

## DIRECTIONS FOR EFFECTIVE USE OF PROPERTY TAX IN EXPANDING THE TAX BASE

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### Abstract

This thesis analyzes the role and significance of property tax in expanding the tax base. It highlights opportunities to increase budget revenues through property tax, current challenges, and measures to address them. Effective approaches such as digitalization, market value-based assessment, review of exemptions, and the introduction of a progressive tax rate system are proposed. The findings of this study contribute to further improving the tax policy of our country.

**Keywords:** property tax, tax base, tax exemptions, digitalization, market value, automated valuation, progressive rate, local budget, tax policy, economic efficiency.

### Introduction

The tax system constitutes a fundamental component of any country's financial policy, playing a critical role in ensuring economic stability and sustainable development. Among the various types of taxes, property tax holds particular significance as it contributes to increasing local budget revenues, stimulating economic activity, and upholding the principle of social justice. In the current economic context, the expansion of the taxable base has become an urgent priority. This necessitates a thorough reassessment of the role of property tax and the improvement of its organizational framework. Effective administration and collection of property tax not only strengthen the financial stability of local governments but also help reduce economic inequalities within society. Furthermore, property tax revenues are often allocated by local authorities to fund essential social services and infrastructure projects, thereby directly influencing regional socio-economic development.

Therefore, revising the conceptual framework of property taxation within the broader tax policy, enhancing collection mechanisms, and strengthening oversight are crucial tasks. These measures will contribute to the overall stability of the tax system, foster economic growth, and promote social equity.

The deepening of market relations requires the sustainable development of production and service sectors, improvement of their competitiveness, and continuous enhancement of property valuation in these sectors.

K. Berry also emphasizes that the fairness and accuracy of property tax depend on the quality of property valuation by local appraisers. He even notes cases in the U.S. where relatively inexpensive properties are assessed at high prices, and vice versa.

Main Part. Property Tax as a Stable Source of Revenue in the Tax System. In many countries, property tax serves as a permanent source for local budgets. This type of tax is characterized by:

- Dependence of the tax base on tangible, real assets;
- Often fulfilling a redistributive function;
- Being less influenced by market conditions.

Current State of Property Tax in Uzbekistan. Currently, property owned by individuals and legal entities in Uzbekistan is taxed separately. However, the following issues are observed:

- Incomplete inventory of properties;
- Lack of clear property valuation mechanisms;

Limited tax base due to exemptions and privileges.

Opportunities for Expanding the Tax Base through Property Tax. The following approaches can be effective in expanding the tax base via property tax:

1. Comprehensive Property Registration and Valuation. Establishing a detailed and up-to-date property registry is essential. Accurate valuation of properties based on market values ensures a fair and transparent tax assessment, preventing underreporting and tax evasion.
2. Inclusion of Untaxed or Under-taxed Properties. Expanding the tax base involves identifying properties that are currently exempt or under-assessed and reconsidering their tax status. This includes vacant land, commercial properties, and informal housing.
3. Modernization of Tax Administration. Implementing digital technologies and automated systems can improve tax collection efficiency, reduce errors, and enhance compliance. Online platforms for tax filing and payments make it easier for taxpayers to meet their obligations.
4. Periodic Reassessment of Property Values. Regular reassessment ensures that property taxes reflect current market conditions, allowing for adjustments that can increase revenues in line with economic growth.
5. Public Awareness and Education Campaigns. Educating property owners about their tax responsibilities and the benefits of property taxes for local development can improve compliance and acceptance of tax policies.
6. Incentives for Voluntary Compliance. Offering incentives such as discounts for early payments or penalties for non-compliance can encourage taxpayers to fulfill their obligations promptly.
7. Legislative Reforms and Policy Updates. Revising legal frameworks to close loopholes and clarify property tax regulations helps create a more robust and equitable tax system.

By implementing these approaches, governments can effectively broaden the property tax base, thereby increasing local revenues and contributing to sustainable economic and social development.

### **Conclusion and Recommendations**

Property tax serves as a crucial and sustainable source of public revenue with significant untapped potential. When designed and implemented effectively, it not only strengthens fiscal capacity but also promotes equity, urban development, and economic activity. However, in many jurisdictions, the property tax system remains inefficient due to outdated valuation methods, lack of digital infrastructure, excessive exemptions, and social inequities. To fully harness the potential of property taxation, the following comprehensive recommendations are proposed:

1. **Complete Digitalization and Implementation of Automated Valuation Systems.** A key barrier to effective property taxation is the lack of a comprehensive, up-to-date digital property registry. Many properties remain unregistered, undervalued, or inaccurately documented. To address this, a nationwide digital database of all immovable property should be developed using geographic information systems (GIS) and other modern tools. Furthermore, the adoption of Automated Valuation Models (AVMs) based on market data will ensure more objective, accurate, and efficient property assessments, while reducing human error and opportunities for corruption.
2. **Setting Tax Rates Based on Market Value.** In many cases, property tax is calculated using outdated cadastral or assessed values that do not reflect actual market prices. This results in unfair tax burdens and undermines revenue potential. Tax rates should therefore be aligned with current market values, which will ensure a more equitable distribution of the tax burden and improve the efficiency and legitimacy of the system.
3. **Review and Rationalization of Tax Exemptions.** Excessive and poorly targeted tax exemptions can significantly erode the property tax base. While some exemptions may be justified—for example, for vulnerable populations or socially beneficial activities—many are granted without clear criteria or oversight. A thorough review and rationalization of all existing exemptions is necessary, ensuring that only well-justified and transparently administered exemptions remain in place.
4. **Protecting Low-Income Groups through Progressive Taxation.** A uniform tax rate applied to all properties may disproportionately affect low-income households, particularly those living in urban areas with rising land values. To ensure social fairness, a progressive property tax system should be introduced. Under such a system, lower-value properties would be taxed at a lower rate, while high-value properties would incur higher rates. This not only promotes equity but can also enhance public support for tax reforms.

5. Introducing Measures to Encourage the Use of Vacant Properties. Vacant or underutilized properties—especially in urban centers—represent a loss of economic potential and contribute to urban decay. Implementing incentives or penalties (such as higher tax rates on long-term vacancies or requirements for temporary use) can help mobilize these assets for productive use. Such measures would stimulate economic activity, encourage housing availability, and reduce speculative landholding.

The successful reform of the property tax system requires a strategic, data-driven, and socially sensitive approach. By implementing these recommendations, governments can significantly enhance revenue collection, improve the fairness and transparency of the tax system, and foster sustainable urban and economic development. However, reforms should be carefully tailored to the local legal, institutional, and socio-economic context, and should be accompanied by strong communication efforts to build public trust and support.

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