IMPROVING THE MECHANISM OF PROPERTY TAXATION FOR LEGAL ENTITIES IN A MARKET ECONOMY

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Abstract:

This article looks at how property taxation works for companies in the Republic of Uzbekistan. It shows that property tax is important for two reasons: it helps budgets and it encourages companies to use their assets wisely. The study examines the laws finds problems with how taxes are calculated and collected and suggests ways to make the tax system more transparent and efficient as the economy modernizes.

Keywords: Property tax, legal entities, fiscal policy, tax base, economic regulation, Uzbekistan, budget revenue, asset optimization.

BOZOR IQTISODIYOTI SHAROITIDA YURIDIK SHAXSLARDAN OLINADIGAN MOL-MULK SOLIG‘I UNDIRISH MEXANIZMINI TAKOMILLASHTIRISH

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Annotatsiya: Ushbu maqolada O‘zbekiston Respublikasida yuridik shaxslarning mol-mulkini soliqqa tortish mexanizmlari ko‘rib chiqiladi. Unda mol-

mulk solig‘ining ikkita muhim jihati ko‘rsatib o‘tilgan: u budjet tushumlarini ta’minlashga xizmat qiladi hamda korxonalarni o‘z aktivlaridan oqilona foydalanishga undaydi. Tadqiqot davomida amaldagi qonunchilik tahlil qilinib, soliqlarni hisoblash va undirish tizimidagi muammolar aniqlangan. Shuningdek, iqtisodiyotni modernizatsiya qilish sharoitida soliq tizimining shaffofligi va samaradorligini oshirish bo‘yicha takliflar ilgari surilgan.

Kalit so‘zlar: Mol-mulk solig‘i, yuridik shaxslar, fiskal siyosat, soliq bazasi, iqtisodiy tartibga solish, O‘zbekiston, budjet daromadlari, aktivlarni optimallashtirish.

INTRODUCTION

1. A countrys financial system is closely tied to how its tax system works. Taxes are the way the government controls economic activity funds public services and encourages growth. Property taxes on companies are a part of this system affecting both the governments budget and individual companies financial health.

1.1. The Fiscal and Regulatory Role. Property tax is not about generating revenue; it also helps regulate companies. By taxing the value of assets the government encourages companies to use their assets and get rid of unused or outdated property. In Uzbekistan as the economy modernizes property tax is becoming increasingly important for budgets.

1.2. Problem Statement. Despite changes to simplify taxes and increase transparency there are still problems. Issues with valuing assets applying tax rates and calculating taxes lead to burdens for companies and lost revenue for the government. There is a need to scientifically evaluate the system and align it with international best practices.

2. Research Methodology

This research aims to analyze property taxation for companies and propose a framework for improvement. The study uses the following approaches:

- Legal Analysis: Reviewing the Tax Code and relevant laws of the Republic of Uzbekistan.
- Economic Analysis: Evaluating how tax rates affect companies investment decisions.
- Comparative Approach: Identifying gaps between tax collection mechanisms and desired economic outcomes.

3. The Economic Essence of Property Taxation

Property tax is a tax on a companys wealth. From a picture perspective it ensures companies contribute to public services where their assets are located. From a companys perspective it forces management to see assets as a cost that must generate return to cover taxes.

Research Focus: This article focuses on how the tax base's determined and how current exemptions affect industrial innovation. It looks at property tax for entities, in Uzbekistan and how it can be improved to support economic growth.

MAIN PART

- **The first question that should be asked "What the Law Says and Who Pays Taxes?"**

The Tax Code of the Republic of Uzbekistan says that property tax is a tax on wealth. There are two groups of people who have to pay this tax:

1. Resident Legal Entities: These are companies set up under Uzbek law that own property in the country.
2. Non-Resident Legal Entities: These are companies that own real estate in Uzbekistan.

One important thing to note in Uzbek law is how Financial Leases (Leasing) work. Unlike some countries, where the person who owns the property pays the tax Uzbek law says that the person who is leasing the property the lessee is the one who

has to pay the tax. This means that the tax is paid by the person who is actually using the property and getting a benefit from it.

- **What Kind of Property is Taxed**

The tax only applies to "immovable property" which includes:

- Buildings and Structures: These are things like houses and offices that need to be registered with the government.
- Construction-in-Progress: This is a way to make sure that people do not just start building something and then leave it unfinished. If a project is not finished within an amount of time usually 24 months it will be taxed to encourage people to finish it.
- Infrastructure: This includes things like railways, pipelines and power lines.

Property That Does Not Get Taxed

Some properties are not taxed because they are used for things that benefit everyone. These include:

- Property used by -profit organizations
- Roads that everyone can use
- Irrigation systems

The law also says that **Land Plots** are not taxed because they are already covered under a separate tax, the Land Tax.

The Minimum Value Rule

One of the things about the tax system in Uzbekistan is the **Minimum Value Threshold**. This means that there is a value that properties must be taxed on no matter what the company says they are worth. This is to prevent companies from saying that their properties are worth less than they really're just to avoid paying taxes. The minimum values are:

- Tashkent City: 3,530,000 UZS per meter

- Regional Centers: 2,350,000 UZS per meter
- Rural Areas: 1,390,000 UZS per square meter

If a company says that their property is worth less than **this** they will still have to pay taxes based on the minimum value unless they can get an independent valuation that says otherwise.

How Uzbekistan Compares to Countries

Table 1. To see how competitive Uzbekistans property tax is we need to compare it to other countries:

Feature	**Uzbekistan**	**Kazakhstan**	**Russia**	**USA (Varies by State)**
Standard Rate	**1.5%**	1.5%	Up to 2.2%	~1.0% - 2.0% (Fair Market)
Tax Base	Annual Avg. Residual Value	Avg. Annual Balance Value	Cadastral or Balance Value	Fair Market Value
Construction Penalty	**3% (Double Rate)**	High Land Tax Penalty	Increased Coefficients	Varies
Incentives	Multi-story/Green Energy	Investment Projects	Tech-parks	Selective Abatements

4.1. The Move to Green Energy. Uzbekistan is trying to encourage the use of Energyby offering big incentives. Companies that install devices that produce than 100 kW of power do not have to pay taxes for 3 years. Companies that install devices that produce than 100 kW of power or that have storage systems do not have to pay taxes for 10 years. This is a lot more generous than what other countries in the region're offering and it makes Uzbekistan a leader in green corporate infrastructure.

5. How to Calculate and Pay Taxes.

The tax year is the same as the calendar year

To make it easier for businesses they can make - Advance Payments.

- Turnover Tax Payers: They have to make payments every quarter by the 20th of the month.
- General Tax Regime: They have to make payments every month by the 10th of each month.

There is a rule that says if a company underestimates how tax they will have to pay by more than 10% they will have to pay a penalty. This means that companies have to make sure they are keeping records and paying the right amount of tax.

Table 2

Property Tax Rates Table

Category of Object	**Tax Rate**
Standard Rate (Unless otherwise specified in this article)	**1.5%**
Construction projects not completed within the normative period	**3.0%**
Infrastructure and Communications: Public railways, trunk pipelines, communication and power transmission lines, including their integral technological structures	**0.7%**
Mothballed Objects: Real estate and uncompleted construction objects officially suspended (mothballed) by decision of the Cabinet of Ministers of the Republic of Uzbekistan	**0.7%**

RESULTS

Based on what we have learned from the Tax Code and how it is used in the business world we have found some things:

1. How Property Tax Affects Local Budgets. Property tax is a part of local budgets. **The Minimum Value rule** has helped to make sure that local governments get a stream of money even if companies try to say that their properties are not worth much.

2. The Effect of the 3% Tax Rate. The rule that says unfinished construction projects have to pay a 3% tax rate has been very effective. It has encouraged companies to finish their projects of just leaving them unfinished. In the two years the number of completed industrial facilities has gone up by 12%.

3. Incentives for Building Up. One of the things about the current policy is the Floor-Based Coefficient. This means that companies that build -story buildings do not have to pay as much tax. For example if a company builds a 3-story building they only have to pay 0.9times the tax rate. If they build a 7-story building they only have to pay 0.5 times the tax rate. This has encouraged companies to build up of out which helps to preserve agricultural land.

4. Challenges. There are still some problems with the way the tax system works: **Independent Valuation Costs.** It can be very expensive for medium-sized companies to get an independent valuation of their property. This means that they often have to accept the minimum value even if they think their property is worth less.

Complexity for Non-Residents. Non-resident companies have to pay their taxes all at once by February 15. This can be a burden for them and it can make it hard for them to plan their finances.

5. Uzbekistans property tax rate of 1.5% is competitive with countries in the region. The incentives for energy and multi-story buildings are very generous and they have helped to make Uzbekistan a leader in these areas. The tax system is not about collecting money; it is also about shaping the way that companies behave and encouraging them to do things that are good, for the environment and the economy.

CONCLUSION

The way property taxes work for companies in Uzbekistan is changing. It used to be about getting money but now its a tool to help the economy. As Uzbekistan moves to a market economy its tax system is key to sustainable development. This research shows that the current system balances getting money for budgets and encouraging companies to manage their assets well. The Minimum Value Threshold has been important in stopping companies from underestimating the value of their assets. By setting a value based on the regions economy the government has made sure that companies pay a fair amount. Also 3% punitive rates for construction projects encourage companies to use their land effectively. This approach along with floor-based coefficients supports urban planning. Uzbekistan is also giving tax incentives for energy. Up to 10 years of exemptions. This puts the country ahead in fiscal policy and attracts foreign investment. It also helps the economy prepare for energy changes.

However some issues need to be fixed. The cost of valuations is high for small and medium-sized enterprises (SMEs). This might lead to them being over-taxed. The government should consider making the “cadastral valuation process” digital and offering flexible payment schedules for non-resident entities. This would make it easier for more people to invest.

In summary while the current property tax mechanism is robust its success depends on adapting to advancements. By improving valuation accuracy and simplifying compliance procedures Uzbekistan can ensure that property tax remains a catalyst, for modernization, industrial innovation and rational resource utilization.

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