the introduction of a real estate tax in Uzbekistan is recognized as a solution to the following problems [18]:

- 1) The lack of reliable information on the current price situation in the real estate market, without which it is impossible to objectively assess the object of taxation;
- 2) The lack of professional specialists - real estate appraisers - in the implementation of such comprehensive reforms in the field of taxation;
- 3) Incomplete information on real estate in the State Real Estate Cadastre;
- 4) The large number of unregistered objects of taxation;
- 5) The underdevelopment of relations between state bodies, which is reflected in the exchange of information about taxpayers;
- 6) Avoidance of registration of luxury and newly built facilities;
- 7) Lack of a legislative framework that allows for sanctions for any real estate, including obstruction of valuation;
- 8) Fear of a decline in demand for real estate;
- 9) Discontent of taxpayers with the increase in the cost of maintaining their housing.

Another economist, A. Altiyev, believes that "land rent receives part of the income in exchange for the expenses of the land user aimed at improving the quality of the land, his entrepreneurial skills and the introduction of a modern management system. Of course, including this part (differential rent II) in whole or in part in the land tax or land rent object will further strengthen their fiscal function and sharply increase the revenues to the budget from land tax or land rent, but this will ultimately lead to the violation of the property rights of the land user and the failure to fulfill the incentive function of the land tax or land rent" [19].

According to Sh. Musalimov, "the socio-economic significance of property tax stems from the content of the tax. First, through property taxation, property is regulated through a mechanism of taxation of society's wealth, regardless of who it belongs to. Second, a certain part of the wealth is redistributed to the state budget in accordance with the procedure established by law in order to finance its expenses. The state is interested in the increase in the property of legal entities and individuals. Therefore, the state assumes the inviolability and guarantee of the integrity of this property as one of its main tasks" [20]. S. Boymuratov's research found that "in Uzbekistan, instead of calculating the tax from the average residual value of the current property, it is advisable to gradually transition to the procedure of assessing real estate at market prices in accordance with international taxation rules" [21].

In countries around the world, the formation and application of real estate taxes is carried out on the basis of one of two existing approaches to determining the circle of its payers. The most common option is to assign the tax liability to the owner of real estate. Sometimes tenants and users of real estate are involved as taxpayers. For example, in France, there are two taxes: one - on real estate (the owner is the taxpayer), the second -

for the use of real estate (the taxpayer is the owner or tenant) [22].

Despite the fact that there are a number of general rules that apply in many foreign countries, the practice of assessing real estate in each of them is characterized by its own characteristics.

Determining the market value of real estate is based on three methods:

1. Income method;
2. Cost method;
3. Comparative method.

**Income method.** This method differs from others in the following areas: the capitalization method and the discounted cash flow method (when valuing real estate, annual rents are discounted). This method is used in various variations in the UK and France.

**Cost method.** This approach, which helps determine the value of real estate, is used for tax purposes, taking into account the cost of construction, taking into account physical depreciation [23]. However, one of the disadvantages of this method is that land is a non-renewable resource and construction costs can only be calculated for the "improvement" of this land plot.

**Comparative (market) method.** Within this method, the transaction (sale) method is most suitable. In this case, the value of real estate is determined based on the prices of transactions concluded on the market with similar real estate. This method is mainly used in the USA and Japan [24].

Taking into account the above-mentioned scientific and theoretical opinions of economists, the gradual introduction of real estate tax and the application of the procedure for taxing real estate for individuals based on the market value can achieve the following positive results:

1. Full accounting of real estate owned by individuals at the national level;
2. Establishment of a fair system for compensating for damage caused to real estate through no fault of individuals;
3. Unification of land and property taxes, as a result of which the introduction of real estate tax into practice based on the market value of real estate serves to ensure fairness, but it is important to take into account the level of income of the population when determining the rate of real estate tax to be introduced;
4. It is advisable to introduce progressive real estate tax rates and set a threshold for non-taxable values.

## 2. Materials and Methods

The methodology of this study is based on a comprehensive approach that integrates both qualitative and quantitative research methods to analyze the taxation of real estate owned by individuals in Uzbekistan. The study relies on the collection and examination of statistical data from official government reports, legal documents, and tax records to assess the current state of property taxation. Comparative analysis is used to evaluate Uzbekistan's taxation practices against those of other countries, particularly focusing on best practices in determining the taxable value of real estate and structuring property tax policies. Additionally, the study incorporates a literature review of academic and policy-related sources to understand the theoretical underpinnings of real estate taxation and its implications for economic development. Expert opinions from economists and tax specialists are considered to provide a deeper insight into the challenges and potential improvements in the system. The methodological approach also includes an evaluation of legislative frameworks to identify gaps in current policies and assess their alignment with modern taxation principles. The study employs a systematic analysis of property valuation techniques, examining the impact of cadastral and market-based valuation on tax fairness and revenue generation. By synthesizing these data sources, the research develops practical recommendations aimed at improving tax administration, increasing

efficiency, and ensuring equitable taxation practices. The findings are expected to contribute to ongoing tax reforms and provide policymakers with evidence-based suggestions for optimizing real estate taxation in Uzbekistan.

### 3. Results and Discussion

We can see the advantages and purposes of real estate taxation in the following figure.

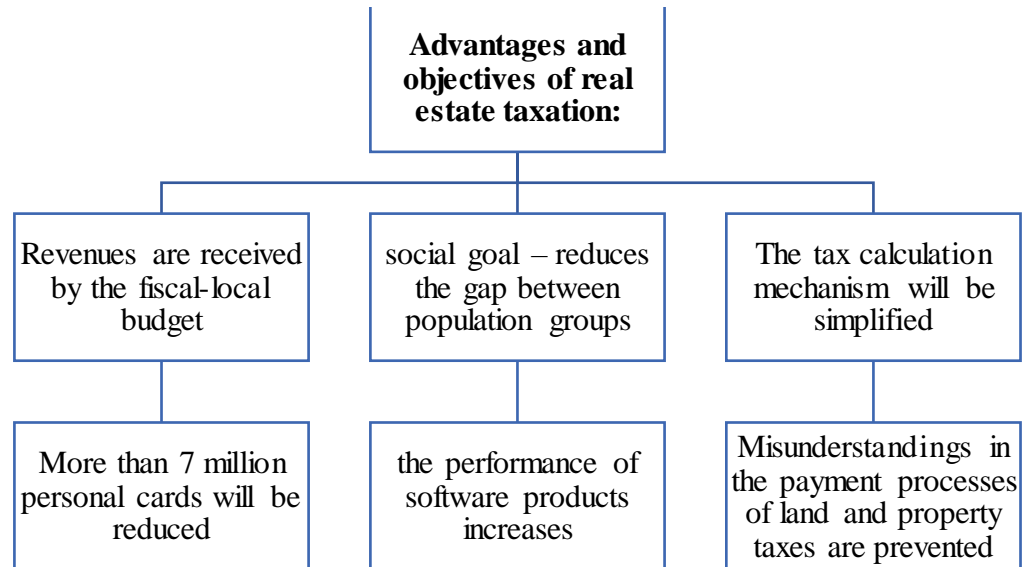


Figure 1. Advantages and objectives of real estate taxation

Based on the above scientific research and analytical data, the following conclusions and proposals were developed:

The application of real estate tax has a stimulating effect - it encourages more efficient use of real estate, reconstruction and productive use of non-profitable buildings.

In our opinion, the application of real estate tax will contribute to the socio-economic development of the state and regions, the effective use of land and property resources, and the further strengthening of the rights of the population to property.

In accordance with the tax legislation of the Republic of Uzbekistan, individuals, including foreign citizens, who own property that is recognized as an object of taxation, unless otherwise provided for in international treaties of the Republic of Uzbekistan, as well as peasant farms with or without legal entities, are recognized as taxpayers of property tax levied on individuals.

The tax rates applicable in 2024 to housing stock facilities, as well as to motorhomes that are integrally connected to multi-apartment buildings, have been indexed by 1.1 times (Table 1).

Table 1. Comparative property tax rates for individuals for 2018-2025 [1]

#	Taxable objects	Tax rate, in % of the cadastral value of the property			
		2018-2020	2023	2024	2025
1.	Houses and apartments, country buildings (except those with a total area of more than 200 sq.m.), carports that are integrally connected to multi-apartment buildings, as well as other buildings, structures and structures	0,2	0,28	0,31	0,34
2.	Houses and apartments located in cities, total area:				
	From 200 sq.m. to 500 sq.m.	0,25	0,37	0,41	0,45



	More than 500 sq.m.	0,35	0,49	0,55	0,6
3.	Houses and apartments, country buildings with a total area of more than 200 sq.m. located in other settlements	0,25	0,37	0,41	0,45
4.	Taxable objects used for entrepreneurial activity or leased to a legal entity or individual entrepreneur, as well as non-residential real estate objects intended for entrepreneurial activity and (or) income generation	2	1,5		

This is due to the fact that the cadastral value of taxable objects (tax base) established in 2018 by the bodies conducting state registration of rights to real estate for individuals has been retained. The continuous indexation of property tax rates over the years can be recognized as an incentive for the rational use of taxable property of individuals.

The cadastral value of taxable objects determined by the body conducting state registration of rights to real estate is the tax base. For the purpose of calculating the tax, the tax base cannot be less than 42 million soums [25].

In the absence of a valuation of the taxable object determined by the body authorized to assess the property of individuals, the conditional value of the property is 210 million soums in the cities of Tashkent and Nukus, as well as in regional centers, and 84 million soums in other cities and rural areas. sum is the tax base.

It is worth noting that the practice of calculating the tax rate in relation to the cadastral value of the property, in order to bring the value of real estate closer to the market price, is gradually indexing the tax rate. In our opinion, these measures should be continued and a transition to a real estate tax should be made.

The introduction of a tax that provides for the establishment of a single tax on real estate will ensure a fair distribution of the tax burden in relation to owners of luxury housing, equalize the conditions for taxation of real estate for legal entities and individuals - legalize the rental and leasing of residential premises used for commercial purposes [25].

The basic tax rates for land tax collected from individuals in the regions of the Republic are determined in absolute terms per 1 sq. m in the following amounts (Table 2):

Table 2. Land tax rates for individuals [1]

Regions of the Republic of Uzbekistan	Base tax rate per 1 sq. m (in soums)		
	2021	2023	2025
Tashkent city:			
1 zone	1193,6	1 408	1 735
2 zone	1013,2	1 194	1 471
3 zone	832,6	979	1 206
4 zone	352,3	770	948
5 zone	471,8	550	678
Republic of Karakalpakstan	245,0	286	352
Andijan region	297,6	352	433
Bukhara region	245,0	286	352
Jizzakh region	245,0	286	352
Kashkadarya region	245,0	286	352
Navoi region	245,0	286	352
Namangan region	297,6	352	433
Samarkand region	297,6	352	433
Surkhandarya region	221,6	268	330
Syrdarya region	191,8	226	278
Tashkent region	252,2	297	366
Fergana region	245,0	297	366
Khorezm region	245,0	286	352

Tax rates are set by the Tax Code from 2021. Until this period, the exact amount of tax rates is determined by the Law of the Republic of Uzbekistan on the State Budget and relevant resolutions of the President of the Republic of Uzbekistan.

The Councils of People's Deputies of districts and cities introduce reducing and increasing coefficients from 0.7 to 3.0 to the base tax rates for dachas, estates, neighborhoods, and streets located in their territories [1].

The tax rate for agricultural land provided for the conduct of peasant farming is set at 0.95 percent of the standard value of agricultural land.

For land plots used for entrepreneurial activities or when houses, country buildings, individual garages and other buildings and structures are leased to a legal entity or individual entrepreneur, as well as for land plots occupied by real estate objects not intended for residence owned by individuals, the tax is collected from individuals at the tax rates established for paying land tax from legal entities, and the legislative benefits do not apply to them.

If an individual or family enterprise uses a land plot for the production of goods (provision of services) while living in the house located on it, the tax is paid at the tax rate established for individuals.

From the analysis, it can be understood that in recent years, it is no exaggeration to say that many positive reforms have been implemented to improve the cadastral system in determining the taxable base of property and land tax. In this regard, several regulatory legal acts were adopted, including the Decree of the President of the Republic of Uzbekistan No. PF-6061 dated September 7, 2020 "On measures to radically improve the system of land accounting and state cadastre maintenance" and the Resolution of the President of the Republic of Uzbekistan No. PQ-4819 dated September 7, 2020 "On measures to organize the activities of the Cadastre Agency under the State Tax Committee of the Republic of Uzbekistan" and the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 66 dated February 12, 2021 "On approval of the Regulations on the Cadastre Agency under the State Tax Committee of the Republic of Uzbekistan and the State Cadastre Chamber of the Cadastre Agency" on the implementation of these documents. In Uzbekistan, in accordance with these documents, the Cadastre Agency has been assigned specific tasks and functions in maintaining real estate records, determining property values based on modern methods for taxation purposes, and other issues.

It should be noted that the introduction of a real estate tax in Uzbekistan instead of property and land taxes can be recognized as an important part of the tax reforms of recent years. Several important regulatory legal acts have also been adopted in Uzbekistan on the introduction of a real estate tax. These include the Resolution of the President of the Republic of Uzbekistan No. PQ-4389 dated July 10, 2019 "On additional measures to improve tax administration", the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 736 dated November 20, 2020 "On additional measures to further improve tax administration", and the Decree of the President of the Republic of Uzbekistan No. PF-6121 dated December 3, 2020 "On further improvement of resource taxes and property taxes".

The advantages of real estate tax include: relatively even distribution of local taxes across the country; resistance to periodic fluctuations compared to other taxes; impact on the market value of real estate and fair taxation.

It should be recognized that, as a result of our scientific research, in order to ensure the full and timely collection of property taxes and land taxes on individuals, taking into account our proposals to introduce a real estate tax instead of property and land taxes and to establish the tax rate on the property of individuals in relation to the market value of the property, it was established in paragraph 7 of the Decree of the President of the Republic of Uzbekistan No. PF-6121 dated December 3, 2020 "On Further Improvement of Resource Taxes and Property Taxes". As a result, this document provided for the introduction of a system for calculating property and land taxes based on the cadastral value of real estate objects, which is close to the market value [2]:



in the first stage (2021 - 2023) - in relation to real estate objects of the housing stock (apartments, individual houses, dachas), as well as land plots occupied by these objects;  
 in the second stage (2022 - 2024) - in relation to individual real estate objects not intended for living, as well as land plots occupied by these objects.

As is known, in recent years, many positive reforms have been implemented in the direction of increasing budget revenues of the regions of Uzbekistan. As a result, the main goal is to achieve financial independence of makhallas.

As a result of our scientific research, taking into account the experience of foreign countries, in order to increase the efficiency and financial independence of makhallas, our proposal to gradually transfer the practice of collecting property and land taxes from individuals to makhallas and implement a mechanism for their financial incentives was reflected in the Resolution of the President of the Republic of Uzbekistan No. PQ-458 dated December 26, 2022 "On additional measures to further expand the financial capabilities of makhallas through the introduction of the "Makhalla Budget" system."

As a result, in order to facilitate the collection of property and land taxes from individuals by increasing the tax literacy of the population and to allow each neighborhood to independently solve its problems, starting from January 1, 2023, the "Neighborhood Budget" system was introduced as a legal experiment in one district with a low tax collection rate from each region. It was determined that 10 percent of the collected funds would be directed to the appropriate funds through district budgets.

If we pay attention to the shares of real estate tax revenues for individuals in the total budget revenues and local budget revenues in many foreign countries (Figure 2).

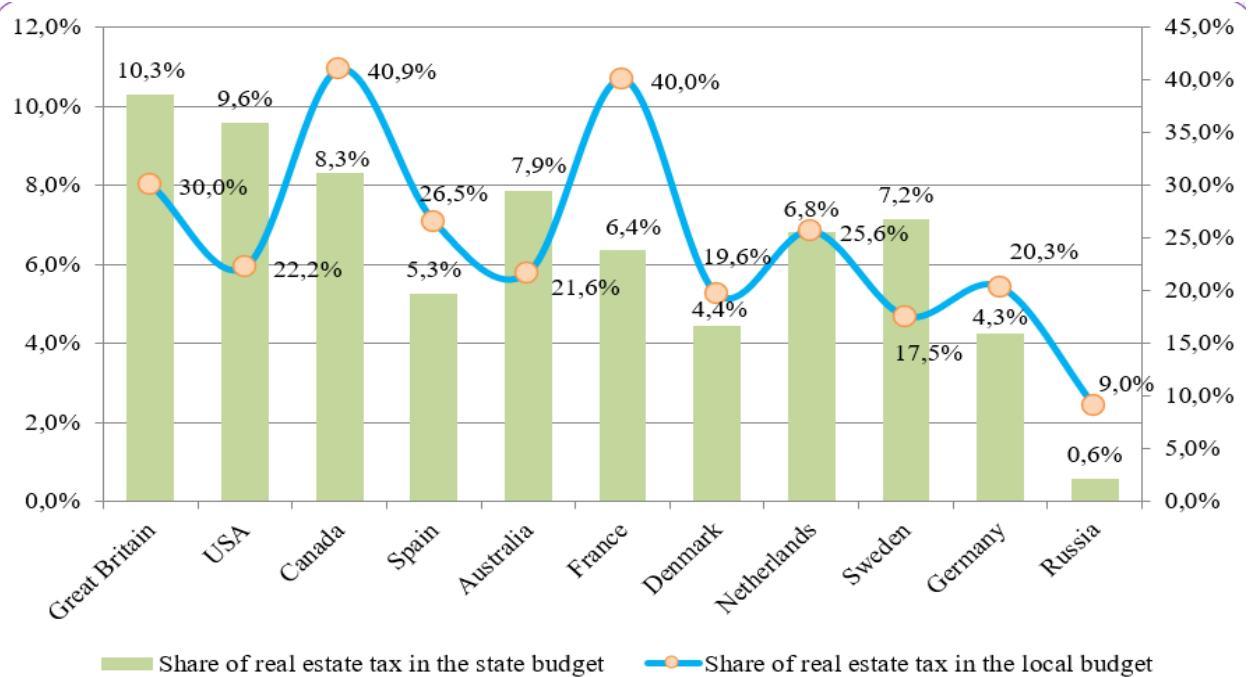


Figure 2. Percentage share of real estate tax collected from individuals in the general budget and local budget revenues of foreign countries.

From the data in Figure 2 above, it can be seen that the real estate tax on individuals has a significant share in the budget revenues of the studied countries. For comparison, this type of tax accounted for 10.3% of total revenues in the UK, 9.58% in the USA, 8.32% in Canada, 4.44% in Denmark, while this figure is 0.57% in the Russian Federation. It is clear that in these countries the real estate tax on individuals also has a significant impact on the formation of local budget revenues. In particular, in Canada the share of real estate tax on individuals in local budget revenues is 40.93%, in the UK it is 30%, in France it is 40%, in the USA it is 22.15% and in the Russian Federation it is 8.97%.

It is worth noting that in the analyzed countries, the share of real estate taxes collected from individuals in the total budget revenues also showed inversely proportional results.

This situation can be explained by the different nature of the sources of budget revenues in the studied countries.

Depending on the composition of the objects of taxation and the purpose of their use, different rates are applied in different countries. As a rule, rates for objects used for commercial purposes are higher than for residential property, land used for agricultural and forestry purposes (Table 3). In addition, it should be taken into account that the methods for assessing the value of residential and commercial real estate often differ.

Table 3. Tax rate differentiation in some foreign countries depending on the type of taxable real estate and (or) its purpose [26]

Countries	Tax rate differentiation	Tax rate
South Korea	For a plot of land	0,2 % - 4 %
	For non-permanent locations	0,25 % - 4 %
	For residential areas	0,1 % - 4 %
Portugal	For industrial sites and undeveloped land plots	0,7 % - 1 %
	Buildings and structures	0,9 %
Ireland	For real estate value up to 1 million euros	0,18%
	For real estate value exceeding 1 million euros	0,25%

In Korea, “the tax is levied at different rates depending on the type of real estate, in particular, from 0.2% to 4% for land plots, from 0.25% to 4% for buildings, and from 0.1% to 4% for houses” [27]. In Portugal and Spain, “different rates are set for rural and urban real estate, while in Luxembourg, “the basic real estate tax rate is set at 0.7% to 1% for industrial and unfinished land” [28]. In the Czech Republic, “the rates of land and property taxes depend on the purpose of use of the taxable objects (e.g. fields, vineyards, orchards) or the area occupied by meadows, pastures, lakes, forests” [29]. In Denmark, “the value of the tax rate on buildings depends on the purpose of the real estate objects. In Denmark, the tax rate for a building should be increased for each floor if the building consists of several floors” [30].

The implementation of the above measures in Uzbekistan will ensure the stability of local budget revenues and help improve the system of cadastral registration of real estate objects (land plots and buildings). The results of the study and analysis of international experience in real estate taxation can be used to develop and improve real estate taxation in the tax system of Uzbekistan.

As is known from world practice, the value of these properties is important in taxation of property and land of individuals. If the value of properties is determined fairly, taking into account all influencing factors, as well as internal opportunities and market laws, then real estate taxation will also be fair. Based on this, we focused on a methodological approach to fairly determining the value of real estate of individuals in Uzbekistan (Figure 3).

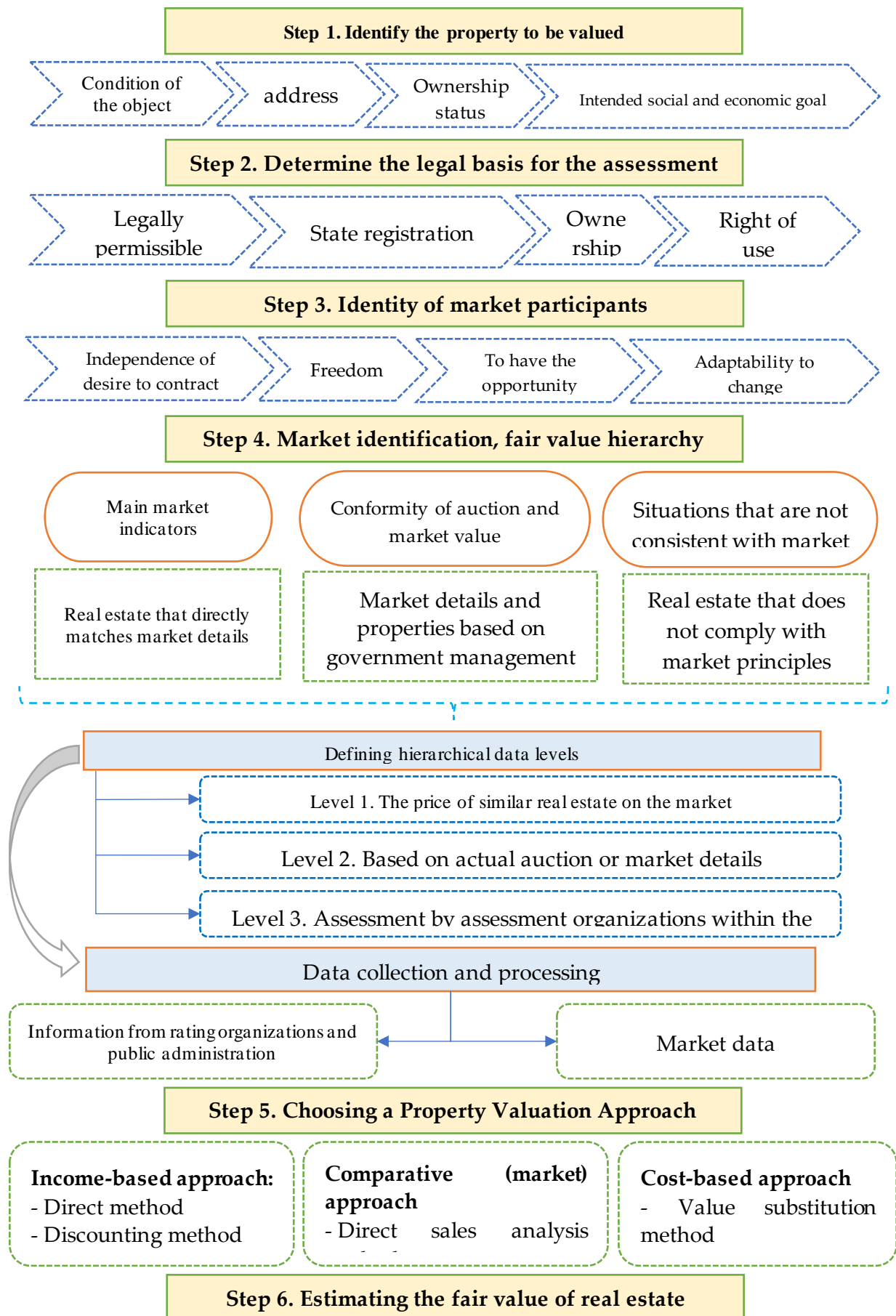


Figure 3. Methodology for estimating the fair value of real estate

In the field of real estate valuation, variable indicators are proposed that change due to external or internal factors. Economists propose to assess their effectiveness by determining the impact on the value of the property based on the following formula:

$$PV_n = \sum_{i=1}^t \frac{(VW_c * VW_i * \sum_{j=1}^n LR_j * NA_j * \Delta OR) * k - \sum_{j=1}^n E_j}{1 + r}$$

here  $PV_n$  - property value;

$VW_c$  – The burden of negligence resulting from the use of property under the ownership of the property;

$VW_i$  – total value of an asset;

$LR_j$  – the current legal rent rate of the property;

$NA_j$  – the area of the property that is leased or available for lease;

$OR$  – total area occupied by the object;

$k$  – The ratio of the income from the rental portion of a property to the value of the property;

$E_j$  – property disposal costs;

$r$  – depreciation value of property;

$t$  – useful life of the property.

When determining the fair value of property, it is important to determine the useful life of the property as accurately as possible, as it affects the fairness of the information obtained. At the same time, changes in inflation and exchange rates, as well as changes in legislation, can affect it. It is advisable to use a long-term forecast period in tax and budget policy, which is typical for developing countries.

Despite the many reforms being carried out in Uzbekistan today in terms of keeping records of real estate, assessing it based on the experience of foreign countries and domestic capabilities, and ultimately introducing a real estate tax, some major problems can be encountered. Such problems can also be understood from the data in Figure 4 below.

From the data in Figure 4 below, it is clear that the main composition of real estate in Uzbekistan is made up of individual houses of individuals. It is a sad fact that today the number of objects that have not been registered with the state is 40.9 percent of the total number of objects, and the number of objects that do not have cadastral documents at all is 617,412 (7.6 percent). This situation can be explained by the difficulties in issuing cadastral documents for real estate or the lack of legal awareness of the population. However, in accordance with the Decree of the President of the Republic of Uzbekistan "On additional measures for social support of citizens and a one-time nationwide campaign for the recognition of property rights to illegally constructed residential premises" dated April 20, 2018 No. PF-5421, a one-time nationwide campaign for the recognition of property rights to real estate has been announced until May 1, 2019, that is, for a period of more than one year.

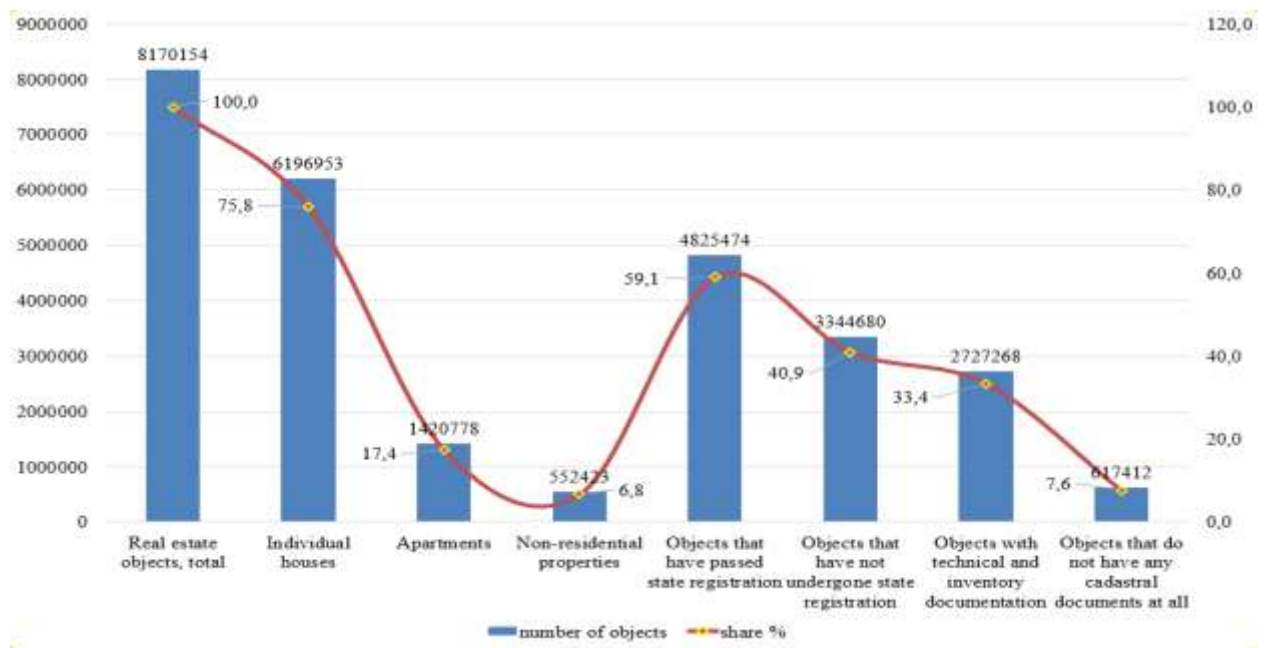


Figure 4. The number of existing real estate objects in Uzbekistan and their share in the total real estate structure [31].

The research revealed that most citizens are not aware of the campaign announced based on this document. In order to ensure that real estate objects that have not been state registered, that is, without documents, are fully registered and accounted for, we believe that it would be appropriate to re-announce this campaign and further strengthen propaganda about this campaign through the mass media and social networks.

#### 4. Conclusion

1. The introduction of the “Makhalla Budget” system, as a result of the transfer of the practice of collecting local taxes, including property and land taxes collected from individuals, and the transfer of collected funds to the mahallas, is considered positive in all respects. In this regard, it is appropriate to assign the task of calculating taxes and monitoring their revenue to tax authorities.
2. In Uzbekistan, based on world experience, the introduction of a “real estate” tax in the taxation system based on the value of a land plot and buildings and structures located on it is considered positive in our opinion. As a result of this:
  - a. The current land and property tax calculation mechanism will be simplified;
  - b. Due to the unification of land and property taxes, more than 7 million personal cards belonging to individuals will be reduced and the efficiency of software products will increase;
  - c. Misunderstandings in the payment processes of land and property taxes paid by individuals (substitution of accounts by tax types) are prevented, as a result of which the occurrence of property or land tax debts belonging to individuals, as well as overpayments, is reduced;
  - d. Strengthens the state's responsibility to its citizens, obliges the owners to compensate for losses based on the market value of the land in cases of seizure of land plots for state and public needs.
3. When applying real estate tax on real estate (land objects, buildings and structures) used by individuals:
  - a. When land plots are used without documents or in a volume greater than that specified in the documents confirming the right to the land plot;

- b. In the event that agricultural crops are not planted or improved on the household part of land plots provided for individual housing construction and improvement of residential premises;
    - c. When individuals have more than one land plot and real estate, it is advisable to apply a progressive rate, as a result of which, to a certain extent, the fairness of taxation is ensured.
  4. In Uzbekistan, it is advisable to unify the land and property tax and introduce a real estate tax, and to increase the flexibility of taxpayers, it is advisable to establish a minimum non-taxable amount for the value of property, and to establish tax holidays for a period of 2 years for newly constructed residential buildings.
  5. According to the conclusions of the regional Councils of People's Deputies, the application of regressive rates in order to encourage individuals to use land plots and property allocated within the framework of the legislation in a targeted and rational manner, in our opinion, will give a positive result.
  6. As a result of the application of real estate tax, the socio-economic development of the state and regions, the effective use of land and property resources, and the further strengthening of the rights of the population to property will be achieved.
  7. In our opinion, establishing separate progressive tax rates for the intended use of real estate, for non-intended use or for no use at all, using the experience of France, Slovenia, Ireland, and Denmark in Uzbekistan will give a targeted and effective result.
- As a result of the practical application of the above proposals and recommendations, it is possible to achieve further improvement of the taxation mechanism for individuals in Uzbekistan.

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