



STIMULATION OF AGRICULTURE THROUGH TAXES DURING THE CORONAVIRUS PANDEMIC IN UZBEKISTAN

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Abstract: Mechanisms of tax incentives for agriculture in Uzbekistan during the coronavirus pandemic is analyzed in the article.

Keywords: coronavirus pandemic, global crisis, property tax, land tax, tax benefits, food security, agriculture

Introduction. The coronavirus pandemic, which has become the world's most pressing problem to date, has a negative impact on the socio-psychological state of the world's population, leading to a sharp decline in incomes and rising unemployment, and threatening to plunge the entire economy into crisis. According to the International Air Transport Association, a forced shutdown of global air traffic could cost the industry a total of 113 billion US dollars. Airline stock prices have fallen by almost 25 per cent since the virus outbreak began, in which case 75 per cent of airlines' cash reserves could last for a maximum of three months. Virgin Australia, the second largest airline in Australia, as a result of the crisis, have already announced a voluntary transfer to external management due to bankruptcy*.

According to the World Tourism and Travel Council (WTTC), about 75 million jobs could be lost as a result of the pandemic if countries do not take anti-crisis measures to support the sector†.

Supporting agriculture in the context of a coronavirus pandemic is a process directly related to food security. International organizations are paying close attention to agricultural production and, ultimately, food security in the world during the global pandemic.

Literature review

According to the Food and Agriculture Organization of the United Nations (FAO), one of the largest food and agriculture organizations in the world, Europe and Central Asia have favorable conditions for increasing wheat production by 2020. Although it is still too early to harvest winter wheat in the Northern Hemisphere, the first signs of high yields in 2020, as in 2019, are clearly visible. According to preliminary forecasts, the world will harvest 763 million tons in 2020, and the high yield in 2019 will almost remain‡.

From the beginning of 2019 to the spring of 2020, world export prices of wheat remained stable and even led to lower prices in February and March 2020 in exchange for higher stocks of the 2019 harvest. However, under the threat of the COVID-19 pandemic,

* <https://ru.euronews.com/2020/04/21/virgin-australia-financial-collapse>

† <https://wtcc.org/en-us/COVID-19/Member-Hub>

‡ <http://www.fao.org/3/ca8869ru/CA8869RU.pdf>

Russia, Ukraine, and Kazakhstan, the world's largest exporters, saw export prices rise in April as demand for food picked up.

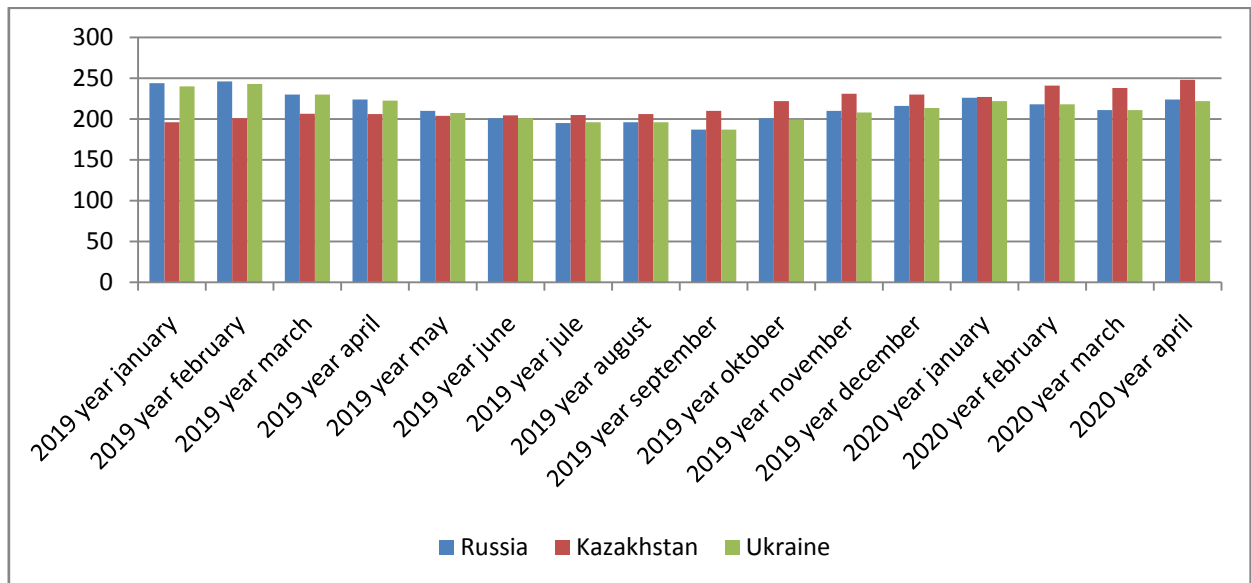


Figure 3. Changes in export prices for wheat grown in Russia, Ukraine and Kazakhstan (in US dollars per ton)[§]

According to the data, the export price of wheat in Kazakhstan increased by more than 20% from \$ 206 per ton in April 2019 to \$ 248 in April 2020. As noted, in February 2020, it first fell to \$ 241, then to \$ 238 in March, but rose again in April. In Ukraine and the Russian Federation, wheat export prices were also stable, only decreased slightly in February and March 2020, increased by 6% in April and remained at \$ 222-224. [1] It is known that the price of flour imported to Uzbekistan increased slightly in April, mainly due to the import of flour products from Kazakhstan, but then in May the price stabilized again.

During the coronavirus pandemic, as in other sectors of the economy, a number of decrees of the President of the Republic of Uzbekistan were adopted to support agriculture through taxes. Decrees and resolutions related to the introduction of direct tax benefits include:

1. Decree of the President of the Republic of Uzbekistan dated March 19, 2020 No. UP-5969 "On priority measures to mitigate the negative impact of the coronavirus pandemic and the global crisis on the economy";
2. Decree of the President of the Republic of Uzbekistan dated April 3, 2020 No. UP-5978 "On additional measures to support the population, sectors of the economy and businesses during the coronavirus pandemic";
3. Decree of the President of the Republic of Uzbekistan dated April 27, 2020 No. UP-5986 "On additional measures to support the population and businesses during the coronavirus pandemic";
4. Decree of the President of the Republic of Uzbekistan dated May 18, 2020 No. UP-5996 "On the next measures for support of the population and subjects of entrepreneurship in the period of coronavirus pandemic";

[§] Europe and Central Asia: Regional food market situation and policy bulletin in response to the COVID-19 pandemic. FAO. Rome, Italy. 29 April 2020 - Issue 1.

5. Decree of the President of the Republic of Uzbekistan dated May 28, 2020 No. UP-6002 "On urgent measures to support the tourism sector for reducing the negative impact of the coronavirus pandemic".

6. Decree of the President of the Republic of Uzbekistan dated June 6, 2020 No. PP-4742 "On measures to simplify state regulation of entrepreneurial activity and self-employment".

Research methodology

The article uses methods of scientific observation, scientific abstraction, grouping, comparison, empirical analysis, data grouping, descriptive statistical comparison, induction and deduction assessment.

Analysis and results

In accordance with the Decree of the President of the Republic of Uzbekistan dated March 19, 2020 No UP-5969 "On priority measures to mitigate the negative impact of the coronavirus pandemic and the global crisis on sectors of the economy" in order to reduce the cost of agricultural production and reduce the share of taxes in it, tax rates for the use of water resources in the volume used for irrigation of agricultural land have been halved (Decree, 2020).

83,000 farmers took advantage of this privilege, and it is planned that as a result of tax exemption for the use of water resources, 150 billion soums will be left at their disposal**.

Reduction of tax rates for the use of water resources used to irrigate agricultural lands in Uzbekistan during the coronavirus pandemic

(Bozorov, 2020)

Area of activity	Average volume of water per 1 ha of land	Tax amount for 1 ha (in practice)	Tax amount per 1 ha (at a reduced rate)
Cotton growing	6100 m ³	854,0	427,0
Livestock breeding	3100 m ³	434,0	217,0
Vegetable growing	11000 m ³	1540,0	770,0

Local authorities provide businesses with the opportunity to defer (installment payment) for up to two years without collecting interest on property tax, land tax and water use tax.

According to the decree, local authorities have authorized businesses to defer taxes on the use of property, land and water resources for 6 months and in accordance with the Decree of the President of the Republic of Uzbekistan dated April 27, 2020 No PF-5986 "On additional measures to support the population and businesses during the coronavirus pandemic", additionally, the right to independently determine the period for deferred payment of taxes, property taxes, land taxes and turnover taxes for the use of water resources was granted to local public authorities for a period of up to two years (Decree, 2020a). According to the State Tax Committee of the Republic of Uzbekistan, during the quarantine period, business entities were allowed to defer payment of taxes in the amount of 6766.7 million soums.

**Based on the information on www.soliq.uz.

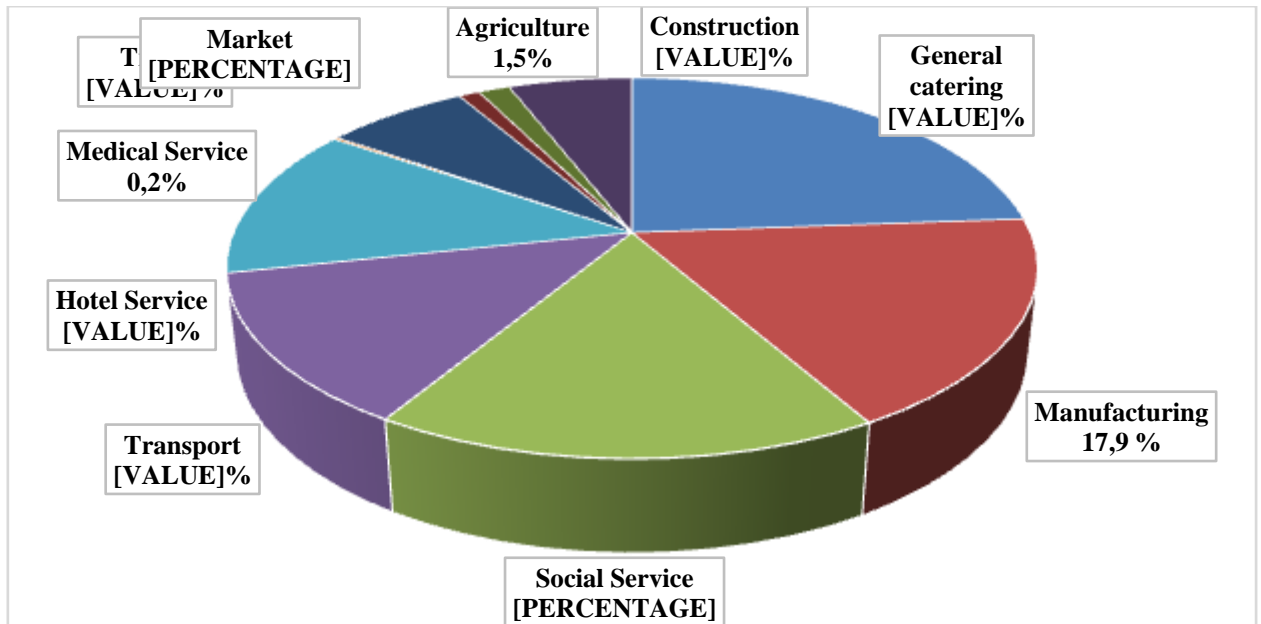


Figure 2. The share of tax benefits provided by the Decree of the President of the Republic of Uzbekistan dated March 19, 2020 No UP-5969 by industry^{††}.

When analyzed by sectors, overdue businesses accounted for 23.8% of total catering enterprises. This is certainly due to the situation, as public catering establishments were among the first to close in Uzbekistan when the quarantine was declared, and are not yet fully operational, only the delivery of ready meals has been restored. The next share is occupied by manufacturing, services enterprises and transport (17.9%, 17.0% and 12.9%, respectively). The share of hotel services is also 12.9%. In general, during the pandemic, along with air transport and tourism, hotel services are also the areas that have suffered the most. In this regard, special benefits have been provided to these sectors, ie from April 1 to December 31, 2020, tour operators, travel agents and entities providing hotel services (accommodation services) in the field of tourism, JSC "Uzbekistan Airways" and its subsidiaries, JSC "Uzbekistan Airports" and State Unitary Enterprise "Uzaeronavigation center" is exempted from land and property taxes and will pay social tax at a reduced rate, ie at the rate of 1% instead of 12% (Decree, 2020b).

Privileges for agriculture are 1.5% of economic entities and amount to more than 200.4 million soums. This, of course, does not include the funds that will be left at the disposal of farms as a result of halving the tax rate for the use of water resources.

^{††}Prepared by the author on the basis of the official website of the State Tax Committee of the Republic of Uzbekistan (www.soliq.uz).

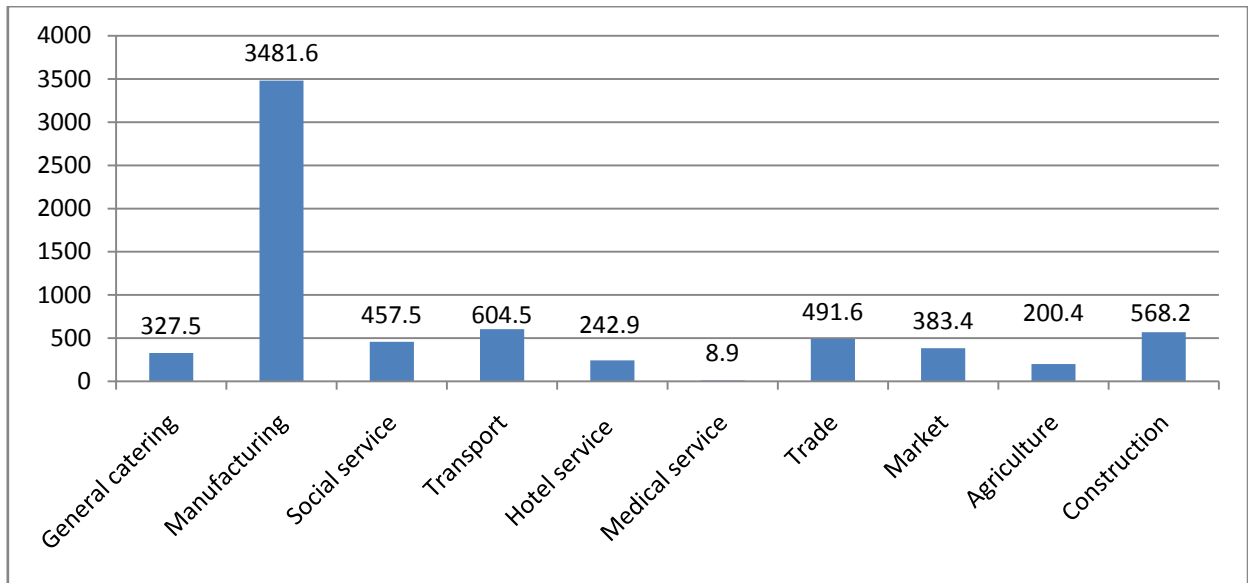


Figure 3. Deferred tax amounts in accordance with the Decree of the President of the Republic of Uzbekistan № UP-5969 dated March 19, 2020 (in millions of soums)^{}.**

According to the data, the largest amount of overdue taxes was provided to manufacturing enterprises, which amounted to 3481.6 million soums, with a total share of more than 51.4%, followed by transport, construction and trade enterprises.

As one of the largest decisions on direct support of agriculture and food security in Uzbekistan in the context of the pandemic, the President of the Republic of Uzbekistan signed a Resolution No. PP-4700 "On measures to ensure food security, rational use of available resources, and state support of agriculture during the coronavirus pandemic." This resolution regulates the procedure for the use of decommissioned lands and lands with groundwater reserves, their preferential allocation to the population for the cultivation of agricultural products and the formation of projects based on the calculation of land plots at the expense of the district budget was introduced (Resolution, 2020). It is planned to allocate 300 billion soums to the district budgets from the funds allocated under the anti-crisis program for the use of land. At the same time, the rate of income tax on profits of agricultural producers from the sale of their own agricultural products is set at 0 percent, the reduction of the average annual residual value of property from the tax base for the balance of agricultural enterprises used for the cultivation and storage of agricultural products as well as when calculating the property tax of legal entities for the cultivation of silkworms, newly developed lands for drip irrigation and agricultural purposes are exempted from land tax for five years, and lands occupied by newly planted orchards, vineyards and mulberry trees, regardless of the use of trees for planting crops, are also exempted from land tax for three years.

At the same time, as one of the aspects of social orientation of the documents adopted to stimulate the economy during the pandemic, it is important to ensure the stability of the population and income in the country, especially in rural areas. For example, in accordance with the Resolution of the President of the Republic of Uzbekistan on June 8, 2020 "On measures to simplify state regulation of entrepreneurial activity and self-employment" No. PP-4742, the mechanism of registration of self-employed persons

^{**}<https://soliq.uz/press-services/news/show/dsq--million-somlik-soliqlar-muddati-kechiktirildi>

was simplified by issuing a matrix barcode (QR-code) confirming the registration of self-employment was made possible to do it through a special mobile application or voluntarily through the personal account of the taxpayer, and the procedure for issuing temporary employment certificates has been abolished. Individuals engaged in such activities were allowed to pay social tax in the amount of at least 50 percent of the basic calculation amount, and on this basis to determine the amount of income for pension calculation, and family businesses engaged in these activities with at least three participants were able to halve turnover tax rates. Also, from July 1, 2020, the list of activities that can be engaged by self-employed people has been expanded from 24 to 67 (Resolution, 2020a).

Conclusions and suggestions

In general, the measures taken to reduce the impact of the coronavirus pandemic and the global crisis on agriculture in Uzbekistan include the following areas:

- maintaining the sustainability of agricultural production in order to ensure food security in the domestic market;
- Providing tax benefits to economically disadvantaged agricultural producers, stimulating the production and export of agricultural products by delaying the payment of taxes, preventing a sharp decline in incomes of people living in rural areas.
- The commissioning of lands with existing groundwater reserves is aimed at creating new jobs and preventing unemployment.

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