

## ANALYSIS OF RESOURCE TAXES BASED ON TAX ANALYSIS TECHNIQUE

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**Abstract:** *The article is devoted to the analysis of resource taxes and considerations on their significance. The opinions of foreign researchers and scholars on the topic have been studied. In addition, the article investigates the role of resource taxes in the budget of the Republic of Uzbekistan. Furthermore, the author has developed conclusions and proposals based on the presented analyzes.*

**Key words:** *resource taxes, property tax, tax on using water resources, subsoil use tax.*

### **Introduction.**

In the process of the developing the material world natural resources possess a special status and in the current period of modernization mineral resources have turned into the essential factor limiting economic development as an important moving material. Currently environmental pollution is becoming more and more serious, water resources, especially fresh water resources, are gradually decreasing and constantly affecting the desertification of regions.

Since the role of taxation is aimed at correcting income disparities and raising fiscal revenues, resource taxes as specific taxes also play a unique role in saving resources and protecting the environment.

The rational and reasonable use of resources is the top-target objective of the economy and their effective use by collecting them is currently considered one of the urgent tasks. Resource taxes include property tax, land tax, tax on using water resources and subsoil use taxes. Today, taking into account the reasonable use of resources, the amount of taxes collected from resources in the tax system of our country is increasing year by year.

### **Literature review.**

R.Boadway and F.Flatters (1993) in their research suppose that natural resources are usually taxed both under the income tax system and subject to the taxation as special resources. In their opinion, actual resource taxes are significantly different from rent taxes.

Z.D. Chen (2018) states in his research that "The current resource tax only covers mineral resources, and the scope of future resource tax should be expanded to forests, grasslands, beaches and other natural resources". This statement implies that every particle in nature is renewable and valuable for us therefore it is a sign that we should use it wisely.

According to Bai (2014), "The economy is continuously growing with constant changes and innovations in the resource tax system. ...to further optimize and modernize the industrial structure, I think we should undertake the following five measures: 1) expanding the scope of taxation; 2) gradual increase of the tax rate; 3) integration and

simplification of resource taxation mechanisms; 4) preferential tax policy is to be improved in Western China; 5) supplementary reforms on resource taxation should be implemented”.

Some scholars, such as Conrad & Hool (1984), have considered the effects of taxation on resource extraction and how to design a tax system to optimize resource allocation.

After that, researches on the theory of resource tax and its scope have been studied in a comprehensive manner. Deroubaix & Leveque (2006) believe that not only energy products but also natural resources such as water resources should be taxed in terms of environmental protection.

### **Research methodology.**

Traditional methods of economic analysis such as analysis and synthesis, induction and deduction have been used in this article. The risk management experience of economists and researchers of foreign countries has been analyzed from a scientific and practical point of view, and relevant conclusions have been developed in reliance upon the research results.

### **Analysis and results.**

Since the introduction of the resource tax, its income as a share of total tax revenues is not high, so the role of organizational income is very limited. In addition, because the resource tax is excluded from the measurement, it has a certain regression, so the phenomenon of reducing the resource tax appeared as well. All over the world, the share of resource taxes in fiscal income is generally not high. In addition, the limited amount of mineral resources is non-renewable, and with continuous use, their amount will be less, because the important source of budget income is stable, therefore, it is necessary to use the resource tax as a major source.

We will analyze the percentage of resource taxes in the revenues of the state budget over the last five years (2017-2021), which can be seen in Table 1 below.

**Table 1**

**Receipts from the resource taxes in the revenue part of the budget in the Republic of Uzbekistan in 2017-2021<sup>1</sup> (billion UZS)**

<b>№</b>	<b>Indicators</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
1.	Tax receipts	49 681,0	62 229,5	112 165,4	132 938,0	164681
2.	Total resource taxes	6 867,4	9 714,5	19 680,7	21 257,0	23036
3.	Property tax	2 129,7	2 158,9	2 360,2	1 974,3	2457
4.	Land tax	1 091,8	1 266,6	2 313,2	2 386,7	4083
5.	Subsoil use tax	3 474,1	6 203,1	14 692,8	16 417,1	15812
6.	Tax on using water resources	171,8	85,9	314,5	478,8	684
7.	Share of resource taxes in the total tax receipts,%	13,8	15,6	17,5	15,9	14

If we analyze the data provided in Table 1, we can see that in 2017 the receipts from resource taxes to the revenue part of the budget constituted 6867.4 billion UZS, in 2018 it was 9714.5 billion UZS, in 2019 it accounted for 19680.7 billion UZS, in 2020 it was equal to 21257.0 billion UZS and in 2021 this indicator amounted to 23036 billion

<sup>1</sup>Developed by the author on the basis of the data of the Ministry of Finance of the Republic of Uzbekistan.

UZS. The share of resource taxes in total receipts was 13.8% in 2017, 15.6% in 2018, 17.5% in 2019, 15.9% in 2020, and 14% in 2021.

Due to the reduction in 2020 with the aim of implementing the measures to mitigate a negative impact of the coronavirus pandemic during the period between April 1 and December 31, 2020, 1764 tour operators, travel agents and units providing hotel services (accommodation services) in the field of tourism were provided tax incentives in the amount of 69,1 billion UZS; for April and May in 2020 tax debts in the total amount of 29.5 billion UZS of 17247 small businesses have been deferred, including the amount of 11.6 billion UZS for the property tax and 17.9 billion UZS for the land tax. This fact, in turn, has made a negative impact on the revenue part of the budget.

**Table 2**

**Data on the share of resource taxes paid by 219 major enterprises  
in the total income<sup>ii</sup>, in billion UZS**

№	Indicators	2019	2020	2021
1.	<b>Tax payments accrued to the payment to the budget:</b>	<b>39 792</b>	<b>51 103</b>	<b>51 959</b>
2.	<b>Resource payments, total</b>	<b>12063</b>	<b>14639</b>	<b>13377</b>
3.	Subsoil use tax	11 405	13 691	12 351
4.	Tax for using water resources	194	213	259
5.	Property tax	321	484	502
6.	Land tax	143	251	265
7.	<b>Share of resource payments in the total income, in percent</b>	<b>30,3</b>	<b>28,6</b>	<b>25,7</b>

The data of Table 2 represents analysis of the information of the largest 219 tax-paying enterprises in the Republic of Uzbekistan, and when studying the share of resource taxes in the tax payments, including the data of enterprises of mining and large production associations, the share of resource taxes in the total amount of tax payments subject to payment to the budget constitutes 30.3 percent in 2019 and 28.6 percent in 2020. Furthermore, the share of resource taxes is expected to be 25 percent in 2021. This indicator raises many questions on this issue.

Current resource tax only covers energy minerals, metallic minerals, non-metallic minerals, water stream minerals and salt and other mineral resources. However, according to the main theory of the resource taxes, resource taxes should include not only mineral resources, but also all natural resources. The scope of resource taxation is very narrow, which to some extent contradicts the principle of fair taxation. Natural resources such as forests, grasslands and minerals, are subject to resource tax, however, some natural resources do not have to pay tax, because some resources are alternative, which results in the unprotected natural resources that are not subject to tax.

Many preferential policies aimed at providing various incentives are reflected in the legislation concerning resource taxes. This can reduce the tax burden of resource taxes paid by enterprise and also encourage enterprises to improve mining technology and raise the use of resources. However, at the same time there are some negative implications. First of all, it does not help tax fairness because tax *шўхутишмуы* are only given to a few people and some businesses are not able to benefit from tax incentives, and this fact has resulted in greater unfairness to other taxpayers. Secondly, it does not help to distribute the

<sup>ii</sup>Developed by the author on the basis of the data of the State Tax Committee of the Republic of Uzbekistan.

resources evenly, the tax incentives shift the state budget to the benefit of the enterprises that can use the preferential business, which makes these enterprises cheaper, leads to faster development, and due to high profits received by the preferential enterprises, they cannot use facilities of these preferential enterprises.

It should be noted that preferential tax regime objectively encourages enterprises to use preferential treatment for the development of resources in order to take advantage of as many benefits as possible. This fact, in turn, leads to the waste of resources and low profitability of resources. However, the purpose of the resource tax is to save resources and encourage the sustainable use of resources rather than overexploitation.

The main aim of the resource tax is to save resources, and the resource tax plays an important role in revealing the scarcity of resources and developing the economic consciousness of enterprises. If the rate of the resource tax is low, it will make the use of resources cheap, and it will be difficult for enterprises to realize the value of resources that are not convenient for saving and rational use.

In addition, it is necessary to distinguish between different types of resource tax rates, and, in particular, high tax rates imposed on the resources can intensify their protection.

Different regions should also be distinguished due to the differences in the conditions of initiative and extraction of resources so that local conditions play an important role in regulating resource taxes. The preferential tax policy related to the resource tax is also closely related to the tax rate of the resource tax, and most of the preferential tax benefits of the resource tax involve a reduction in the tax rate of this type of the tax.

Due to its small share the resource tax plays a limited role in saving resources in the society and its role is not so significant. Therefore, we must coordinate the resource tax with other taxes, as well as to create a perfect resource tax system, because the purpose of the resource tax is to save resources. It can be concluded that the functional area of the recursion tax should be changed from “regulating the differential income at the resources level” to “encouraging saving of resources and sustainable use of resources”.

According to the direction of development and implementation of the resource tax in the country is the functional direction of this tax. However, there are still some shortcomings in the current legislation on the resource tax, its determination and implementation should still be evaluated as one of the major legislative and practical issues.

On the one hand, the availability of resource tax has a certain positive role to save resources and to prevent their destruction and environmental damage. Currently it is necessary to improve the regulatory documents on the saving of resources to the tax legislation and to introduce the practice of saving, and treat resources at the national treasure. While the resource tax has limited revenue-raising potential, it conveys the value orientation of recycling, saving resources, and caring for the environment to society as a whole, which is very beneficial.

We will go into more detail about property tax in the next paragraph of our article because in many manufacturing enterprises, so the existence and importance of property tax is higher than other taxes. We will continue our research and consider other types of resource taxes. It is obvious that the tax for using water resources is widely used in agriculture, the subsoil use tax is paid by the companies engaged in mining activities, and in this paragraph we provide our considerations with the help of analytical operations.

In the world 40 percent of the world food production and 60 percent of grain crops come from irrigated land. The high degree of the efficiency of the irrigated lands provides with an incentive to increase their areas all over the world. While crop productivity has

increased by 40 percent in the last 20 years, the amount of water per hectare has remained almost unchanged in the last 100 years<sup>iii</sup>.

Today the service life of most water infrastructure facilities in the Republic accounts for more than 50 years, 77 percent of the irrigation network is delivered through the soil bed, 44 percent of the network needs to be repaired and restored, 10 percent of the network needs to be reconstructed, 40 percent of the water is lost in the irrigation networks<sup>iv</sup>. As a result, it is possible to determine the amount of the water actually used by water consumers. Therefore, it is recommended to give incentives to agricultural enterprises that have installed water measuring devices that automatically measure the volume of water used, in the amount of the value of these points or in the form of a 50 percent reduction of the tax rate, and to introduce a tax collection mechanism by using the tax rate (according to the norm or) multiplied by 2 times compared to those that have not installed this water measuring device. This measure is considered an incentive, but its significance will be crucially important in future in terms of saving resources. In this regard we should also emphasize that applying incentives to the resource taxes can yield positive effect. Because current drought does not enable to accurately forecast the state of our country's climate in the future, therefore, we consider it necessary and important to prevent this disaster.

The next type of tax is the subsoil use tax, which is usually paid by strategic enterprises that are important for the national economy (see Table 3).

**Table 3**

**Data on the share of the subsoil use tax in the GDP [11]**

<b>№</b>	<b>Indicators</b>	<b>Unit of measure</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>1.</b>	Gross Domestic Product	<i>billion UZS</i>	529391,4	602551,4	721043,3
<b>2.</b>	Tax accrued	<i>billion UZS</i>	12471,7	15 528,8	15 754,2
<b>3.</b>	Receipts	<i>billion UZS</i>	14 692,9	16 429,6	15 754,2
<b>4.</b>	Share in the GDP ( <i>by receipts</i> )	<i>%</i>	2,8	2,7	2,2

From the data presented in Table 3 it is obvious that the share of receipts of the subsoil use tax in the Gross Domestic Product constituted 2.8 percent in 2019, 2.7 percent in 2020, and 2.2 percent in 2021. It is obvious from this that the share of receipts of the subsoil use tax in the Gross Domestic Product of our country is important.

Nowadays the government of the Republic of Uzbekistan is paying particular attention to the development of minerals and their modern extraction. The Decree of the President of the Republic of Uzbekistan №6319 dated October 06, 2021 "On measures to further encourage geological exploration and improve the taxation procedure for subsoil users" determines the following top-target objectives, such as developing mineral deposits with the help of foreign investors, encouraging geological exploration with the help of the advanced equipment and technologies, and further improvement of the procedure for providing services to subsoil users. Moreover, starting from January 1, 2022:

a) land plots allocated for geological exploration and (or) exploration work are not subject to land taxation from legal entities;

<sup>iii</sup> <http://www.fao.org> Data obtained from the Food and Agriculture Organization of the United Nations (FAO).

<sup>iv</sup> Source: The Ministry of Water management of the Republic of Uzbekistan.

b) an annual license fee for the use of subsoil for geological exploration is introduced, calculated on the basis of the allotted area and types of minerals, in the amount established by legislative acts;

c) the annual license fee for the use of subsoil for geological exploration is directed to:

70 percent - to the republican budget of the Republic of Uzbekistan;

15 percent - to the local budgets of the regions;

15 percent - to the local budgets of districts (cities). (Decree, 2021).

Furthermore, this Decree determines that the refund of the amount of value added tax to legal entities engaged in geological exploration is carried out according to the procedure established by the Tax Code of the Republic of Uzbekistan, but no later than 30 days from the date of application. In addition, from October 1, 2021 legal entities are exempt from customs duties:

when selling natural gas for export, the excise tax rate is set at zero percent;

when importing natural gas into the territory of the Republic of Uzbekistan” (Decree, 2021).

The Decree specified above also stipulates that the draft law “On making amendments and alterations to the Tax Code of the Republic of Uzbekistan” is being currently developed. According to this statutory act from January 1, 2022:

reduction of tax rates for the subsoil use of mineral resources for oil and natural gas up to 10 percent, gold and copper - up to 7 percent, tungsten - up to 2.7 percent, uranium - up to 8 percent. At the same time, for enterprises with a state share that produce hydrocarbons, precious, non-ferrous, rare and radioactive metals, as well as under production sharing agreements (unless otherwise provided by agreements and contracts that entered into force before September 1, 2021) by the President of the Republic of Uzbekistan may establish increased tax rates for the use of subsoil;

introduction of a tax on rental income for subsoil users engaged in the production (extraction) of oil, natural gas, gas condensate, precious, non-ferrous, rare and radioactive metals at new deposits, taking into account the capital expenditures of subsoil users;

exemption from property tax for legal entities of new oil and gas wells in the first two years, starting from the month of their commissioning, in the next three years - the application of the property tax rate for legal entities, reduced by 50 percent of the established tax rate;

further improvement of the procedure for calculating the subsoil use tax, taking into account advanced foreign experience and attracting experts. At the same time, determine that when calculating the subsoil use tax the extraction of oil, natural gas and certain types of minerals in the period from January 1 to December 31, 2021, the tax base is reduced by the amount of expenses associated with their transportation and processing;

unification of tax rates for the use of subsoil for non-metallic minerals;

granting the right to maintain tax records in USD to enterprises with foreign investments that are taxpayers of rental income tax (Decree, 2021).

It should be noted that the changes scheduled in this legislation are intended to lower the tax rates and use them in order to extract them with ease. In our opinion, depending on the reserve of resource taxes, we believe that the government should economize them applying higher rates. During the research, we analyzed some information from official sources and conducted studies within the topic of the research. The biggest problem with resource taxes is the lack of resources, especially with regarding the payers of the subsoil use tax.

### Conclusion.

A complete analysis of resource taxes can be a constant process aimed more at identifying actual and expected future changes in taxation systems than at the details of the current system. The stability of tax systems is likely to accelerate the development of resources when income is high, as expected future tax increases may reduce expected income as a result of delayed development. On the other hand, the combination of tax uncertainty and large long-term investments required for resource projects may cause some other useful resource investments to pass away.

We believe that it is crucially important to study the sources and reports on the resource taxes, conduct their comprehensive tax analysis and accurately develop relevant conclusions on many tax systems. As long as the information source of the tax analysis is clear and close and the source of the documents is complete, we can elaborate accurate conclusions. In any case, in this article we have tried to analyze the current state of the economy, analyzing the impact of the economy's huge potential, but limited resources.

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