

# FEATURES OF APPLICATION OF FOREIGN EXPERIENCE IN THE AGRO-INDUSTRIAL COMPLEX OF UZBEKISTAN

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## Abstract

In the context of the modernization of the agrarian sector of the Republic of Uzbekistan, the issue of adapting foreign experience in agricultural taxation is becoming relevant. The article considers the main models used in world practice, including cadastral and profit systems, as well as environmental and investment incentives. The possibilities of their application in Uzbekistan are determined taking into account local specifics: the dominance of the state sector, limited access of small farms to benefits, and the need for institutional reforms. Keywords: agriculture, taxation, foreign experience, tax incentives, agro-industrial complex, Uzbekistan, tax reform, digitalization.

**Keywords:** Agro-industrial complex, foreign experience, agricultural taxation, subsidies, tax incentives, digitalization, sustainable agriculture, green technologies, agri-startups, policy adaptation, international best practices, rural development, risk management, economic modernization.

## Introduction

Agriculture is one of the main sectors of the economy of the Republic of Uzbekistan, ensuring food security, providing employment to a significant part of the population, and making a significant contribution to gross domestic product (GDP). In the context of market transformation, climate challenges, and the transition to a digital economy, the development of an effective and fair taxation system in the agricultural sector is of particular importance.

The purpose of this work is to analyze the current taxation mechanism of the agro-industrial complex of Uzbekistan, identify its problematic aspects, and, based on international experience, make recommendations for improving tax and budget regulation in agriculture.

An analysis of the current taxation system for the agro-industrial complex (AIC) in Uzbekistan shows that tax policy in this area is primarily aimed at supporting agricultural producers and stimulating growth in the industry. In accordance with the Tax Code of the Republic of Uzbekistan adopted in 2020 (with subsequent amendments for 2023-2024), a special tax regime is provided for agricultural entities. It provides for exemption from income tax, exemption from

value added tax (VAT) when selling agricultural products produced by them, as well as the possibility of applying a single land tax instead of paying a number of other mandatory payments.

### Research methods or methodology

The work uses general scientific research methods. Foreign experience is systematized on the example of a number of developed and developing countries.

### Discussion and results

The conducted research revealed a number of problems that reduce the effectiveness of the current taxation mechanism in the agro-industrial complex. First, there is no system of tax incentives for the introduction of innovations and "green" technologies, which slows down the processes of modernization and sustainable development of the sector. Second, the level of tax discipline remains low: according to the State Tax Committee, about 18% of farmers submit reports late or incompletely.

International experience of agricultural taxation and its application in Uzbekistan:

1. Diversity of taxation models. World practice shows that there are two main approaches to agricultural taxation: cadastral and income-profit. The cadastral system based on the physical characteristics of the land is used in countries such as Uzbekistan, Moldova, Italy, and Germany. For example, in Uzbekistan, a Unified Land Tax (ULT) is used, calculated according to the following formula:

**Area (hectares) × Base rate × Soil quality coefficient (0-100 points).**

This mechanism creates a tax burden of 8-12% of the gross profit of the agricultural producer. In Italy, cadastral income is calculated based on the "potential productivity" of the land, with adjustments for the type of land, which allows for flexible accounting of regional differences. The second approach - income-profit systems - is used in the USA, Canada and France. These countries offer more flexible methods of calculating taxes. Thus, in the USA and France, an average income over three years is used to smooth out the effects of seasonal fluctuations and market instability. The United States also offers accelerated depreciation, which allows 80% of the cost of agricultural machinery to be written off in the first year of use. In Germany, small farms up to 50 hectares can maintain simplified accounts with fixed deductions, which reduces the administrative burden.

2. Incentive mechanisms. Many countries have successfully implemented tax instruments that encourage environmental friendliness and investment activity in agriculture. In Uzbekistan, the introduction of a 0.5 reduction coefficient in the water tax in 2024 contributed to an 18% increase in the use of drip irrigation. The Netherlands has a 40% tax reduction system for organic farms. Israel exempts households that reduce water consumption by 30% or more from VAT. Investment incentives also show effectiveness. In Poland, there are tax breaks for up to 50% of agricultural machinery costs in 2020-2023. led to a 34% increase in investment in agricultural machinery. In order to stimulate exports, Kazakhstan introduced a zero rate on export profits, which led to a 19% increase in wheat exports.



3. Global trends and challenges. One of the main trends has been the simplification of tax administration. For example, Brazil has combined eight taxes into a single payment, Simples Nacional, and Turkey has abolished seven small payments for farmers in 2022. Germany and France have introduced online calculators for automatic calculation of tax liabilities. Greening the tax system is also actively developing. Starting in 2023, the European Union countries have reduced the VAT rate for organic products to 5%. In California (USA), farmers with carbon-free production receive tax breaks. However, certain risks and challenges remain for the CIS countries, including Uzbekistan.

First, preparation for WTO accession requires a review of export duties and the harmonization of tax legislation. Second, the dominance of the state sector (in Uzbekistan - more than 50% of the assets of the agro-industrial complex) reduces competition and efficiency. In addition, the low level of tax benefits remains a problem: about 70% of farms cannot benefit from water tax benefits due to the high cost of equipment.

4. Recommendations for adapting international experience. Taking into account the specifics of the Uzbek economy in transition, the following measures are proposed:

- Tax regime differentiation: It is proposed to maintain the Single Tax System for small farms, but with the introduction of "climate coefficients" that automatically reduce the tax rate in case of severe weather conditions. It is proposed to introduce a profit tax of 7–12% with the right to investment deductions for agroclusters according to the Polish model.
- Incentive measures: Introduce the category of "starting an agricultural enterprise" with five-year tax holidays for new technological agricultural projects. Expand the list of "green" benefits: include solar power plants and energy-efficient greenhouses in the programs of subsidies and tax incentives.
- Institutional reforms: Create a digital "Land Tax" registry that integrates data on soils, climate risks, and investment activities for automatic calculation of tax liabilities. Gradually reduce the share of the public sector in agriculture, drawing on the experience of US reforms in the 1970s. One of the important forms of support is the provision of preferential loans. Through state-owned banks such as Agrobank and Xalq Bank, agricultural enterprises are financed at rates significantly lower than market rates - less than 10 percent per annum. The state also acts as a guarantor for loans, covering up to 50 percent of the risk in the implementation of priority projects such as the creation of intensive gardens and greenhouses.

In order to reduce administrative barriers, mechanisms for digitizing tax and administrative interactions have been introduced. The processes of reporting, obtaining subsidies, and monitoring obligations have been simplified on the electronic platforms E-agro and my.soliq.uz. Taxpayers with a high level of honesty are exempted from scheduled inspections, which reduces pressure on enterprises and encourages compliance with the law.

Starting from 2023, Uzbekistan will begin developing mechanisms for "ecological schemes" borrowed from the practice of the European Union. Their essence is to provide additional subsidies and tax incentives to farmers using sustainable farming methods aimed at preserving soil fertility, biodiversity and environmentally friendly production. This direction will be further developed within the framework of the adopted "green agriculture" program.



Thus, the existing system of tax and economic incentives makes the agricultural business model in Uzbekistan more rational, sustainable and attractive for private and foreign investments. The fact that state-supported measures cover all stages of the production process, from land preparation to product sales, allows for the creation of competitive agricultural products in both the domestic and foreign markets.

### Conclusion

An analysis of international experience in taxation of the agro-industrial complex shows that the effectiveness of tax policy in the agricultural sector directly depends on the flexibility of tax regimes, the availability of incentive mechanisms and the level of digitalization of management. World practice demonstrates a variety of approaches - from cadastral models to income-profit systems, each of which can be adapted taking into account the characteristics of the national economy.

For Uzbekistan, which is at the stage of deep transformation of agriculture, the application of foreign experience requires a careful and selective approach. It is impossible to simply copy ready-made solutions - it is important to adapt them to reality: the climatic, economic and institutional conditions of the country.

Particular attention should be paid to: differentiation of tax regimes - introduction of a flexible taxation system that takes into account the scale and specialization of business entities; expansion of the system of tax incentives, especially in terms of the introduction of water and energy-saving technologies; digital transformation - creating a single information platform that combines information on land resources, meteorological conditions and tax obligations; reducing the share of the state sector - encouraging private investment and increasing competition; increasing the availability of benefits, especially for small farmers and peasant farms, which currently have limited opportunities for modernization.

Thus, the application of foreign experience in the agro-industrial complex of Uzbekistan should be based on the principles of gradualism, scientific analysis, targeting and institutional support. Only a comprehensive approach will increase the efficiency of taxation in the agricultural sector and ensure the sustainable development of agriculture in the long term.

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