EXPANSION OF LOCAL BUDGET REVENUE BASE IN UZBEKISTAN

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ABSTRACT

This article examines real estate taxation, its specific features, scholars who have conducted research in this area, the legal basis for real estate taxation, the proposed methodology for indexing cadastral value, approaches to cadastral valuation in real estate taxation, and the experience of foreign countries in establishing real estate tax rates.

One of the pressing challenges of our time is expanding regional budget revenue sources and improving the process for calculating the cadastral value of real estate owned by individuals, residential property, and privately owned non-residential properties. In this regard, priority tasks include further improving land and property taxation, utilizing modern information technologies in land accounting and valuation processes, improving the efficient use of underground and subsoil resources, and further enhancing the independence of regional budgets.

Decree No. PF-43 of the President of the Republic of Uzbekistan, dated March 5, 2025, "On the Introduction of a Public Real Estate Valuation System," was published. The main objectives of this Decree are:

Determining the value of over 8 million residential and non-residential properties and approximately 7 million land plots in the country as objects of economic significance;

Ensuring the proportionality of real estate values determined for tax purposes, purchase and sale, mortgages, seizure for public purposes, and other cases;

Creating a reliable, complete, and periodically updated database on the real estate market;

Further implementing the principle of fairness in taxation.

It was noted that, beginning in 2025, all real estate properties will be gradually subject to public valuation to determine their value close to market value. It was decided that the public valuation will be conducted in the following stages:

In 2025-2026 – as a pilot project in Tashkent;

In 2026-2027 – in Nukus and regional centers;

In 2027 and subsequent years – in the remaining regions..

The Ministry of Economy and Finance is the sole body implementing state policy in the field of state real estate valuation.

The Cadastral Agency is the authorized body for state real estate appraisal.

The National Center for Mass Appraisal of Real Estate is the executive body for state real estate appraisal.

The division of responsibilities in the area of state real estate appraisal between the Ministry of Economy and Finance, the Cadastral Agency, and the National Center for State Real Estate Appraisal was approved as follows.

1. The primary responsibilities of the Ministry of Economy and Finance in the area of public real estate appraisal include:

Developing and implementing a unified state policy for the introduction of a public appraisal system;

Developing measures and mechanisms to regulate the public appraisal process, including improving the public appraisal methodology;

Developing proposals for the practical implementation and improvement of public appraisal results;

Developing proposals for conducting public appraisals of real estate in individual districts (cities) of the republic in relation to urbanization and infrastructure development, price levels, and other market indicators.

2. The main tasks of the cadastral agency in the field of public real estate valuation are:

ensuring the completeness and quality of information on real estate objects stored in the database during the public valuation process;

creating and updating the list of real estate objects subject to public valuation;

monitoring mass valuation data;

effectively organizing the mass valuation system, as well as digitalizing and automating the process;

submitting proposals to the Ministry of Economy and Finance regarding the development of measures and mechanisms regulating the process of public valuation of real estate objects, including improving the public valuation methodology;

reviewing and approving the results of public valuations of real estate objects.

3. The main tasks of the National Center for Mass Appraisal of Real Estate in the area of state real estate appraisal are:

Determining the value of real estate objects, approximate to market price, through state appraisals;

Creating, maintaining, and updating an electronic database of state appraisals, and entering state appraisal results into this database without a separate application and free of charge;

Monitoring and analyzing the real estate market by studying, collecting, and processing information related to state real estate appraisals.

В соответствии с Указом Президента Республики Узбекистан № ПФ-43 «О введении системы публичной оценки недвижимого имущества» от 5 марта 2025 года был разработан Приказ Министра экономики и финансов Республики Узбекистан «Об утверждении методологии публичной оценки недвижимого имущества». Приказ был зарегистрирован Министерством юстиции Республики Узбекистан 14 июля 2025 года под регистрационным номером 3649.

The specified procedure defines the procedure and principles for compiling a list of properties subject to public appraisal, collecting and analyzing real estate market data, grouping properties subject to public appraisal, zoning by price and appraisal, determining pricing factors and the level (coefficient) of their influence on the valuation of properties, determining the valuation of properties, confirming the results of public appraisals, and considering appeals based on the results of public appraisals.

Agencies responsible for state registration of rights to real estate are required to provide state tax authorities with real-time electronic information on land plots and other real estate, and their owners (proprietors), located in the relevant territory[1].

Violation of the procedure for providing information on the occurrence of tax liabilities by officials of bodies and organizations required to provide information on the occurrence of tax liabilities in accordance with the law, expressed in failure to provide the said information, late provision, or provision of it with distortions, entails the imposition of a fine in the amount of seven to ten times the base calculation amount.

If a similar offense is committed again within one year of the imposition of an administrative penalty, a fine of ten to fifteen times the amount calculated based on the base indicator is imposed[2].

According to amendments to tax legislation, starting January 1, 2026, the tax paid by individuals on income from real estate rentals will be transferred entirely to the local budgets of the district (city) where the property is located. This will generate additional tax revenue for the budget[3].

As a result, additional tax revenues will be added to the budget.

Information on the amount of tax planned to be paid into the budget as a result of the fact that the entire amount of tax paid on income from renting out real estate will be sent to the local budgets of the district (city) where the real estate is located[4]

Indicators	2022	2023	2024	2025	2026 (1st quarter)
Number of contracts	223 515	386 802	438 320	479 615	334 461
Real estate objects	172 497	250 880	264 646	284 963	240 061
Rent amount (billion soums)	2 379,30	3 349,50	4 475,10	6 161,20	1 397,40

[1] Tax Code of the Republic of Uzbekistan, Article 133
[2] Article 215 of the Code of the Republic of Uzbekistan on administrative responsibility
[3] This proposal was developed by a researcher. Reference number 22-134706 of the Tax Committee of the Republic of Uzbekistan dated December 1, 2025.
[4] This information was collected by the researcher based on the open database of the Ministry of Economy and Finance.

Accrued taxes (billion soums)	159,3	194,8	503,4	870,1	148,7

An analysis of the data in Table 1 shows that in the first quarter of 2026, local budgets will receive an additional 148.7 billion soums in revenue from the transfer of property rental income taxes to the regional budgets where the property is located.

Currently, when accounting for property and land tax assets, there is a discrepancy between the State Tax Service report and the Cadastral Agency database. There are differences between the land area and the cadastral value of the asset, which directly impacts tax revenues.

A comparative analysis was conducted using data on land and property tax assets obtained from cadastral offices.

A comparative analysis was conducted using data on land and property tax assets obtained from cadastral offices (Figure 2.10).

The number of existing real estate properties in Uzbekistan[5]

As Figure 2.10 shows, the primary real estate structure in Uzbekistan consists of individual homes owned by private individuals. It is worth noting that currently, 40.9% of the total number of properties are not subject to state registration, while 617,412 properties, or 7.6%, lack cadastral documents.

The real estate stock consists of 8.17 million properties, the vast majority of which are residential buildings (75.8%) and apartments (17.4%) (a total of 93.2%); non-residential properties account for 6.8%. Registered properties account for 59.1%, while unregistered properties account for 40.9%, representing a significant gap in the full protection of property rights and market circulation.

The share of properties with technical inventory documents remains at 33.4%, while 7.6% of properties lack cadastral documents. This situation limits mortgage and investment transactions, prevents the full formation of the tax base and creates uncertainty in urban planning.

[5] Formed on the basis of data from the Cadastre Agency

The priority task is to rapidly expand the coverage of documentation by accelerating mass registration, digitizing technical inventory passports and strengthening data integration.

The share of properties with technical inventory documentation remains at 33.4%, while 7.6% lack cadastral documentation altogether. This situation limits mortgage and investment transactions, hinders the full formation of the tax base, and creates uncertainty in urban development.

In conclusion, and as a proposal, it can be said that the redistribution of revenues from property rental income taxes to the regional budget where the property is located, and the state registration of unregistered properties, will expand the local budget's revenue base and increase the region's economic potential.

The following priority objectives were identified:

- accelerating mass real estate registration;
- digitizing technical inventory certificates;
- rapidly expanding the volume of documentation through enhanced data integration.

The implementation of these measures will serve to increase the activity of tax authorities and the revenue sources of local budgets

References:

1.Tax Code of the Republic of Uzbekistan, Article 133
2.Article 215 of the Code of the Republic of Uzbekistan on administrative responsibility
3.This proposal was developed by a researcher. Reference number 22-134706 of the Tax Committee of the Republic of Uzbekistan dated December 1, 2025.
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5. Formed on the basis of data from the Cadastre Agency